

Question 3 – June 2000, ACCA Paper B2

Cascade Limited produces metal containers for the pharmaceutical industry. The company uses standard costing and the following standards relate to the containers:

Material: 6 kilos of Material A at £5.00 per kilo.

Direct labour: 2 hours at a rate of £4.50 per hour.

Variable overheads are absorbed at a rate of £7.50 per labour hour.

Fixed overheads are absorbed at a rate of £12.00 per labour hour and are budgeted at £15,000 per month.

During May 2000 the company produced and sold 600 containers. The actual costs and data relating to production in May were as follows:

Material: 3,550 kilos at a total cost of £18,290

Direct labour: 1,320 hours were worked and paid for at a total cost of £5,610

Variable overhead incurred was £9,400

Fixed overhead incurred was £15,610

Required:

- (a) Calculate the standard cost of a single metal container. (5 marks)
- (b) Calculate the following cost variances for May 2000:
- (i) Material price and usage; (4 marks)
 - (ii) Labour rate and efficiency; (4 marks)
 - (iii) Variable overhead expenditure (or rate) and efficiency; (6 marks)
 - (iv) Fixed overhead expenditure and volume. (6 marks)

(25 marks)

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