

PROBLEM 1

Norma Tuck is manager of The Tax Experts, a firm that provides assistance in the preparation of individual tax returns. Because of the highly seasonal nature of her business, Tuck hires staff on a monthly basis from two accounting placement firms - Professional Assist (PA) and Office Support (OS). In February, The Tax Experts hired 12 staff members from PA and 10 from OS. PA is the prestige firm in its area. OS is a recently formed firm. Tuck has compiled the following information for February:

Budgets for February	PA staff	OS staff
Budgeted hourly rate	\$45	\$40
Budgeted time per tax return in hours	0.40	0.50
Actual results for February	PA staff	OS staff
Actual hourly rate	\$48	\$42
Actual time per tax return in hours	0.42	0.46
Number of actual tax returns completed	4,608	3,600

QUESTIONS:

- Determine the labor rate and efficiency variances for (a) the 12 PA staff and (b) the 10 OS staff hired in February.
 - Comment on the efficiency of the PA and OS staff hired by The Tax Experts.
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Labor rate and efficiency variances for the PA staff

Direct labor rate variance (PA)
= (Actual Rate - Budgeted Rate) * Actual hours
= (\$48 - \$45) * 1935.36 hours [Actual hours = 0.42 hours per return * 4,608 returns]
= **\$5,806.08 (U)**