

Budgets – F – Factory Overhead

Accounting presentation created by
Rex A Schildhouse
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www.schildhouse.com



Budgets – F – Factory Overhead

- The Factory / Manufacturing Overhead Budget appears to be a complex budgeting structure, it is not hard.

Miramar Merchandising Services, Inc.				
Factory / Manufacturing Overhead Budget				
For the Quarter ending March 31, 2015				
	January	February	March	Quarter
Cases to be produced:	4,023	4,131	4,040	12,194
Variable costs:				
Indirect materials per case:	\$5,028.13	\$5,164.06	\$5,050.00	\$15,242.19
Indirect labor per case:	3,016.88	3,098.44	3,030.00	9,145.31
Indirect utilities per case:	2,011.25	2,065.63	2,020.00	6,096.88
Total variable FOH/MOH costs:	\$10,056.25	\$10,328.13	\$10,100.00	\$30,484.38
Fixed costs:				
Depreciation on factory equipment:	\$650.00	\$650.00	\$650.00	\$1,950.00
Insurance/taxes on factory:	375.00	375.00	375.00	1,125.00
Indirect labor - fixed cost:	185.00	185.00	185.00	555.00
Utilities - fixed cost:	400.00	400.00	400.00	1,200.00
Total fixed costs:	\$1,610.00	\$1,610.00	\$1,610.00	\$4,830.00
Total FOH/MOH costs:	\$11,666.25	\$11,938.13	\$11,710.00	\$35,314.38

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- FOH / MOH follows a format of variable then fixed costs.

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Budgets – F – Factory Overhead

- The setup information must give us most of the information.
- We may have to apply a logic to determine variable or fixed costs.

Indirect materials per case:	\$1.25
Indirect materials per case:	\$0.75
Variable portion of utilities per case:	\$0.50
Depreciation on factory equipment:	\$650.00
Insurance/taxes on factory:	\$375.00
Indirect labor - fixed cost:	\$185.00
Utilities - fixed cost:	\$400.00

Budgets – F – Factory Overhead

- The first line is from the Production Budget for cases to be produced.
- Using logic, anything which states “per case” in the setup appears to be a variable cost.
- Clue - Variable costs per item are usually lower than fixed costs for the period.

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- The variable costs per case are multiplied by the number of cases to be produced.
- Then the variable costs are totals.

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- The quarter lines are all line totals.

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- Fixed costs per period are not related to cases produced.
- Placed for identity and totaled in lines and columns.

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- With total variable and total fixed FOH / MOH costs calculated, total FOH / MOH is calculated.

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- Looks hard, looks complex, simple math.
- One step at a time.

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- The next recommended presentation is Budgets – G – Operating Expense, or
- Budgets – I – Cash Payments.
- This is a one step at a time process.
- Do not rush it.

Budgets – F – Factory Overhead

The end.