Activity 1 – Basic revision example (single product)

Harari Ltd uses a standard absorption costing system to control the manufacturing costs of its single product. The following standards have been set:

		R per Unit
Direct material	2 kgs at R6 per kg	12
Direct labour	1 hour at R7 per hour	7
Fixed overheads	1 hour at R9 per hour	9
Total production cost		28

The fixed overhead standard cost per unit is based on a normal budgeted monthly production of 4 000 units. Actual results for the most recent month were:

Production	4 300 units
Direct material	Cost R56 000 for 9 000 kgs
Direct labour	Cost R32 800 for 4 600 hours paid. Only 4 000 hours were worked.
Fixed overheads	R35 000

No direct material inventory is held. All products produced are currently sold at R40 per unit with sales commission of 5% payable on the sales price.

REQUIRED

(a) Calculate the following variances:

(i) Direct material price
(ii) Direct material usage
(iii) Direct labour rate
(iv) Labour idle time
(v) Direct labour efficiency
(vi) Fixed overhead expenditure
(vii) Fixed overhead volume

Activity 4 – Sales Variances

A company has the following budget data and reported results for period 1 in the year 20x2:

Product	Budgeted Sales in Units	Budgeted Unit Selling Price	Budgeted Unit Contribution	Total Contribution
T	2 000	R20	R10	R20 000
S	2 000	R10	R 5	R10 000
Total	4 000			R30 000

The actual results were as follows:

Product	Actual Sales in Units	Actual Unit Selling Price	Actual Unit Contribution	Total Contribution
T	1 000	R18	R 8	R 8 000
S	2 500	R12	R 7	R 17 500
Total	3 500			R 25 500

REQUIRED

(a) Calculate the Sales Price variance
(b) Calculate the Sales Contribution Volume variance
(c) Calculate the Sales Contribution Mix variance
(d) Calculate the Sales Contribution Yield or Quantity variance

{Source for both questions: TL102 MAC4861 (permission obtained from CTA group)}