Exercise 11-12 (15 minutes)

1. 9,500 units × 4 hours per unit = 38,000 hours.

2. and 3.

Actual Fixed Overhead Cost	Budgeted Fixed Overhead Cost	Fixed Overhead Cost Applied to Work in Process
$198,700*	$200,000	38,000 hours × $5 per hour* = $190,000

Budget Variance,	Volume Variance,
$1,300 F	$10,000 U*

*Given.

4.
$$\frac{\text{Fixed element of the}}{\text{predetermined overhead rate}} = \frac{\text{Budgeted fixed overhead cost}}{\text{Denominator activity}}$$

$$= \frac{\$200{,}000}{\text{Denominator activity}}$$

$$= \$5 \text{ per hour}$$

Therefore, the denominator activity is: $200,000 ÷ $5 per hour = 40,000 hours.