

Problem 23-6BA

Materials, labor, and overhead variances recorded and analyzed

C1 P5



Kenya Company's standard cost accounting system recorded this information from its June operations.

Standard direct materials cost.....	\$130,000
Direct materials quantity variance (favorable).....	5,000
Direct materials price variance (favorable).....	1,500
Actual direct labor cost.....	65,000
Direct labor efficiency variance (favorable).....	3,000
Direct labor rate variance (unfavorable).....	500
Actual overhead cost.....	250,000
Volume variance (unfavorable).....	12,000
Controllable variance (unfavorable)	8,000

Required

1. Prepare journal entries dated June 30 to record the company's costs and variances for the month. (Do not prepare the journal entry to close the variances.)

Analysis Component

2. Identify the variances that would attract the attention of a manager who uses management by exception. Describe what action(s) the manager should consider.

Check (1) Dr. Work in Process Inventory (for overhead), \$230,000