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| --- | --- | --- | --- | --- | --- |
|  |  | Question Type | Difficulty | LO6: (Appendix 6A) Super-variable costing | Professional exam adapted |
|  | 1 | T/F | E | x |  |
|  | 2 | T/F | E | x |  |
|  | 3 | T/F | E | x |  |
|  | 4 | Conceptual M/C | E | x |  |
|  | 5 | Conceptual M/C | M | x |  |
|  | 6 | Single Part M/C | E | x |  |
|  | 7 | Single Part M/C | M | x |  |
|  | 8 | Single Part M/C | M | x |  |
|  | 9 | Single Part M/C | E | x |  |
| APP06A-Ref1 | 10-13 | Multipart M/C | E | x |  |
| APP06A-Ref2 | 14-19 | Multipart M/C | E | x |  |
| APP06A-Ref3 | 20-22 | Multipart M/C | E | x |  |
| APP06A-Ref4 | 23-24 | Multipart M/C | E | x |  |
| APP06A-Ref5 | 25-27 | Multipart M/C | E-M | x |  |
| APP06A-Ref6 | 28-30 | Multipart M/C | E-M | x |  |
| APP06A-Ref7 | 31-32 | Multipart M/C | E | x |  |
| APP06A-Ref8 | 33-35 | Multipart M/C | E-M | x |  |
| APP06A-Ref9 | 36-40 | Multipart M/C | E-M | x |  |
|  | 41 | Problem | M | x |  |
|  | 42 | Problem | E | x |  |
|  | 43 | Problem | E | x |  |
|  | 44 | Problem | E | x |  |
|  | 45 | Problem | E | x |  |
|  | 46 | Problem | M | x |  |
|  | 47 | Problem | M | x |  |
|  | 48 | Problem | E | x |  |
|  | 49 | Problem | E | x |  |

Appendix 06A

Super-Variable Costing

**True / False Questions**

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| 1. | Super-variable costing is a costing method that treats direct labor and manufacturing overhead costs as period costs and includes only direct materials cost in unit product costs.    True    False |

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| 2. | All differences between super-variable costing and absorption costing net operating income are explained by the accounting for direct materials costs.    True    False |

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| 3. | The super-variable costing net operating income period can be computed by multiplying the number of units sold by the contribution margin per unit and then subtracting total fixed costs.    True    False |

**Multiple Choice Questions**

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| 4. | Under super-variable costing, which of the following is treated as a period cost?          |  |  | | --- | --- | | A. | Option A |  |  |  | | --- | --- | | B. | Option B |  |  |  | | --- | --- | | C. | Option C |  |  |  | | --- | --- | | D. | Option D | |

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| 5. | All differences between super-variable costing and absorption costing are explained by:      |  |  | | --- | --- | | A. | the accounting for direct materials and manufacturing overhead costs. |  |  |  | | --- | --- | | B. | the accounting for direct labor and direct materials. |  |  |  | | --- | --- | | C. | the accounting for direct labor and manufacturing overhead costs. |  |  |  | | --- | --- | | D. | the accounting for manufacturing overhead costs. | |

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| 6. | Tisch Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 20,000 units and sold 13,000 units. The company's only product is sold for $242 per unit.  The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $(109,000) |  |  |  | | --- | --- | | B. | $507,000 |  |  |  | | --- | --- | | C. | $(676,000) |  |  |  | | --- | --- | | D. | $(11,000) | |

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| 7. | Albanese Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 36,000 units and sold 29,000 units. The company's only product is sold for $236 per unit.  The company is considering using either super-variable costing or an absorption costing system that assigns $16 of direct labor cost and $72 of fixed manufacturing overhead to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds absorption costing net operating income by $616,000. |  |  |  | | --- | --- | | B. | Absorption costing net operating income exceeds super-variable costing net operating income by $616,000. |  |  |  | | --- | --- | | C. | Absorption costing net operating income exceeds super-variable costing net operating income by $504,000. |  |  |  | | --- | --- | | D. | Super-variable costing net operating income exceeds absorption costing net operating income by $504,000. | |

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| 8. | Quiller Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 32,000 units and sold 31,000 units. The company's only product is sold for $233 per unit.  The company is considering using either super-variable costing or a variable costing system that assigns $12 of direct labor cost to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds variable costing net operating income by $63,000. |  |  |  | | --- | --- | | B. | Super-variable costing net operating income exceeds variable costing net operating income by $12,000. |  |  |  | | --- | --- | | C. | Variable costing net operating income exceeds super-variable costing net operating income by $12,000. |  |  |  | | --- | --- | | D. | Variable costing net operating income exceeds super-variable costing net operating income by $63,000. | |

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| 9. | Wahler Corporation manufactures and sells one product. In the company's first year of operations, the variable cost consisted solely of direct materials of $85 per unit. The annual fixed costs were $640,000 of direct labor cost, $2,208,000 of fixed manufacturing overhead expense, and $1,140,000 of fixed selling and administrative expense. The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 32,000 units and sold 30,000 units. The company's only product is sold for $249 per unit. The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $1,110,000 |  |  |  | | --- | --- | | B. | $932,000 |  |  |  | | --- | --- | | C. | $972,000 |  |  |  | | --- | --- | | D. | $762,000 | |

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|  | Phoeuk Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 41,000 units and sold 40,000 units. The company's only product is sold for $231 per unit. |

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| 10. | The unit product cost under super-variable costing is:      |  |  | | --- | --- | | A. | $88 per unit |  |  |  | | --- | --- | | B. | $166 per unit |  |  |  | | --- | --- | | C. | $110 per unit |  |  |  | | --- | --- | | D. | $209 per unit | |

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| 11. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $802,000 |  |  |  | | --- | --- | | B. | $714,000 |  |  |  | | --- | --- | | C. | $880,000 |  |  |  | | --- | --- | | D. | $824,000 | |

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| 12. | Assume that the company uses a variable costing system that assigns $22 of direct labor cost to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $88 per unit |  |  |  | | --- | --- | | B. | $110 per unit |  |  |  | | --- | --- | | C. | $209 per unit |  |  |  | | --- | --- | | D. | $166 per unit | |

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| 13. | Assume that the company uses a variable costing system that assigns $22 of direct labor cost to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | A. | $714,000 |  |  |  | | --- | --- | | B. | $824,000 |  |  |  | | --- | --- | | C. | $802,000 |  |  |  | | --- | --- | | D. | $880,000 | |

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|  | Wienecke Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 44,000 units and sold 41,000 units. The company's only product is sold for $239 per unit. |

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| 14. | The unit product cost under super-variable costing is:      |  |  | | --- | --- | | A. | $213 per unit |  |  |  | | --- | --- | | B. | $88 per unit |  |  |  | | --- | --- | | C. | $174 per unit |  |  |  | | --- | --- | | D. | $104 per unit | |

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| 15. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $856,000 |  |  |  | | --- | --- | | B. | $544,000 |  |  |  | | --- | --- | | C. | $808,000 |  |  |  | | --- | --- | | D. | $1,066,000 | |

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| 16. | Assume that the company uses a variable costing system that assigns $16 of direct labor cost to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $104 per unit |  |  |  | | --- | --- | | B. | $174 per unit |  |  |  | | --- | --- | | C. | $88 per unit |  |  |  | | --- | --- | | D. | $213 per unit | |

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| 17. | Assume that the company uses a variable costing system that assigns $16 of direct labor cost to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | A. | $856,000 |  |  |  | | --- | --- | | B. | $544,000 |  |  |  | | --- | --- | | C. | $808,000 |  |  |  | | --- | --- | | D. | $1,066,000 | |

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| 18. | Assume that the company uses an absorption costing system that assigns $16 of direct labor cost and $70 of fixed manufacturing overhead to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $88 per unit |  |  |  | | --- | --- | | B. | $213 per unit |  |  |  | | --- | --- | | C. | $174 per unit |  |  |  | | --- | --- | | D. | $104 per unit | |

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| 19. | Assume that the company uses an absorption costing system that assigns $16 of direct labor cost and $70 of fixed manufacturing overhead to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | A. | $1,066,000 |  |  |  | | --- | --- | | B. | $856,000 |  |  |  | | --- | --- | | C. | $544,000 |  |  |  | | --- | --- | | D. | $808,000 | |

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|  | Feltner Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 49,000 units and sold 42,000 units. The company's only product is sold for $225 per unit. |

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| 20. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $(210,000) |  |  |  | | --- | --- | | B. | $532,000 |  |  |  | | --- | --- | | C. | $882,000 |  |  |  | | --- | --- | | D. | $399,000 | |

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| 21. | Assume that the company uses a variable costing system that assigns $19 of direct labor cost to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | A. | $532,000 |  |  |  | | --- | --- | | B. | $399,000 |  |  |  | | --- | --- | | C. | $(210,000) |  |  |  | | --- | --- | | D. | $882,000 | |

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| 22. | Assume that the company uses an absorption costing system that assigns $19 of direct labor cost and $50 of fixed manufacturing overhead to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | A. | $882,000 |  |  |  | | --- | --- | | B. | $399,000 |  |  |  | | --- | --- | | C. | $(210,000) |  |  |  | | --- | --- | | D. | $532,000 | |

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|  | Nickolls Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 30,000 units and sold 27,000 units. The company's only product is sold for $230 per unit. |

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| 23. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $78,000 |  |  |  | | --- | --- | | B. | $594,000 |  |  |  | | --- | --- | | C. | $351,000 |  |  |  | | --- | --- | | D. | $405,000 | |

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| 24. | Assume that the company uses a variable costing system that assigns $18 of direct labor cost to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | A. | $78,000 |  |  |  | | --- | --- | | B. | $405,000 |  |  |  | | --- | --- | | C. | $351,000 |  |  |  | | --- | --- | | D. | $594,000 | |

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|  | Schaadt Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 23,000 units and sold 16,000 units. The company's only product is sold for $243 per unit. |

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| 25. | The unit product cost under super-variable costing is:      |  |  | | --- | --- | | A. | $167 per unit |  |  |  | | --- | --- | | B. | $106 per unit |  |  |  | | --- | --- | | C. | $212 per unit |  |  |  | | --- | --- | | D. | $84 per unit | |

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| 26. | Assume that the company uses a variable costing system that assigns $22 of direct labor cost to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $212 per unit |  |  |  | | --- | --- | | B. | $84 per unit |  |  |  | | --- | --- | | C. | $167 per unit |  |  |  | | --- | --- | | D. | $106 per unit | |

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| 27. | The company is considering using either super-variable costing or a variable costing system that assigns $22 of direct labor cost to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Variable costing net operating income exceeds super-variable costing net operating income by $427,000. |  |  |  | | --- | --- | | B. | Variable costing net operating income exceeds super-variable costing net operating income by $154,000. |  |  |  | | --- | --- | | C. | Super-variable costing net operating income exceeds variable costing net operating income by $154,000. |  |  |  | | --- | --- | | D. | Super-variable costing net operating income exceeds variable costing net operating income by $427,000. | |

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|  | Moffa Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 54,000 units and sold 47,000 units. The company's only product is sold for $256 per unit. |

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| 28. | The unit product cost under super-variable costing is:      |  |  | | --- | --- | | A. | $93 per unit |  |  |  | | --- | --- | | B. | $171 per unit |  |  |  | | --- | --- | | C. | $107 per unit |  |  |  | | --- | --- | | D. | $219 per unit | |

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| 29. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $1,291,000 |  |  |  | | --- | --- | | B. | $1,193,000 |  |  |  | | --- | --- | | C. | $542,000 |  |  |  | | --- | --- | | D. | $1,739,000 | |

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| 30. | The company is considering using either super-variable costing or a variable costing system that assigns $14 of direct labor cost to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds variable costing net operating income by $98,000. |  |  |  | | --- | --- | | B. | Variable costing net operating income exceeds super-variable costing net operating income by $98,000. |  |  |  | | --- | --- | | C. | Super-variable costing net operating income exceeds variable costing net operating income by $448,000. |  |  |  | | --- | --- | | D. | Variable costing net operating income exceeds super-variable costing net operating income by $448,000. | |

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|  | Sirmons Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 46,000 units and sold 45,000 units. The company's only product is sold for $249 per unit. |

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| 31. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $1,321,000 |  |  |  | | --- | --- | | B. | $1,225,000 |  |  |  | | --- | --- | | C. | $1,395,000 |  |  |  | | --- | --- | | D. | $1,340,000 | |

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| 32. | Assume that the company uses an absorption costing system that assigns $19 of direct labor cost and $55 of fixed manufacturing overhead to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | A. | $1,321,000 |  |  |  | | --- | --- | | B. | $1,225,000 |  |  |  | | --- | --- | | C. | $1,395,000 |  |  |  | | --- | --- | | D. | $1,340,000 | |

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|  | Sagon Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 29,000 units and sold 23,000 units. The company's only product is sold for $231 per unit. |

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| 33. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $782,000 |  |  |  | | --- | --- | | B. | $446,000 |  |  |  | | --- | --- | | C. | $(202,000) |  |  |  | | --- | --- | | D. | $296,000 | |

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| 34. | The company is considering using either super-variable costing or a variable costing system that assigns $25 of direct labor cost to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds variable costing net operating income by $150,000. |  |  |  | | --- | --- | | B. | Super-variable costing net operating income exceeds variable costing net operating income by $336,000. |  |  |  | | --- | --- | | C. | Variable costing net operating income exceeds super-variable costing net operating income by $336,000. |  |  |  | | --- | --- | | D. | Variable costing net operating income exceeds super-variable costing net operating income by $150,000. | |

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| 35. | The company is considering using either super-variable costing or an absorption costing system that assigns $25 of direct labor cost and $56 of fixed manufacturing overhead to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds absorption costing net operating income by $486,000. |  |  |  | | --- | --- | | B. | Absorption costing net operating income exceeds super-variable costing net operating income by $336,000. |  |  |  | | --- | --- | | C. | Absorption costing net operating income exceeds super-variable costing net operating income by $486,000. |  |  |  | | --- | --- | | D. | Super-variable costing net operating income exceeds absorption costing net operating income by $336,000. | |

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|  | Prehn Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 36,000 units and sold 30,000 units. The company's only product is sold for $251 per unit. |

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| 36. | The unit product cost under super-variable costing is:      |  |  | | --- | --- | | A. | $81 per unit |  |  |  | | --- | --- | | B. | $109 per unit |  |  |  | | --- | --- | | C. | $227 per unit |  |  |  | | --- | --- | | D. | $179 per unit | |

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| 37. | Assume that the company uses a variable costing system that assigns $28 of direct labor cost to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $179 per unit |  |  |  | | --- | --- | | B. | $227 per unit |  |  |  | | --- | --- | | C. | $109 per unit |  |  |  | | --- | --- | | D. | $81 per unit | |

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| 38. | Assume that the company uses an absorption costing system that assigns $28 of direct labor cost and $70 of fixed manufacturing overhead to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $81 per unit |  |  |  | | --- | --- | | B. | $109 per unit |  |  |  | | --- | --- | | C. | $227 per unit |  |  |  | | --- | --- | | D. | $179 per unit | |

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| 39. | The company is considering using either super-variable costing or a variable costing system that assigns $28 of direct labor cost to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds variable costing net operating income by $168,000. |  |  |  | | --- | --- | | B. | Super-variable costing net operating income exceeds variable costing net operating income by $420,000. |  |  |  | | --- | --- | | C. | Variable costing net operating income exceeds super-variable costing net operating income by $420,000. |  |  |  | | --- | --- | | D. | Variable costing net operating income exceeds super-variable costing net operating income by $168,000. | |

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| 40. | The company is considering using either super-variable costing or an absorption costing system that assigns $28 of direct labor cost and $70 of fixed manufacturing overhead to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds absorption costing net operating income by $6,000. |  |  |  | | --- | --- | | B. | Absorption costing net operating income exceeds super-variable costing net operating income by $588,000. |  |  |  | | --- | --- | | C. | Absorption costing net operating income exceeds super-variable costing net operating income by $6,000. |  |  |  | | --- | --- | | D. | Super-variable costing net operating income exceeds absorption costing net operating income by $588,000. | |

**Essay Questions**

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| 41. | Griffy Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 30,000 units and sold 23,000 units. The company's only product is sold for $239 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses an absorption costing system that assigns $14 of direct labor cost and $70 of fixed manufacturing overhead to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. c. Prepare a reconciliation that explains the difference between the super-variable costing and absorption costing net incomes. |

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| 42. | Slezak Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 35,000 units and sold 31,000 units. The company's only product is sold for $264 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses an absorption costing system that assigns $28 of direct labor cost and $68 of fixed manufacturing overhead to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. |

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| 43. | Rhoda Corporation manufactures and sells one product. In the company's first year of operations, the variable cost consisted solely of direct materials of $87 per unit. The annual fixed costs were $912,000 of direct labor cost, $2,128,000 of fixed manufacturing overhead expense, and $1,320,000 of fixed selling and administrative expense. The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 38,000 units and sold 33,000 units. The company's only product is sold for $240 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year. b. Assume the company uses super-variable costing. Prepare an income statement for the year. |

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| 44. | Capello Corporation manufactures and sells one product. In the company's first year of operations, the variable cost consisted solely of direct materials of $93 per unit. The annual fixed costs were $675,000 of direct labor cost, $1,701,000 of fixed manufacturing overhead expense, and $780,000 of fixed selling and administrative expense. The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 27,000 units and sold 20,000 units. The company's only product is sold for $258 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses an absorption costing system that assigns $25 of direct labor cost and $63 of fixed manufacturing overhead to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. |

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| 45. | Ellert Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 52,000 units and sold 51,000 units. The company's only product is sold for $251 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses a variable costing system that assigns $26 of direct labor cost to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. |

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| 46. | Mendoza Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 47,000 units and sold 45,000 units. The company's only product is sold for $275 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses a variable costing system that assigns $24 of direct labor cost to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. c. Prepare a reconciliation that explains the difference between the super-variable costing and variable costing net incomes. |

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| 47. | Grand Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 23,000 units and sold 21,000 units. The company's only product is sold for $254 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses a variable costing system that assigns $20 of direct labor cost to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. c. Assume that the company uses an absorption costing system that assigns $20 of direct labor cost and $71 of fixed manufacturing overhead to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. d. Prepare a reconciliation that explains the difference between the super-variable costing and variable costing net incomes. e. Prepare a reconciliation that explains the difference between the super-variable costing and absorption costing net incomes. |

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| 48. | Goodwyn Corporation manufactures and sells one product. In the company's first year of operations, the variable cost consisted solely of direct materials of $89 per unit. The annual fixed costs were $1,269,000 of direct labor cost, $3,619,000 of fixed manufacturing overhead expense, and $1,260,000 of fixed selling and administrative expense. The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 47,000 units and sold 42,000 units. The company's only product is sold for $259 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses a variable costing system that assigns $27 of direct labor cost to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. |

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| 49. | Calder Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 48,000 units and sold 45,000 units. The company's only product is sold for $258 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year. b. Assume the company uses super-variable costing. Prepare an income statement for the year. |

Appendix 06A Super-Variable Costing Answer Key

**True / False Questions**

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| 1. | Super-variable costing is a costing method that treats direct labor and manufacturing overhead costs as period costs and includes only direct materials cost in unit product costs.    **TRUE** |

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| *AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 2. | All differences between super-variable costing and absorption costing net operating income are explained by the accounting for direct materials costs.    **FALSE** |

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| *AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 3. | The super-variable costing net operating income period can be computed by multiplying the number of units sold by the contribution margin per unit and then subtracting total fixed costs.    **TRUE** |

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| *AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

**Multiple Choice Questions**

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| 4. | Under super-variable costing, which of the following is treated as a period cost?          |  |  | | --- | --- | | A. | Option A |  |  |  | | --- | --- | | **B.** | Option B |  |  |  | | --- | --- | | C. | Option C |  |  |  | | --- | --- | | D. | Option D | |

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| *AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Remember Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 5. | All differences between super-variable costing and absorption costing are explained by:      |  |  | | --- | --- | | A. | the accounting for direct materials and manufacturing overhead costs. |  |  |  | | --- | --- | | B. | the accounting for direct labor and direct materials. |  |  |  | | --- | --- | | **C.** | the accounting for direct labor and manufacturing overhead costs. |  |  |  | | --- | --- | | D. | the accounting for manufacturing overhead costs. | |

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| *AACSB: Reflective Thinking AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Understand Difficulty: 2 Medium Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 6. | Tisch Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 20,000 units and sold 13,000 units. The company's only product is sold for $242 per unit.  The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | **A.** | $(109,000) |  |  |  | | --- | --- | | B. | $507,000 |  |  |  | | --- | --- | | C. | $(676,000) |  |  |  | | --- | --- | | D. | $(11,000) | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 7. | Albanese Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 36,000 units and sold 29,000 units. The company's only product is sold for $236 per unit.  The company is considering using either super-variable costing or an absorption costing system that assigns $16 of direct labor cost and $72 of fixed manufacturing overhead to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds absorption costing net operating income by $616,000. |  |  |  | | --- | --- | | **B.** | Absorption costing net operating income exceeds super-variable costing net operating income by $616,000. |  |  |  | | --- | --- | | C. | Absorption costing net operating income exceeds super-variable costing net operating income by $504,000. |  |  |  | | --- | --- | | D. | Super-variable costing net operating income exceeds absorption costing net operating income by $504,000. |   Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 36,000 units - 29,000 units = 7,000 units Direct labor and fixed manufacturing overhead cost deferred in (released from) inventory = Direct labor and fixed manufacturing overhead cost in ending inventory - Direct labor and fixed manufacturing overhead cost in beginning inventory = [($16 per unit + $72 per unit) × 7,000 units] - $0 = $616,000  Because inventory increased, direct labor and fixed manufacturing overhead cost is deferred in inventory under the absorption costing system. This increases the net operating income under absorption costing by $616,000 relative to the net operating income under super-variable costing. |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 2 Medium Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 8. | Quiller Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 32,000 units and sold 31,000 units. The company's only product is sold for $233 per unit.  The company is considering using either super-variable costing or a variable costing system that assigns $12 of direct labor cost to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds variable costing net operating income by $63,000. |  |  |  | | --- | --- | | B. | Super-variable costing net operating income exceeds variable costing net operating income by $12,000. |  |  |  | | --- | --- | | **C.** | Variable costing net operating income exceeds super-variable costing net operating income by $12,000. |  |  |  | | --- | --- | | D. | Variable costing net operating income exceeds super-variable costing net operating income by $63,000. |   Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 32,000 units - 31,000 units = 1,000 units Direct labor cost deferred in (released from) inventory = Direct labor cost in ending inventory - Direct labor cost in beginning inventory = ($12 per unit × 1,000 units) - $0 = $12,000  Because inventory increased, direct labor cost is deferred in inventory under the variable costing system described above. This increases the net operating income under variable costing by $12,000 relative to the net operating income under super-variable costing. |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 2 Medium Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 9. | Wahler Corporation manufactures and sells one product. In the company's first year of operations, the variable cost consisted solely of direct materials of $85 per unit. The annual fixed costs were $640,000 of direct labor cost, $2,208,000 of fixed manufacturing overhead expense, and $1,140,000 of fixed selling and administrative expense. The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 32,000 units and sold 30,000 units. The company's only product is sold for $249 per unit. The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $1,110,000 |  |  |  | | --- | --- | | **B.** | $932,000 |  |  |  | | --- | --- | | C. | $972,000 |  |  |  | | --- | --- | | D. | $762,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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|  | Phoeuk Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 41,000 units and sold 40,000 units. The company's only product is sold for $231 per unit. |

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| 10. | The unit product cost under super-variable costing is:      |  |  | | --- | --- | | **A.** | $88 per unit |  |  |  | | --- | --- | | B. | $166 per unit |  |  |  | | --- | --- | | C. | $110 per unit |  |  |  | | --- | --- | | D. | $209 per unit |   Under super-variable costing, the unit product cost is just the direct materials cost of $88 per unit. |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 11. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | **A.** | $802,000 |  |  |  | | --- | --- | | B. | $714,000 |  |  |  | | --- | --- | | C. | $880,000 |  |  |  | | --- | --- | | D. | $824,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 12. | Assume that the company uses a variable costing system that assigns $22 of direct labor cost to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $88 per unit |  |  |  | | --- | --- | | **B.** | $110 per unit |  |  |  | | --- | --- | | C. | $209 per unit |  |  |  | | --- | --- | | D. | $166 per unit | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 13. | Assume that the company uses a variable costing system that assigns $22 of direct labor cost to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | A. | $714,000 |  |  |  | | --- | --- | | **B.** | $824,000 |  |  |  | | --- | --- | | C. | $802,000 |  |  |  | | --- | --- | | D. | $880,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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|  | Wienecke Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 44,000 units and sold 41,000 units. The company's only product is sold for $239 per unit. |

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| 14. | The unit product cost under super-variable costing is:      |  |  | | --- | --- | | A. | $213 per unit |  |  |  | | --- | --- | | **B.** | $88 per unit |  |  |  | | --- | --- | | C. | $174 per unit |  |  |  | | --- | --- | | D. | $104 per unit |   Under super-variable costing, the unit product cost is just the direct materials cost of $88 per unit. |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 15. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $856,000 |  |  |  | | --- | --- | | B. | $544,000 |  |  |  | | --- | --- | | **C.** | $808,000 |  |  |  | | --- | --- | | D. | $1,066,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 16. | Assume that the company uses a variable costing system that assigns $16 of direct labor cost to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | **A.** | $104 per unit |  |  |  | | --- | --- | | B. | $174 per unit |  |  |  | | --- | --- | | C. | $88 per unit |  |  |  | | --- | --- | | D. | $213 per unit | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. | Assume that the company uses a variable costing system that assigns $16 of direct labor cost to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | **A.** | $856,000 |  |  |  | | --- | --- | | B. | $544,000 |  |  |  | | --- | --- | | C. | $808,000 |  |  |  | | --- | --- | | D. | $1,066,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 18. | Assume that the company uses an absorption costing system that assigns $16 of direct labor cost and $70 of fixed manufacturing overhead to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $88 per unit |  |  |  | | --- | --- | | B. | $213 per unit |  |  |  | | --- | --- | | **C.** | $174 per unit |  |  |  | | --- | --- | | D. | $104 per unit | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 19. | Assume that the company uses an absorption costing system that assigns $16 of direct labor cost and $70 of fixed manufacturing overhead to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | **A.** | $1,066,000 |  |  |  | | --- | --- | | B. | $856,000 |  |  |  | | --- | --- | | C. | $544,000 |  |  |  | | --- | --- | | D. | $808,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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|  | Feltner Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 49,000 units and sold 42,000 units. The company's only product is sold for $225 per unit. |

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| 20. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $(210,000) |  |  |  | | --- | --- | | B. | $532,000 |  |  |  | | --- | --- | | C. | $882,000 |  |  |  | | --- | --- | | **D.** | $399,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 21. | Assume that the company uses a variable costing system that assigns $19 of direct labor cost to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | **A.** | $532,000 |  |  |  | | --- | --- | | B. | $399,000 |  |  |  | | --- | --- | | C. | $(210,000) |  |  |  | | --- | --- | | D. | $882,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 22. | Assume that the company uses an absorption costing system that assigns $19 of direct labor cost and $50 of fixed manufacturing overhead to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | **A.** | $882,000 |  |  |  | | --- | --- | | B. | $399,000 |  |  |  | | --- | --- | | C. | $(210,000) |  |  |  | | --- | --- | | D. | $532,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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|  | Nickolls Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 30,000 units and sold 27,000 units. The company's only product is sold for $230 per unit. |

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| 23. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $78,000 |  |  |  | | --- | --- | | B. | $594,000 |  |  |  | | --- | --- | | **C.** | $351,000 |  |  |  | | --- | --- | | D. | $405,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 24. | Assume that the company uses a variable costing system that assigns $18 of direct labor cost to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | A. | $78,000 |  |  |  | | --- | --- | | **B.** | $405,000 |  |  |  | | --- | --- | | C. | $351,000 |  |  |  | | --- | --- | | D. | $594,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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|  | Schaadt Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 23,000 units and sold 16,000 units. The company's only product is sold for $243 per unit. |

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| 25. | The unit product cost under super-variable costing is:      |  |  | | --- | --- | | A. | $167 per unit |  |  |  | | --- | --- | | B. | $106 per unit |  |  |  | | --- | --- | | C. | $212 per unit |  |  |  | | --- | --- | | **D.** | $84 per unit |   Under super-variable costing, the unit product cost is just the direct materials cost of $84 per unit. |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 26. | Assume that the company uses a variable costing system that assigns $22 of direct labor cost to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $212 per unit |  |  |  | | --- | --- | | B. | $84 per unit |  |  |  | | --- | --- | | C. | $167 per unit |  |  |  | | --- | --- | | **D.** | $106 per unit | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 27. | The company is considering using either super-variable costing or a variable costing system that assigns $22 of direct labor cost to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Variable costing net operating income exceeds super-variable costing net operating income by $427,000. |  |  |  | | --- | --- | | **B.** | Variable costing net operating income exceeds super-variable costing net operating income by $154,000. |  |  |  | | --- | --- | | C. | Super-variable costing net operating income exceeds variable costing net operating income by $154,000. |  |  |  | | --- | --- | | D. | Super-variable costing net operating income exceeds variable costing net operating income by $427,000. |   Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 23,000 units - 16,000 units = 7,000 units Direct labor cost deferred in (released from) inventory = Direct labor cost in ending inventory - Direct labor cost in beginning inventory = ($22 per unit × 7,000 units) - $0 = $154,000  Because inventory increased, direct labor cost is deferred in inventory under the variable costing system described above. This increases the net operating income under variable costing by $154,000 relative to the net operating income under super-variable costing. |

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|  | Moffa Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 54,000 units and sold 47,000 units. The company's only product is sold for $256 per unit. |

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| 28. | The unit product cost under super-variable costing is:      |  |  | | --- | --- | | **A.** | $93 per unit |  |  |  | | --- | --- | | B. | $171 per unit |  |  |  | | --- | --- | | C. | $107 per unit |  |  |  | | --- | --- | | D. | $219 per unit |   Under super-variable costing, the unit product cost is just the direct materials cost of $93 per unit. |

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| 29. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $1,291,000 |  |  |  | | --- | --- | | **B.** | $1,193,000 |  |  |  | | --- | --- | | C. | $542,000 |  |  |  | | --- | --- | | D. | $1,739,000 | |

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| 30. | The company is considering using either super-variable costing or a variable costing system that assigns $14 of direct labor cost to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds variable costing net operating income by $98,000. |  |  |  | | --- | --- | | **B.** | Variable costing net operating income exceeds super-variable costing net operating income by $98,000. |  |  |  | | --- | --- | | C. | Super-variable costing net operating income exceeds variable costing net operating income by $448,000. |  |  |  | | --- | --- | | D. | Variable costing net operating income exceeds super-variable costing net operating income by $448,000. |   Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 54,000 units - 47,000 units = 7,000 units Direct labor cost deferred in (released from) inventory = Direct labor cost in ending inventory - Direct labor cost in beginning inventory = ($14 per unit × 7,000 units) - $0 = $98,000  Because inventory increased, direct labor cost is deferred in inventory under the variable costing system described above. This increases the net operating income under variable costing by $98,000 relative to the net operating income under super-variable costing. |

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|  | Sirmons Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 46,000 units and sold 45,000 units. The company's only product is sold for $249 per unit. |

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| 31. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | **A.** | $1,321,000 |  |  |  | | --- | --- | | B. | $1,225,000 |  |  |  | | --- | --- | | C. | $1,395,000 |  |  |  | | --- | --- | | D. | $1,340,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 32. | Assume that the company uses an absorption costing system that assigns $19 of direct labor cost and $55 of fixed manufacturing overhead to each unit that is produced. The net operating income under this costing system is:      |  |  | | --- | --- | | A. | $1,321,000 |  |  |  | | --- | --- | | B. | $1,225,000 |  |  |  | | --- | --- | | **C.** | $1,395,000 |  |  |  | | --- | --- | | D. | $1,340,000 | |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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|  | Sagon Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 29,000 units and sold 23,000 units. The company's only product is sold for $231 per unit. |

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| 33. | The net operating income for the year under super-variable costing is:      |  |  | | --- | --- | | A. | $782,000 |  |  |  | | --- | --- | | B. | $446,000 |  |  |  | | --- | --- | | C. | $(202,000) |  |  |  | | --- | --- | | **D.** | $296,000 | |

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| 34. | The company is considering using either super-variable costing or a variable costing system that assigns $25 of direct labor cost to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds variable costing net operating income by $150,000. |  |  |  | | --- | --- | | B. | Super-variable costing net operating income exceeds variable costing net operating income by $336,000. |  |  |  | | --- | --- | | C. | Variable costing net operating income exceeds super-variable costing net operating income by $336,000. |  |  |  | | --- | --- | | **D.** | Variable costing net operating income exceeds super-variable costing net operating income by $150,000. |   Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 29,000 units - 23,000 units = 6,000 units Direct labor cost deferred in (released from) inventory = Direct labor cost in ending inventory - Direct labor cost in beginning inventory = ($25 per unit × 6,000 units) - $0 = $150,000  Because inventory increased, direct labor cost is deferred in inventory under the variable costing system described above. This increases the net operating income under variable costing by $150,000 relative to the net operating income under super-variable costing. |

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| 35. | The company is considering using either super-variable costing or an absorption costing system that assigns $25 of direct labor cost and $56 of fixed manufacturing overhead to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds absorption costing net operating income by $486,000. |  |  |  | | --- | --- | | B. | Absorption costing net operating income exceeds super-variable costing net operating income by $336,000. |  |  |  | | --- | --- | | **C.** | Absorption costing net operating income exceeds super-variable costing net operating income by $486,000. |  |  |  | | --- | --- | | D. | Super-variable costing net operating income exceeds absorption costing net operating income by $336,000. |   Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 29,000 units - 23,000 units = 6,000 units Direct labor and fixed manufacturing overhead cost deferred in (released from) inventory = Direct labor and fixed manufacturing overhead cost in ending inventory - Direct labor and fixed manufacturing overhead cost in beginning inventory = [($25 per unit + $56 per unit) × 6,000 units] - $0 = $486,000  Because inventory increased, direct labor and fixed manufacturing overhead cost is deferred in inventory under the absorption costing system. This increases the net operating income under absorption costing by $486,000 relative to the net operating income under super-variable costing. |

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|  | Prehn Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 36,000 units and sold 30,000 units. The company's only product is sold for $251 per unit. |

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| 36. | The unit product cost under super-variable costing is:      |  |  | | --- | --- | | **A.** | $81 per unit |  |  |  | | --- | --- | | B. | $109 per unit |  |  |  | | --- | --- | | C. | $227 per unit |  |  |  | | --- | --- | | D. | $179 per unit |   Under super-variable costing, the unit product cost is just the direct materials cost of $81 per unit. |

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| 37. | Assume that the company uses a variable costing system that assigns $28 of direct labor cost to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $179 per unit |  |  |  | | --- | --- | | B. | $227 per unit |  |  |  | | --- | --- | | **C.** | $109 per unit |  |  |  | | --- | --- | | D. | $81 per unit | |

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| 38. | Assume that the company uses an absorption costing system that assigns $28 of direct labor cost and $70 of fixed manufacturing overhead to each unit that is produced. The unit product cost under this costing system is:      |  |  | | --- | --- | | A. | $81 per unit |  |  |  | | --- | --- | | B. | $109 per unit |  |  |  | | --- | --- | | C. | $227 per unit |  |  |  | | --- | --- | | **D.** | $179 per unit | |

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| 39. | The company is considering using either super-variable costing or a variable costing system that assigns $28 of direct labor cost to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds variable costing net operating income by $168,000. |  |  |  | | --- | --- | | B. | Super-variable costing net operating income exceeds variable costing net operating income by $420,000. |  |  |  | | --- | --- | | C. | Variable costing net operating income exceeds super-variable costing net operating income by $420,000. |  |  |  | | --- | --- | | **D.** | Variable costing net operating income exceeds super-variable costing net operating income by $168,000. |   Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 36,000 units - 30,000 units = 6,000 units Direct labor cost deferred in (released from) inventory = Direct labor cost in ending inventory - Direct labor cost in beginning inventory = ($28 per unit × 6,000 units) - $0 = $168,000  Because inventory increased, direct labor cost is deferred in inventory under the variable costing system described above. This increases the net operating income under variable costing by $168,000 relative to the net operating income under super-variable costing. |

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| 40. | The company is considering using either super-variable costing or an absorption costing system that assigns $28 of direct labor cost and $70 of fixed manufacturing overhead to each unit that is produced. Which of the following statements is true regarding the net operating income in the first year?      |  |  | | --- | --- | | A. | Super-variable costing net operating income exceeds absorption costing net operating income by $6,000. |  |  |  | | --- | --- | | **B.** | Absorption costing net operating income exceeds super-variable costing net operating income by $588,000. |  |  |  | | --- | --- | | C. | Absorption costing net operating income exceeds super-variable costing net operating income by $6,000. |  |  |  | | --- | --- | | D. | Super-variable costing net operating income exceeds absorption costing net operating income by $588,000. |   Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 36,000 units - 30,000 units = 6,000 units Direct labor and fixed manufacturing overhead cost deferred in (released from) inventory = Direct labor and fixed manufacturing overhead cost in ending inventory - Direct labor and fixed manufacturing overhead cost in beginning inventory = [($28 per unit + $70 per unit) × 6,000 units] - $0 = $588,000  Because inventory increased, direct labor and fixed manufacturing overhead cost is deferred in inventory under the absorption costing system. This increases the net operating income under absorption costing by $588,000 relative to the net operating income under super-variable costing. |

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**Essay Questions**

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| 41. | Griffy Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 30,000 units and sold 23,000 units. The company's only product is sold for $239 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses an absorption costing system that assigns $14 of direct labor cost and $70 of fixed manufacturing overhead to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. c. Prepare a reconciliation that explains the difference between the super-variable costing and absorption costing net incomes.     a. Under super-variable costing, the unit product cost is just the direct materials cost of $91 per unit.          c. Reconciliation of super-variable costing and absorption costing net incomes: Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 30,000 units - 23,000 units = 7,000 units Direct labor and fixed manufacturing overhead cost deferred in (released from) inventory = Direct labor and fixed manufacturing overhead cost in ending inventory - Direct labor and fixed manufacturing overhead cost in beginning inventory = [($14 per unit + $70 per unit) × 7,000 units] - $0 = $588,000 |

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| 42. | Slezak Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 35,000 units and sold 31,000 units. The company's only product is sold for $264 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses an absorption costing system that assigns $28 of direct labor cost and $68 of fixed manufacturing overhead to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year.     a. Under super-variable costing, the unit product cost is just the direct materials cost of $80 per unit. |

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| 43. | Rhoda Corporation manufactures and sells one product. In the company's first year of operations, the variable cost consisted solely of direct materials of $87 per unit. The annual fixed costs were $912,000 of direct labor cost, $2,128,000 of fixed manufacturing overhead expense, and $1,320,000 of fixed selling and administrative expense. The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 38,000 units and sold 33,000 units. The company's only product is sold for $240 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year. b. Assume the company uses super-variable costing. Prepare an income statement for the year.     a. Under super-variable costing, the unit product cost is just the direct materials cost of $87 per unit. |

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| 44. | Capello Corporation manufactures and sells one product. In the company's first year of operations, the variable cost consisted solely of direct materials of $93 per unit. The annual fixed costs were $675,000 of direct labor cost, $1,701,000 of fixed manufacturing overhead expense, and $780,000 of fixed selling and administrative expense. The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 27,000 units and sold 20,000 units. The company's only product is sold for $258 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses an absorption costing system that assigns $25 of direct labor cost and $63 of fixed manufacturing overhead to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year.     a. Under super-variable costing, the unit product cost is just the direct materials cost of $93 per unit. |

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| 45. | Ellert Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 52,000 units and sold 51,000 units. The company's only product is sold for $251 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses a variable costing system that assigns $26 of direct labor cost to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year.     a. Under super-variable costing, the unit product cost is just the direct materials cost of $88 per unit. |

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| 46. | Mendoza Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 47,000 units and sold 45,000 units. The company's only product is sold for $275 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses a variable costing system that assigns $24 of direct labor cost to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. c. Prepare a reconciliation that explains the difference between the super-variable costing and variable costing net incomes.     a. Under super-variable costing, the unit product cost is just the direct materials cost of $95 per unit.          c. Reconciliation of super-variable costing and variable costing net incomes: Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 47,000 units - 45,000 units = 2,000 units Direct labor cost deferred in (released from) inventory = Direct labor cost in ending inventory - Direct labor cost in beginning inventory = ($24 per unit × 2,000 units) - $0 = $48,000 |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 2 Medium Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 47. | Grand Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 23,000 units and sold 21,000 units. The company's only product is sold for $254 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses a variable costing system that assigns $20 of direct labor cost to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. c. Assume that the company uses an absorption costing system that assigns $20 of direct labor cost and $71 of fixed manufacturing overhead to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year. d. Prepare a reconciliation that explains the difference between the super-variable costing and variable costing net incomes. e. Prepare a reconciliation that explains the difference between the super-variable costing and absorption costing net incomes.     a. Under super-variable costing, the unit product cost is just the direct materials cost of $98 per unit.              d. Reconciliation of super-variable costing and variable costing net incomes: Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 23,000 units - 21,000 units = 2,000 units Direct labor cost deferred in (released from) inventory = Direct labor cost in ending inventory - Direct labor cost in beginning inventory = ($20 per unit × 2,000 units) - $0 = $40,000      e. Reconciliation of super-variable costing and absorption costing net incomes: Ending inventory = Beginning inventory + Units produced - Units sold = 0 + 23,000 units - 21,000 units = 2,000 units Direct labor and fixed manufacturing overhead cost deferred in (released from) inventory = Direct labor and fixed manufacturing overhead cost in ending inventory - Direct labor and fixed manufacturing overhead cost in beginning inventory = [($20 per unit + $71 per unit) × 2,000 units] - $0 = $182,000 |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 2 Medium Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 48. | Goodwyn Corporation manufactures and sells one product. In the company's first year of operations, the variable cost consisted solely of direct materials of $89 per unit. The annual fixed costs were $1,269,000 of direct labor cost, $3,619,000 of fixed manufacturing overhead expense, and $1,260,000 of fixed selling and administrative expense. The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 47,000 units and sold 42,000 units. The company's only product is sold for $259 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year and prepare an income statement for the year. b. Assume that the company uses a variable costing system that assigns $27 of direct labor cost to each unit that is produced. Compute the unit product cost for the year and prepare an income statement for the year.     a. Under super-variable costing, the unit product cost is just the direct materials cost of $89 per unit. |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |

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| 49. | Calder Corporation manufactures and sells one product. The following information pertains to the company's first year of operations:      The company does not have any variable manufacturing overhead costs or variable selling and administrative costs. During its first year of operations, the company produced 48,000 units and sold 45,000 units. The company's only product is sold for $258 per unit.  **Required:**  a. Assume the company uses super-variable costing. Compute the unit product cost for the year. b. Assume the company uses super-variable costing. Prepare an income statement for the year.     a. Under super-variable costing, the unit product cost is just the direct materials cost of $92 per unit. |

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| *AACSB: Analytic AICPA BB: Critical Thinking AICPA FN: Measurement Blooms: Apply Difficulty: 1 Easy Learning Objective: 06A-06 Prepare an income statement using super-variable costing and reconcile this approach with variable costing.* |