

# Budgets – E – Direct Labor

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# Budgets – E – Direct Labor

- The Direct Labor Budget is a simple budget when only one labor rate and one skill level is involved. A textbook accounting issue.

<b>Miramar Merchandising Services, Inc.</b>				
<b>Direct Labor Budget</b>				
<b>For the Quarter ending March 31, 2015</b>				
	<b>January</b>	<b>February</b>	<b>March</b>	<b>Quarter</b>
Cases to be produced:	4,023	4,131	4,040	12,194
Direct labor hours per case:	0.05	0.05	0.05	0.05
Total direct labor hours:	201	207	202	610
Direct labor hour cost:	\$22.00	\$22.00	\$22.00	\$22.00
Total direct labor cost:	\$4,424.75	\$4,544.38	\$4,444.00	\$13,413.13

# Budgets – E – Direct Labor

- The setup tells us that 0.05 hours in direct labor hours.
- Each direct labor hour costs \$22.00.

Direct labor hours per case:	0.05
Direct labor hour cost:	\$22.00

# Budgets – E – Direct Labor

- The Production Budget values are brought into the Direct Labor Budget on the first line.
- Since labor cannot have a beginning or ending balance, we return to the simple

$A + B = C - D = E$  formula.

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- For January we need to produce 4,023 cases utilizing 0.05 direct labor hours each.
- The total of 201 direct labor hours at \$22.00 each cost us \$4,424.75.

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- For February we need to produce 4,131 cases utilizing 0.05 direct labor hours each.
- The total of 207 direct labor hours at \$22.00 each cost us \$4,544.38.

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Direct labor hour cost:	\$22.00	\$22.00	\$22.00	\$22.00
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- For March we need to produce 4,040 cases utilizing 0.05 direct labor hours each.
- The total of 202 direct labor hours at \$22.00 each cost us \$4,444.00.

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Total direct labor hours:	201	207	202	610
Direct labor hour cost:	\$22.00	\$22.00	\$22.00	\$22.00
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# Budgets – E – Direct Labor

- For the quarter we will be utilizing 610 direct labor hours costing us \$13,413.13.

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Cases to be produced:	4,023	4,131	4,040	12,194
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Total direct labor hours:	201	207	202	610
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# Budgets – E – Direct Labor

- The next recommended presentation is Budgets – F – Factory / Manufacturing Overhead, or
- Budgets – I – Cash Payments.
- This is a one step at a time process.
- Do not rush it.

# Budgets – E – Direct Labor

The end.