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(6-22)

There is no direct manufacturing labor cost for dyeing. Xander budgets 62 direct manufacturing labor-hours to weave a rug at a budgeted rate of $13 per hour. It budgets 0.2 machine-hours to dye each skein in the dyeing process.

The following table presents the budgeted overhead costs for the dyeing and weaving cost pools:

	Dyeing (based on 1,440,000 MH)	Weaving (based on 12,400,000 DMLH)
Variable costs		
Indirect materials	$ 0	$15,400,000
Maintenance	6,560,000	5,540,000
Utilities	7,550,000	2,890,000
Fixed costs		
Indirect labor	347,000	1,700,000
Depreciation	2,100,000	274,000
Other	723,000	5,816,000
Total budgeted costs	$17,280,000	$31,620,000

Required

1. Prepare a direct material usage budget in both units and dollars.
2. Calculate the budgeted overhead allocation rates for weaving and dyeing.
3. Calculate the budgeted unit cost of a blue rug for the year.
4. Prepare a revenues budget for blue rugs for the year, assuming Xander sells (a) 200,000 or (b) 185,000 blue rugs (that is, at two different sales levels).
5. Calculate the budgeted cost of goods sold for blue rugs under each sales assumption.
6. Find the budgeted gross margin for blue rugs under each sales assumption.
7. What actions might you take as a manager to improve profitability if sales drop to 185,000 blue rugs?
8. How might top management at Xander use the budget developed in requirements 1–6 to better manage the company?

6-23 Budgeting, service company. Sunshine Window Washers (SWW) provides window-washing services