

# ACCOUNTING in the headlines

## How will cost standards be impacted at PEZ Candy Inc. by the rising cost of sugar and labor?

[PEZ Candy Inc.](#) produces the popular small candy that is dispensed in collectible flip-top dispensers. PEZ candy was invented as a breath mint in Vienna, Austria, in 1927. The name PEZ is derived from “pfefferminz” which is the word for peppermint in German.

In the United States, PEZ candies are produced in a factory in Connecticut since 1973. The PEZ candies are made from about 95% sugar, which makes the PEZ product cost particularly sensitive to changes in the cost of sugar. The cost of sugar in the United States has been significantly increasing over the past year, due in least at part, to preliminary tariffs imposed by the U.S. government on Mexican sugar. In addition, the cost of labor has been increasing due to increases in the minimum wage in the U.S. For these reasons, PEZ expects to raise its prices in 2015.

### Questions

1. What cost standards will most likely be adjusted at PEZ for the rising costs? When do you think these standard adjustments will be made?
2. If the related cost standard is not adjusted, what variance(s) will be impacted by the rising cost of sugar? What department would typically be responsible for explaining this variance(s)?
3. If the related cost standard is not adjusted, what variance(s) will be impacted by the rising cost of labor? What department would typically be responsible for explaining this variance(s)?