**Linden Company Manufacture and sells**

**Problem 1:**

1. **Absorption Casting**

|  |  |
| --- | --- |
| **Particular** | **$** |
| Direct materials | 6 |
| Direct labor | 12 |
| Variable manufacturing overhead | 4 |
| Fixed manufacturing overhead | 8 |
| (240000/30000) | 30 |

1. **Variable Casting**

|  |  |
| --- | --- |
| **Particular** | **$** |
| Direct materials | 6 |
| Direct labor | 12 |
| Fixed manufacturing overhead | 4 |
|  | 22 |

**Problem 2:**

**For May: Income statement (Variable casting)**

|  |  |
| --- | --- |
| **Particular** | **$** |
| Sales (26,000 unit \* $40) | 1040000.0 |
| Less: variable expense:  Variable cost of goods sold  (26,000\*$22) | 572000 |
| Variable selling and administrative expenses (26,000 \* $3) | 78000 |
|  | 650000 |

|  |  |
| --- | --- |
| Contribution margin | 390000 |
| Less: Fixed expense:  Fixed manufacturing expenses | 240,000 |
| Fixed selling and administrative expenses | $180,000 |
| Net income (Loss) | (30,000) |

**For June: Income statement (Variable casting)**

|  |  |
| --- | --- |
| **Particular** | **$** |
| Sales (34,000 unit \* $40) | 1360000.0 |
| Less: variable expense:  Variable cost of goods sold  (34,000\*$22) | 748000 |
| Variable selling and administrative expenses (34,000 \* $3) | 102000 |
|  | 850000 |

|  |  |
| --- | --- |
| Contribution margin | 510000 |
| Less: Fixed expense:  Fixed manufacturing expenses | 240,000 |
| Fixed selling and administrative expenses | $180,000 |
| Net income (Profit) | 90,000 |

**Problem-3:**

Reconcile the variable casting an abruption casting net operating income figure:

For May:

|  |  |
| --- | --- |
| Variable casting operating income | 30,000 |
| Add: Fixed manufacturing Overhead deferred in inventory under absorption casting method (8\*4000) | 32,000 |
| Adsorption casting net operating income | 2,000 |

For June:

|  |  |
| --- | --- |
| Variable casting operating income | 90,000 |
| Add: Fixed manufacturing Overhead deferred in inventory under absorption casting method (4\*4000) | 16,000 |
| Adsorption casting net operating income | 74,000 |