

Crazy Fish Winery (based on problem from Cost Accounting – Horngren, Datar and Foster)

~~Strategic Cost Analysis~~
~~Cost Accounting~~

Crazy Fish Winery purchases select wines in bulk from the area's wineries and blends and bottles the wine for sale under its own label. Its variable overhead costs (power, cleaning supplies and the like) and fixed overhead costs (salaries of skilled vintners involved in quality-control and building-related costs) are allocated on the basis of bottling machine-hours. For the quarter ending September 30, 2008, Crazy Fish reports the following:

	Actual Results	Static Budget
Production Volume (bottles)	480,000	420,000
Bottling machine-hours	3,000	2,800
Variable overhead	\$153,000	\$140,000
Fixed overhead	\$960,000	\$980,000

Questions:

1. Compute the variable overhead spending and efficiency variances.
2. Compute the fixed overhead spending and production-volume variances.
3. Briefly interpret each of these ratios.

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