

Question 14.12**Absorption and variable income**

Famous Desk Company manufactures desks for office use. The variable cost of 120 units in beginning inventory is \$84 each. The absorption cost is \$147.16 each. Following is information about this period's production.

Selling price	\$320 per desk
Variable production cost	\$84 per desk
Fixed production costs	\$10,100 per month
Variable selling and administrative	\$31 per desk
Fixed selling and administrative	\$6,050 per month

Required

Estimate operating income for a month in which 200 desks are manufactured and 220 are sold if the company uses variable costing. (*Round answer to 0 decimal places.*)

Operating income	\$
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Estimate operating income for a month in which 200 desks are manufactured and 220 are sold if the company uses absorption costing and allocates fixed production costs to inventory using a rate based on normal capacity of 160 desks per month. (*Round answer to 0 decimal places.*)

Operating income	\$
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Question 14.15**Absorption, variable, and throughput inventory and income**

Asian Iron began last year with no inventories. During the year, 10,500 units were produced, of which 9,400 were sold. Data concerning last year's operations appear here (in New Taiwanese dollars, NT\$):

Revenue	NT\$32,900
Variable direct materials cost	2,300
Variable direct labor costs	3,300
Variable manufacturing overhead	2,800
Variable selling	940
Fixed manufacturing overhead	8,250

Fixed selling and administrative costs

14,560

Variable manufacturing costs reflect the variable cost to produce the number of units manufactured. However, variable selling costs are not incurred until the units are sold, so they reflect the cost for the number of units sold. Asian Iron allocates actual manufacturing overhead costs to inventory based on actual units produced. **(The numbers and symbols in parenthesis corresponds to the coding system in the textbook.)**

Required

Calculate the value of ending inventory on the balance sheet under the following: *(Round answers to 0 decimal places.)*

1. Variable costing
2. Absorption costing
3. Throughput costing

Variable costing	NT\$ _____
Absorption costing	NT\$ _____
Throughput costing	NT\$ _____

Calculate operating income under each of the following methods: *(Round answers to 0 decimal places.)*

1. Variable costing
2. Absorption costing
3. Throughput costing

Variable costing	NT\$ _____
Absorption costing	NT\$ _____
Throughput costing	NT\$ _____

Estimate the variable costing operating income if 12,110 units were produced and sold in a year. **[e]***(Round answer to 0 decimal places.)*

Operating income	NT\$ _____
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Question 14.17**Absorption, variable, and throughput income, reconcile incomes**

The following price and operating cost information applies to Happy Bikers Motorcycle Company.

Price	\$12,500 per motorcycle
Variable production costs:	
Raw materials	\$2,500 per motorcycle
Direct labor and variable overhead	\$1,250 per motorcycle
Fixed production costs	\$50,000 per month
Variable selling and administrative	\$313 per motorcycle
Fixed selling and administrative	\$50,000 per month

No beginning balance in finished goods is evident because the beginning inventory account on the balance sheet is zero. Average production is 13 motorcycles per month. Sales are seasonal, so in some months no motorcycles are produced, while in other months production is high.

During the most recent month, the company produced 23 and sold 19 motorcycles.

Instructions

Round answers to 0 decimal places.

Required

Prepare an income statement for the most recent month using the variable costing method.

Revenue	\$ <input type="text"/>
Variable costs:	
Production	(<input type="text"/>)
Selling	(<input type="text"/>)
Contribution margin	<input type="text"/>
Fixed costs:	
Production	(<input type="text"/>)
Selling and administration	(<input type="text"/>)
Operating income	\$ <input type="text"/>

Prepare an income statement for the most recent month using the absorption costing method and choose a denominator level that represents "normal" capacity.

Revenue	\$ <input type="text"/>
Cost of goods sold	(<input type="text"/>)
Volume variance	<input type="text"/>
Gross margin	

Selling and administration

(_____)

Operating income

\$ _____

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Prepare an income statement for the most recent month using the throughput costing method.

Revenue

\$ _____

Raw materials

(_____)

Throughput margin

Operating expenses

(_____)

Operating income

\$ _____

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Prepare a schedule that reconciles the incomes among the three income statements.

Throughput costing operating income

\$ _____

Variable costing operating income

Absorption costing operating income

\$ _____

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