

Chapter 09 Flexible Budgets and Performance Analysis **Answer Key**

True / False Questions

1. Fixed costs should not be included in a performance report because fixed costs are not controllable.

FALSE

*AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Comprehension
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium*

2. A flexible budget can be used to determine what costs should have been at a given level of activity.

TRUE

*AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Knowledge
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy*

3. If activity is higher than expected, total variable costs should be higher than expected. If activity is lower than expected, total variable costs should be lower than expected.

TRUE

*AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Knowledge
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy*

4. When a flexible budget is used in performance evaluation, actual costs are compared to what the costs should have been for the actual level of activity during the period rather than to the static planning budget.

TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Knowledge
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

5. An activity variance is due solely to the difference between the level of activity assumed in the planning budget and the actual level of activity used in the flexible budget.

TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Knowledge
Learning Objective: 09-02 Prepare a report showing activity variances
Level: Easy

6. The activity variance for revenue is favorable if the actual level of activity for the period exceeds the planned level of activity.

TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Knowledge
Learning Objective: 09-02 Prepare a report showing activity variances
Level: Easy

7. The activity variance for revenue is unfavorable if the revenue in the flexible budget is less than the revenue in the static planning budget.

TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Knowledge
Learning Objective: 09-02 Prepare a report showing activity variances
Level: Easy

8. The revenue and spending variances are the differences between the static planning budget and the actual results for the period.

FALSE

*AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Comprehension
Learning Objective: 09-03 Prepare a report showing revenue and spending variances
Level: Medium*

9. A revenue variance is favorable if the revenue in the static planning budget exceeds the revenue in the flexible budget.

FALSE

*AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Comprehension
Learning Objective: 09-03 Prepare a report showing revenue and spending variances
Level: Medium*

10. A spending variance is the difference between how much a cost should have been, given the actual level of activity, and the actual amount of the cost for the period.

TRUE

*AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Knowledge
Learning Objective: 09-03 Prepare a report showing revenue and spending variances
Level: Easy*

11. A favorable spending variance occurs when the actual cost exceeds the amount of that cost in the flexible budget.

FALSE

*AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Comprehension
Learning Objective: 09-03 Prepare a report showing revenue and spending variances
Level: Medium*

12. A flexible budget performance report contains both activity variances and revenue and spending variances.

TRUE

AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Knowledge

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Easy

13. While fixed costs should not be affected by a change in the level of activity within the relevant range, they may change for other reasons.

TRUE

AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Knowledge

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Easy

14. Flexible budgets cannot be used when there is more than one cost driver (i.e., measure of activity).

FALSE

AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Comprehension

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Medium

15. Directly comparing static budget costs to actual costs only makes sense if the costs are fixed.

TRUE

AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Comprehension

Learning Objective: 09-06 Understand common errors made in preparing performance reports based on budgets and actual results

Level: Medium

16. If the actual level of activity is 4% more than planned, then the variable costs in the static budget should be increased by 4% before comparing them to actual costs.

TRUE

AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Comprehension

Learning Objective: 09-06 Understand common errors made in preparing performance reports based on budgets and actual results

Level: Medium

Multiple Choice Questions

17. The purpose of a flexible budget is to:

- A. remove items from performance reports that are not controllable by managers.
- B. permit managers to reduce the number of unfavorable variances that are reported.
- C.** update the static planning budget to reflect the actual level of activity of the period.
- D. reduce the amount of conflict between departments when the master budget is prepared.

When a flexible budget is used in performance evaluation, actual costs are compared to what the costs *should have been for the actual level of activity during the period* rather than to the static planning budget.

AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Knowledge

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

18. A static budget:

- A. should be compared to actual costs to assess how well costs were controlled.
- B. should be compared to a flexible budget to assess how well costs were controlled.
- C.** is valid for only one level of activity.
- D. represents the best way to set spending targets for managers.

A planning budget is prepared before the period begins and is valid for only the planned level of activity.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Comprehension
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

19. Which of the following comparisons best isolates the impact of a change in activity on performance?

- A.** static planning budget and flexible budget
- B. static planning budget and actual results
- C. flexible budget and actual results
- D. master budget and static planning budget

A planning budget is prepared before the period begins and is valid for only the planned level of activity. Flexible budgets take into account how changes in activity affect costs. A flexible budget is an estimate of what revenues and costs should have been, given the actual level of activity for the period.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Knowledge
Learning Objective: 09-02 Prepare a report showing activity variances
Level: Easy

20. Which of the following would not appear on a flexible budget performance report as shown in the text?

- A. Variable costs.
- B. Mixed costs.
- C. A flexible budget adjusted to the actual level of activity.
- D.** The previous year's actual costs.

Flexible budget performance reports show only current year information.

AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Comprehension

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

21. Salyers Family Inn is a bed and breakfast establishment in a converted 100-year-old mansion. The Inn's guests appreciate its gourmet breakfasts and individually decorated rooms. The Inn's overhead budget for the most recent month appears below:

Activity level	57	guests
Variable overhead costs:		
Supplies	\$ 148.20	
Laundry	216.60	
Fixed overhead costs:		
Utilities	170.00	
Salaries and wages	4,310.00	
Depreciation	<u>2,340.00</u>	
Total overhead cost	<u>\$7,184.80</u>	

The Inn's variable overhead costs are driven by the number of guests.

What would be the total budgeted overhead cost for a month if the activity level is 53 guests?

- A.** \$7,159.20
- B. \$6,680.60
- C. \$7,184.80
- D. \$26,154.40

Variable cost per guest for supplies = $\$148.20 \div 57 \text{ guests} = \2.60 per guest

Variable cost per guest for laundry = $\$216.60 \div 57 \text{ guests} = \3.80 per guest

Activity level	53 guests
Variable overhead costs:	
Supplies (\$2.60 per guest × 53 guests)	\$137.80
Laundry (\$3.80 per guest × 53 guests)	201.40
Fixed overhead costs:	
Utilities	170.00
Salaries and wages	4,310.00
Depreciation	2,340.00
Total overhead cost	<u>\$7,159.20</u>

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

22. Stock Manufacturing Corporation has prepared the following overhead budget for next month.

Activity level	6,900	machine-hours
Variable overhead costs:		
Supplies	\$21,390	
Indirect labor	41,400	
Fixed overhead costs:		
Supervision	14,600	
Utilities	3,500	
Depreciation	6,700	
Total overhead cost	<u>\$87,590</u>	

The company's variable overhead costs are driven by machine-hours. What would be the total budgeted overhead cost for next month if the activity level is 6,600 machine-hours rather than 6,900 machine-hours?

- A. \$84,321.00
- B. \$87,590.00
- C. \$84,860.00**
- D. \$83,781.74

Variable cost per MH for supplies = $\$21,390 \div 6,900 \text{ MHs} = \3.10 per MH

Variable cost per MH for indirect labor = $\$41,400 \div 6,900 \text{ MHs} = \6.00 per MH

Activity level	6,600 MHs
Variable overhead costs:	
Supplies (\$3.10 per MH × 6,600 MHs)	\$20,460
Indirect labor (\$6.00 per MH × 6,600 MHs)	39,600
Fixed overhead costs:	
Supervision	14,600
Utilities	3,500
Depreciation	6,700
Total overhead cost	<u>\$84,860</u>

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

23. Gummer Hospital bases its budgets on patient-visits. The hospital's static budget for February appears below:

Budgeted number of patient-visits	9,900
Budgeted variable overhead costs:	
Supplies (@\$6.60 per patient-visit)	\$ 65,340
Laundry (@\$6.50 per patient-visit)	<u>64,350</u>
Total variable overhead cost	<u>129,690</u>
Budgeted fixed overhead costs:	
Wages and salaries	85,140
Occupancy costs	<u>76,230</u>
Total fixed overhead cost	<u>161,370</u>
Total budgeted overhead cost	<u>\$291,060</u>

The total overhead cost at an activity level of 10,800 patient-visits per month should be:

- A. \$317,520
- B. \$303,810
- C. \$291,060
- D.** \$302,850

Budgeted number of patient-visits	10,800
Budgeted variable overhead costs:	
Supplies (@\$6.60 per patient-visit)	\$ 71,280
Laundry (@\$6.50 per patient-visit)	70,200
Total variable overhead cost	141,480
Budgeted fixed overhead costs:	
Wages and salaries	85,140
Occupancy costs	76,230
Total fixed overhead cost	161,370
Total budgeted overhead cost	<u>\$302,850</u>

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

24. Scarfo Hotel bases its budgets on guest-days. The hotel's static budget for December appears below:

Budgeted number of guest-days	2,100
Budgeted variable overhead costs:	
Supplies (@\$1.80 per guest-day)	\$ 3,780
Laundry (@\$2.00 per guest-day)	4,200
Total variable overhead cost	7,980
Budgeted fixed overhead costs:	
Wages and salaries	5,040
Occupancy costs	4,620
Total fixed overhead cost	9,660
Total budgeted overhead cost	<u>\$17,640</u>

The total overhead cost at an activity level of 2,900 guest-days per month should be:

- A.** \$20,680
- B. \$17,640
- C. \$24,360
- D. \$20,890

Budgeted number of guest-days	2,900
Budgeted variable overhead costs:	
Supplies (@\$1.80 per guest-day)	\$ 5,220
Laundry (@\$2.00 per guest-day)	5,800
Total variable overhead cost	11,020
Budgeted fixed overhead costs:	
Wages and salaries	5,040
Occupancy costs	4,620
Total fixed overhead cost	9,660
Total budgeted overhead cost	<u>\$20,680</u>

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

25. Wadhams Snow Removal's cost formula for its vehicle operating cost is \$1,900 per month plus \$430 per snow-day. For the month of December, the company planned for activity of 16 snow-days, but the actual level of activity was 21 snow-days. The actual vehicle operating cost for the month was \$11,470. The vehicle operating cost in the planning budget for December would be closest to:

- A. \$10,930
- B. \$11,470
- C. \$8,739
- D.** \$8,780

$$\begin{aligned}\text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit} \times q \\ &= \$1,900 + \$430 \times 16 = \$8,780\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

26. Petersheim Snow Removal's cost formula for its vehicle operating cost is \$1,750 per month plus \$484 per snow-day. For the month of November, the company planned for activity of 15 snow-days, but the actual level of activity was 14 snow-days. The actual vehicle operating cost for the month was \$8,360. The vehicle operating cost in the flexible budget for November would be closest to:

- A.** \$8,526
- B. \$8,409
- C. \$9,010
- D. \$8,360

$$\begin{aligned}\text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit} \times q \\ &= \$1,750 + \$484 \times 14 = \$8,526\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

27. Oscarson Midwifery's cost formula for its wages and salaries is \$2,720 per month plus \$351 per birth. For the month of September, the company planned for activity of 121 births, but the actual level of activity was 119 births. The actual wages and salaries for the month was \$43,380. The wages and salaries in the planning budget for September would be closest to:

- A.** \$45,191
- B. \$43,380
- C. \$44,489
- D. \$44,109

$$\begin{aligned}\text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit} \times q \\ &= \$2,720 + \$351 \times 121 = \$45,191\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

28. Clovis Midwifery's cost formula for its wages and salaries is \$2,680 per month plus \$245 per birth. For the month of September, the company planned for activity of 118 births, but the actual level of activity was 121 births. The actual wages and salaries for the month was \$33,290. The wages and salaries in the flexible budget for September would be closest to:

- A. \$32,393
- B. \$31,590
- C.** \$32,325
- D. \$33,290

$$\begin{aligned}\text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit} \times q \\ &= \$2,680 + \$245 \times 121 = \$32,325\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

29. Gradert Framing's cost formula for its supplies cost is \$1,540 per month plus \$12 per frame. For the month of September, the company planned for activity of 668 frames, but the actual level of activity was 666 frames. The actual supplies cost for the month was \$9,980. The supplies cost in the planning budget for September would be closest to:

- A. \$10,010
- B. \$9,532
- C. \$9,556**
- D. \$9,980

$$\begin{aligned}\text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit} \times q \\ &= \$1,540 + \$12 \times 668 = \$9,556\end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

30. Bargas Framing's cost formula for its supplies cost is \$2,240 per month plus \$6 per frame. For the month of May, the company planned for activity of 808 frames, but the actual level of activity was 810 frames. The actual supplies cost for the month was \$7,090. The supplies cost in the flexible budget for May would be closest to:

- A. \$7,088
- B. \$7,090
- C. \$7,106
- D. \$7,100**

$$\begin{aligned}\text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit} \times q \\ &= \$2,240 + \$6 \times 810 = \$7,100\end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

31. Stuchlik Catering uses two measures of activity, jobs and meals, in the cost formulas in its budgets and performance reports. The cost formula for catering supplies is \$430 per month plus \$80 per job plus \$14 per meal. A typical job involves serving a number of meals to guests at a corporate function or at a host's home. The company expected its activity in January to be 20 jobs and 190 meals, but the actual activity was 21 jobs and 194 meals. The actual cost for catering supplies in January was \$4,850. The catering supplies in the planning budget for January would be closest to:

- A. \$4,850
- B. \$4,619
- C. \$4,690**
- D. \$4,826

$$\begin{aligned}\text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit}_1 \times q_1 + \text{Variable cost per unit}_2 \times q_2 \\ &= \$430 + \$80 \times 20 + \$14 \times 190 = \$4,690\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

32. Whit Catering uses two measures of activity, jobs and meals, in the cost formulas in its budgets and performance reports. The cost formula for catering supplies is \$380 per month plus \$94 per job plus \$11 per meal. A typical job involves serving a number of meals to guests at a corporate function or at a host's home. The company expected its activity in October to be 20 jobs and 216 meals, but the actual activity was 19 jobs and 221 meals. The actual cost for catering supplies in October was \$4,790. The catering supplies in the flexible budget for October would be closest to:

- A. \$4,404
- B. \$4,790
- C. \$4,636
- D. \$4,597**

$$\begin{aligned}\text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit}_1 \times q_1 + \text{Variable cost per unit}_2 \times q_2 \\ &= \$380 + \$94 \times 19 + \$11 \times 221 = \$4,597\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

33. Thomasson Air uses two measures of activity, flights and passengers, in the cost formulas in its budgets and performance reports. The cost formula for plane operating costs is \$36,160 per month plus \$2,038 per flight plus \$1 per passenger. The company expected its activity in April to be 73 flights and 223 passengers, but the actual activity was 72 flights and 228 passengers. The actual cost for plane operating costs in April was \$179,020. The activity variance for plane operating costs in April would be closest to:

- A. \$6,137 U
- B. \$6,137 F
- C. \$2,033 U
- D. \$2,033 F**

Planning budget ($\$36,160 + \$2,038 \times 73 + \$1 \times 223$)	\$185,157
Flexible budget ($\$36,160 + \$2,038 \times 72 + \$1 \times 228$)	183,124
Activity variance	\$ 2,033

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-02 Prepare a report showing activity variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Easy

34. Kara Catering uses two measures of activity, jobs and meals, in the cost formulas in its budgets and performance reports. The cost formula for catering supplies is \$310 per month plus \$84 per job plus \$17 per meal. A typical job involves serving a number of meals to guests at a corporate function or at a host's home. The company expected its activity in July to be 15 jobs and 127 meals, but the actual activity was 14 jobs and 126 meals. The actual cost for catering supplies in July was \$3,620. The activity variance for catering supplies in July would be closest to:

- A. \$109 F
- B. \$109 U
- C. \$101 F**
- D. \$101 U

Planning budget ($\$310 + \$84 \times 15 + \$17 \times 127$)	\$3,729
Flexible budget ($\$310 + \$84 \times 14 + \$17 \times 126$)	3,628
Activity variance	\$ 101

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-02 Prepare a report showing activity variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Easy

35. Orscheln Snow Removal's cost formula for its vehicle operating cost is \$2,800 per month plus \$381 per snow-day. For the month of February, the company planned for activity of 17 snow-days, but the actual level of activity was 14 snow-days. The actual vehicle operating cost for the month was \$7,920. The activity variance for vehicle operating cost in February would be closest to:

- A. \$1,357 F
- B. \$1,357 U
- C. \$1,143 F**
- D. \$1,143 U

Planning budget ($\$2,800 + \381×17)	\$9,277
Flexible budget ($\$2,800 + \381×14)	8,134
Activity variance	\$1,143

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-02 Prepare a report showing activity variances
 Level: Easy

36. Bolick Midwifery's cost formula for its wages and salaries is \$1,800 per month plus \$152 per birth. For the month of May, the company planned for activity of 119 births, but the actual level of activity was 114 births. The actual wages and salaries for the month was \$19,980. The activity variance for wages and salaries in May would be closest to:

- A. \$760 U
- B. \$92 U
- C. \$92 F
- D. \$760 F**

Planning budget ($\$1,800 + \152×119)	\$19,888
Flexible budget ($\$1,800 + \152×114)	19,128
Activity variance	\$ 760

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-02 Prepare a report showing activity variances
 Level: Easy

37. Schlick Framing's cost formula for its supplies cost is \$1,770 per month plus \$12 per frame. For the month of August, the company planned for activity of 628 frames, but the actual level of activity was 631 frames. The actual supplies cost for the month was \$9,790. The activity variance for supplies cost in August would be closest to:

- A. \$36 F
- B. \$484 F
- C. \$484 U
- D.** \$36 U

Planning budget ($\$1,770 + \12×628)	\$9,306
Flexible budget ($\$1,770 + \12×631)	9,342
Activity variance	\$ 36

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

38. Farver Air uses two measures of activity, flights and passengers, in the cost formulas in its budgets and performance reports. The cost formula for plane operating costs is \$44,420 per month plus \$2,008 per flight plus \$1 per passenger. The company expected its activity in May to be 80 flights and 281 passengers, but the actual activity was 81 flights and 277 passengers. The actual cost for plane operating costs in May was \$199,650. The spending variance for plane operating costs in May would be closest to:
- A. \$5,691 F
 - B. \$7,695 U
 - C. \$7,695 F**
 - D. \$5,691 U

Flexible budget ($\$44,420 + \$2,008 \times 81 + \$1 \times 277$)	\$207,345
Actual results	199,650
Spending variance	\$ 7,695

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Easy

39. Sissac Catering uses two measures of activity, jobs and meals, in the cost formulas in its budgets and performance reports. The cost formula for catering supplies is \$470 per month plus \$101 per job plus \$24 per meal. A typical job involves serving a number of meals to guests at a corporate function or at a host's home. The company expected its activity in May to be 12 jobs and 123 meals, but the actual activity was 9 jobs and 126 meals. The actual cost for catering supplies in May was \$4,240. The spending variance for catering supplies in May would be closest to:

- A. \$394 U
- B. \$394 F
- C. \$163 F**
- D. \$163 U

Flexible budget ($\$470 + \$101 \times 9 + \$24 \times 126$)	\$4,403
Actual results	4,240
Spending variance	\$ 163

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Easy

40. At Jacobson Company, indirect labor is a variable cost that varies with direct labor-hours. Last month's performance report showed that actual indirect labor cost totaled \$5,780 for the month and that the associated spending variance was \$245 F. If 24,100 direct labor-hours were actually worked last month, then the flexible budget cost formula for indirect labor must be (per direct labor-hour):

- A. \$0.20
- B. \$0.25**
- C. \$0.30
- D. \$0.35

Spending variance = Flexible budget - Actual results

$$\$245 \text{ F} = \text{Variable cost per direct labor-hour} \times 24,100 \text{ direct labor-hours} - \$5,780$$

$$\$245 = \text{Variable cost per direct labor-hour} \times 24,100 \text{ direct labor-hours} - \$5,780$$

$$\text{Variable cost per direct labor-hour} \times 24,100 \text{ direct labor-hours} = \$6,025$$

$$\text{Variable cost per direct labor-hour} = \$6,025 \div 24,100 \text{ direct labor-hours} = \$0.25 \text{ per direct labor-hour}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Hard

41. Fussner Medical Clinic measures its activity in terms of patient-visits. Last month, the budgeted level of activity was 1,610 patient-visits and the actual level of activity was 1,670 patient-visits. The cost formula for administrative expenses is \$3.30 per patient-visit plus \$17,900 per month. The actual administrative expense was \$24,600. In the clinic's flexible budget performance report for last month, the spending variance for administrative expenses was:

- A. \$1,387 U
- B. \$198 U
- C. \$69 U
- D.** \$1,189 U

Actual results	\$24,600
Flexible budget (\$17,900 + \$3.30 × 1,670)	23,411
Spending variance	\$ 1,189

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

42. Brayboy Tile Installation Corporation measures its activity in terms of square feet of tile installed. Last month, the budgeted level of activity was 1,360 square feet and the actual level of activity was 1,300 square feet. The company's owner budgets for supply costs, a variable cost, at \$3.90 per square foot. The actual supply cost last month was \$4,300. In the company's flexible budget performance report for last month, what would have been the spending variance for supply costs?

- A. \$770 F
- B. \$1,004 F
- C. \$198 F
- D. \$234 F

Flexible budget ($\$3.90 \times 1,300$)	\$5,070
Actual results	4,300
Spending variance	\$ 770

Because the actual expense is less than the flexible budget; the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

43. Soehl Natural Dying Corporation measures its activity in terms of skeins of yarn dyed. Last month, the budgeted level of activity was 14,100 skeins and the actual level of activity was 13,700 skeins. The company's owner budgets for dye costs, a variable cost, at \$0.40 per skein. The actual dye cost last month was \$4,510. In the company's flexible budget performance report for last month, what would have been the spending variance for dye costs?

- A. \$970 F
- B. \$132 F
- C. \$160 F
- D. \$1,130 F

Flexible budget ($\$0.40 \times 13,700$)	\$5,480
Actual results	4,510
Spending variance	\$ 970

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

44. Newsom Footwear Corporation's flexible budget cost formula for supplies, a variable cost, is \$2.61 per unit of output. The company's flexible budget performance report for last month showed a \$6,840 unfavorable spending variance for supplies. During that month, 17,100 units were produced. Budgeted activity for the month had been 16,700 units. The actual cost per unit for indirect materials must have been closest to:

- A.** \$3.01
- B. \$3.49
- C. \$3.41
- D. \$2.61

X = actual cost per unit for indirect materials
Spending variance = Actual results - Flexible budget
 $\$6,840 = (17,100 \times X) - (17,100 \times \$2.61)$
 $\$6,840 = 17,100X - \$44,631$
 $17,100X = \$51,471$
 $X = \$3.01$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-03 Prepare a report showing revenue and spending variances
Level: Hard

45. Hamner Corporation's flexible budget performance report for last month shows that actual indirect materials cost, a variable cost, was \$45,240 and that the spending variance for indirect materials cost was \$3,480 unfavorable. During that month, the company worked 17,400 machine-hours. Budgeted activity for the month had been 17,000 machine-hours. The cost formula per machine-hour for indirect materials cost must have been closest to:

- A. \$2.46
- B. \$2.87
- C. \$2.40**
- D. \$2.80

X = Indirect materials cost per machine-hour
Spending variance = Actual results - Flexible budget
 $\$3,480 = \$45,240 - (17,400 \times X)$
 $\$3,480 = \$45,240 - 17,400X$
 $\$41,760 = 17,400X$
 $X = \$2.40$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Hard

46. Fudala Snow Removal's cost formula for its vehicle operating cost is \$1,480 per month plus \$308 per snow-day. For the month of March, the company planned for activity of 11 snow-days, but the actual level of activity was 16 snow-days. The actual vehicle operating cost for the month was \$6,130. The spending variance for vehicle operating cost in March would be closest to:

- A. \$1,262 U
- B. \$278 F**
- C. \$278 U
- D. \$1,262 F

Flexible budget ($\$1,480 + \308×16)	\$6,408
Actual results	6,130
Spending variance	\$ 278

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-03 Prepare a report showing revenue and spending variances
Level: Easy

47. Celius Midwifery's cost formula for its wages and salaries is \$2,410 per month plus \$292 per birth. For the month of March, the company planned for activity of 113 births, but the actual level of activity was 116 births. The actual wages and salaries for the month was \$35,340. The spending variance for wages and salaries in March would be closest to:

- A. \$942 F**
- B. \$66 F
- C. \$66 U
- D. \$942 U

Flexible budget ($\$2,410 + \292×116)	\$36,282
Actual results	35,340
Spending variance	\$ 942

Because the actual expense is less than the flexible budget; the variance is favorable (F).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-03 Prepare a report showing revenue and spending variances
Level: Easy

48. Ingrum Framing's cost formula for its supplies cost is \$1,120 per month plus \$11 per frame. For the month of June, the company planned for activity of 611 frames, but the actual level of activity was 607 frames. The actual supplies cost for the month was \$8,150. The spending variance for supplies cost in June would be closest to:

- A. \$353 F
- B. \$309 U
- C. \$353 U**
- D. \$309 F

Actual results	\$8,150
Flexible budget (\$1,120 + \$11 × 607)	7,797
Spending variance	\$ 353

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-03 Prepare a report showing revenue and spending variances
 Level: Easy

49. Zylka Air uses two measures of activity, flights and passengers, in the cost formulas in its budgets and performance reports. The cost formula for plane operating costs is \$47,400 per month plus \$2,337 per flight plus \$3 per passenger. The company expected its activity in April to be 67 flights and 263 passengers, but the actual activity was 62 flights and 267 passengers. The actual cost for plane operating costs in April was \$189,760. The plane operating costs in the planning budget for April would be closest to:

- A. \$189,760
- B. \$193,095
- C. \$204,768**
- D. \$205,063

$$\text{Cost} = \text{Fixed cost} + \text{Variable cost per unit}_1 \times q_1 + \text{Variable cost per unit}_2 \times q_2$$

$$= \$47,400 + \$2,337 \times 67 + \$3 \times 263 = \$204,768$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver
 Level: Easy

50. Lantto Air uses two measures of activity, flights and passengers, in the cost formulas in its budgets and performance reports. The cost formula for plane operating costs is \$34,810 per month plus \$2,850 per flight plus \$12 per passenger. The company expected its activity in June to be 70 flights and 292 passengers, but the actual activity was 69 flights and 291 passengers. The actual cost for plane operating costs in June was \$236,550. The plane operating costs in the flexible budget for June would be closest to:

- A. \$237,814
- B. \$234,952**
- C. \$236,550
- D. \$234,417

$$\begin{aligned}\text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit}_1 \times q_1 + \text{Variable cost per unit}_2 \times q_2 \\ &= \$34,810 + \$2,850 \times 69 + \$12 \times 291 = \$234,952\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver
Level: Easy

Bamba Corporation's cost formula for its selling and administrative expense is \$47,900 per month plus \$52 per unit. For the month of April, the company planned for activity of 6,000 units, but the actual level of activity was 5,960 units. The actual selling and administrative expense for the month was \$364,490.

51. The selling and administrative expense in the planning budget for April would be closest to:

- A. \$357,820
- B. \$359,900**
- C. \$364,490
- D. \$366,936

$$\begin{aligned}\text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit} \times q \\ &= \$47,900 + \$52 \times 6,000 = \$359,900\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

52. The selling and administrative expense in the flexible budget for April would be closest to:

- A. \$357,501
- B. \$359,900
- C. \$357,820**
- D. \$364,490

$$\begin{aligned} \text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit} \times q \\ &= \$47,900 + \$52 \times 5,960 = \$357,820 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

53. The activity variance for selling and administrative expense in April would be closest to:

- A. \$4,590 F
- B. \$2,080 F**
- C. \$2,080 U
- D. \$4,590 U

Planning budget (\$47,900 + \$52 × 6,000)	\$359,900
Flexible budget (\$47,900 + \$52 × 5,960)	357,820
Activity variance	\$ 2,080

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-02 Prepare a report showing activity variances
Level: Easy

54. The spending variance for selling and administrative expense in April would be closest to:

- A. \$4,590 F
- B. \$6,670 F
- C. \$6,670 U**
- D. \$4,590 U

Actual results	\$364,490
Flexible budget (\$47,900 + \$52 × 5,960)	357,820
Spending variance	\$ 6,670

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

Fullagar Corporation's cost formula for its manufacturing overhead is \$15,400 per month plus \$11 per machine-hour. For the month of May, the company planned for activity of 7,500 machine-hours, but the actual level of activity was 7,540 machine-hours. The actual manufacturing overhead for the month was \$102,710.

55. The manufacturing overhead in the planning budget for May would be closest to:

- A. \$98,340
- B. \$97,900**
- C. \$102,710
- D. \$102,165

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$15,400 + \$11 \times 7,500 = \$97,900 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

56. The manufacturing overhead in the flexible budget for May would be closest to:

- A. \$97,900
- B. \$98,422
- C. \$98,340**
- D. \$102,710

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$15,400 + \$11 \times 7,540 = \$98,340 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

57. The activity variance for manufacturing overhead in May would be closest to:

- A. \$440 U**
- B. \$440 F
- C. \$4,810 F
- D. \$4,810 U

Planning budget ($\$15,400 + \$11 \times 7,500$)	\$97,900
Flexible budget ($\$15,400 + \$11 \times 7,540$)	98,340
Activity variance	\$ 440

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-02 Prepare a report showing activity variances
Level: Easy

58. The spending variance for manufacturing overhead in May would be closest to:

- A. \$4,370 U
- B. \$4,810 F
- C. \$4,810 U
- D. \$4,370 F

Actual results	\$102,710
Flexible budget (\$15,400 + \$11 × 7,540)	98,340
Spending variance	\$ 4,370

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

Cadavieco Detailing's cost formula for its materials and supplies is \$1,990 per month plus \$8 per vehicle. For the month of November, the company planned for activity of 92 vehicles, but the actual level of activity was 52 vehicles. The actual materials and supplies for the month was \$2,440.

59. The materials and supplies in the planning budget for November would be closest to:

- A. \$2,726
- B. \$2,406
- C. \$4,317
- D. \$2,440

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$1,990 + \$8 \times 92 = \$2,726 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

60. The materials and supplies in the flexible budget for November would be closest to:

- A. \$2,440
- B. \$1,541
- C. \$2,726
- D.** \$2,406

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$1,990 + \$8 \times 52 = \$2,406 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

61. The activity variance for materials and supplies in November would be closest to:

- A. \$320 U
- B. \$286 U
- C. \$286 F
- D.** \$320 F

Planning budget (\$1,990 + \$8 × 92)	\$2,726
Flexible budget (\$1,990 + \$8 × 52)	2,406
Activity variance	\$ 320

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-02 Prepare a report showing activity variances
Level: Easy

62. The spending variance for materials and supplies in November would be closest to:
- A. \$34 F
 - B. \$286 F
 - C. \$34 U**
 - D. \$286 U

Actual results	\$2,440
Flexible budget (\$1,990 + \$8 × 52)	2,406
Spending variance	\$ 34

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-03 Prepare a report showing revenue and spending variances
 Level: Easy

Mcquain Boat Wash's cost formula for its cleaning equipment and supplies is \$1,950 per month plus \$20 per boat. For the month of June, the company planned for activity of 85 boats, but the actual level of activity was 125 boats. The actual cleaning equipment and supplies for the month was \$4,380.

63. The cleaning equipment and supplies in the planning budget for June would be closest to:
- A. \$3,650**
 - B. \$4,450
 - C. \$2,978
 - D. \$4,380

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$1,950 + \$20 \times 85 = \$3,650 \end{aligned}$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

64. The cleaning equipment and supplies in the flexible budget for June would be closest to:

- A.** \$4,450
- B. \$4,380
- C. \$5,368
- D. \$3,650

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$1,950 + \$20 \times 125 = \$4,450 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

65. The activity variance for cleaning equipment and supplies in June would be closest to:

- A. \$800 F
- B. \$730 F
- C. \$730 U
- D.** \$800 U

Flexible budget ($\$1,950 + \20×125)	\$4,450
Planning budget ($\$1,950 + \20×85)	3,650
Activity variance	\$ 800

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-02 Prepare a report showing activity variances
Level: Easy

66. The spending variance for cleaning equipment and supplies in June would be closest to:
 A. \$730 U
 B. \$70 U
C. \$70 F
 D. \$730 F

Flexible budget ($\$1,950 + \20×125)	\$4,450
Actual results	4,380
Spending variance	\$ 70

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

Stivason Clinic uses client-visits as its measure of activity. During September, the clinic budgeted for 3,300 client-visits, but its actual level of activity was 3,290 client-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for September:

Data used in budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	-	\$27.30
Personnel expenses	\$23,000	\$8.50
Medical supplies	500	4.30
Occupancy expenses	7,400	0.80
Administrative expenses	<u>2,500</u>	<u>0.30</u>
Total expenses	<u>\$33,400</u>	<u>\$13.90</u>

Actual results for September:

Revenue	\$89,667
Personnel expenses	\$50,445
Medical supplies	\$14,767
Occupancy expenses	\$9,942
Administrative expenses	\$3,387

67. The activity variance for personnel expenses in September would be closest to:

- A. \$605 U
- B. \$605 F
- C. \$85 F**
- D. \$85 U

Planning budget ($\$23,000 + \$8.50 \times 3,300$)	\$51,050
Flexible budget ($\$23,000 + \$8.50 \times 3,290$)	50,965
Activity variance	\$ 85

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Medium

68. The activity variance for administrative expenses in September would be closest to:

- A. \$3 F**
- B. \$103 F
- C. \$3 U
- D. \$103 U

Planning budget ($\$2,500 + \$0.30 \times 3,300$)	\$3,490
Flexible budget ($\$2,500 + \$0.30 \times 3,290$)	3,487
Activity variance	\$ 3

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Medium

69. The activity variance for net operating income in September would be closest to:
- A. \$134 F
 - B. \$306 U
 - C. \$306 F
 - D. \$134 U**

Revenue per client-visit	\$27.30
Total variable expense per client-visit	13.90
Contribution margin per client-visit	\$13.40
<hr/>	
Total fixed expense	\$33,400
<hr/>	
Planning budget ($\$13.40 \times 3,300 - \$33,400$)	\$10,820
Flexible budget ($\$13.40 \times 3,290 - \$33,400$)	10,686
Activity variance	\$ 134

Because the flexible budget net operating income is less than the planning budget, the variance is unfavorable (U)

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Learning Objective: 09-02 Prepare a report showing activity variances
 Level: Medium

Gourley Clinic uses client-visits as its measure of activity. During August, the clinic budgeted for 3,200 client-visits, but its actual level of activity was 3,160 client-visits. The clinic has provided the following data concerning the formulas to be used in its budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	-	\$39.90
Personnel expenses	\$35,800	\$10.70
Medical supplies	1,200	7.90
Occupancy expenses	8,300	1.50
Administrative expenses	<u>5,500</u>	<u>0.30</u>
Total expenses	<u>\$50,800</u>	<u>\$20.40</u>

70. The activity variance for personnel expenses in August would be closest to:

- A.** \$428 F
- B. \$2,868 U
- C. \$2,868 F
- D. \$428 U

Planning budget ($\$35,800 + \$10.70 \times 3,200$)	\$70,040
Flexible budget ($\$35,800 + \$10.70 \times 3,160$)	69,612
Activity variance	\$ 428

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

71. The activity variance for administrative expenses in August would be closest to:

- A. \$72 F
- B. \$12 U
- C. \$72 U
- D.** \$12 F

Planning budget ($\$5,500 + \$0.30 \times 3,200$)	\$6,460
Flexible budget ($\$5,500 + \$0.30 \times 3,160$)	6,448
Activity variance	\$ 12

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

72. The activity variance for net operating income in August would be closest to:

- A. \$30 F
- B. \$780 F
- C. \$30 U
- D. \$780 U**

Revenue per client-visit	\$39.90
Total variable expense per client-visit	20.40
Contribution margin per client-visit	\$19.50
Total fixed expense	\$50,800
Planning budget ($\$19.50 \times 3,200 - \$50,800$)	\$11,600
Flexible budget ($\$19.50 \times 3,160 - \$50,800$)	10,820
Activity variance	\$ 780

Because the flexible budget net operating income is less than the planning budget, the variance is unfavorable (U)

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

Snyders Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During October, the kennel budgeted for 2,600 tenant-days, but its actual level of activity was 2,610 tenant-days. The kennel has provided the following data concerning the formulas to be used in its budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	-	\$27.20
Wages and salaries	\$ 3,300	\$ 5.20
Expendables	800	9.40
Facility expenses	8,600	2.40
Administrative expenses	<u>6,600</u>	<u>0.30</u>
Total expenses	<u>\$19,300</u>	<u>\$17.30</u>

73. The activity variance for wages and salaries in October would be closest to:

- A. \$52 U
- B. \$652 F
- C. \$52 F
- D. \$652 U

Flexible budget ($\$3,300 + \$5.20 \times 2,610$)	\$16,872
Planning budget ($\$3,300 + \$5.20 \times 2,600$)	16,820
Activity variance	\$ 52

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

74. The activity variance for administrative expenses in October would be closest to:

- A. \$3 U
- B. \$263 U
- C. \$263 F
- D. \$3 F

Planning budget ($\$6,600 + \$0.30 \times 2,600$)	\$7,380
Flexible budget ($\$6,600 + \$0.30 \times 2,610$)	7,383
Activity variance	\$ 3

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

75. The activity variance for net operating income in October would be closest to:
- A. \$2,581 U
 - B. \$99 F**
 - C. \$2,581 F
 - D. \$99 U

Revenue per tenant-day	\$27.20
Total variable expense per tenant-day	17.30
Contribution margin per tenant-day	\$9.90
<hr/>	
Total fixed expense	\$19,300
<hr/>	
Planning budget ($\$9.90 \times 2,600 - \$19,300$)	\$6,440
Flexible budget ($\$9.90 \times 2,610 - \$19,300$)	6,539
Activity variance	\$ 99

Because the flexible budget net operating income is greater than the planning budget, the variance is favorable (F)

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

Albers Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During April, the company budgeted for 7,600 units, but its actual level of activity was 7,570 units. The company has provided the following data concerning the formulas used in its budgeting and its actual results for April:

Data used in budgeting:

	Fixed element per month	Variable element per unit
Revenue	-	\$35.20
Direct labor	\$ 0	\$ 5.40
Direct materials	0	15.10
Manufacturing overhead	48,500	1.80
Selling and administrative expenses	20,900	0.50
Total expenses	\$69,400	\$22.80

Actual results for April:

Revenue	\$277,604
Direct labor	\$42,018
Direct materials	\$109,227
Manufacturing overhead	\$62,176
Selling and administrative expenses	\$25,345

76. The activity variance for direct labor in April would be closest to:

- A. \$162 F
- B. \$162 U
- C. \$978 U
- D. \$978 F

Planning budget ($\$0 + \$5.40 \times 7,600$)	\$41,040
Flexible budget ($\$0 + \$5.40 \times 7,570$)	40,878
Activity variance	\$ 162

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Medium

77. The activity variance for selling and administrative expenses in April would be closest to:

- A.** \$15 F
- B. \$645 F
- C. \$15 U
- D. \$645 U

Planning budget ($\$20,900 + \$0.50 \times 7,600$)	\$24,700
Flexible budget ($\$20,900 + \$0.50 \times 7,570$)	24,685
Activity variance	\$ 15

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Medium

78. The activity variance for net operating income in April would be closest to:

- A.** \$372 U
- B. \$13,998 U
- C. \$13,998 F
- D. \$372 F

Revenue per unit	\$35.20
Total variable expense per unit	22.80
Contribution margin per unit	\$12.40
<hr/>	
Total fixed expense	\$69,400
<hr/>	
Planning budget ($\$12.40 \times 7,600 - \$69,400$)	\$24,840
Flexible budget ($\$12.40 \times 7,570 - \$69,400$)	24,468
Activity variance	\$ 372

Because the flexible budget net operating income is less than the planning budget, the variance is unfavorable (U)

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Medium

Kuramoto Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During June, the company budgeted for 7,600 units, but its actual level of activity was 7,560 units. The company has provided the following data concerning the formulas to be used in its budgeting:

	Fixed element per month	Variable element per unit
Revenue	-	\$33.70
Direct labor	\$ 0	\$ 7.80
Direct materials	0	12.40
Manufacturing overhead	35,400	1.40
Selling and administrative expenses	<u>25,800</u>	<u>0.10</u>
Total expenses	<u>\$61,200</u>	<u>\$21.70</u>

79. The activity variance for direct labor in June would be closest to:

- A.** \$312 F
- B. \$312 U
- C. \$1,592 U
- D. \$1,592 F

Planning budget ($\$0 + \$7.80 \times 7,600$)	\$59,280
Flexible budget ($\$0 + \$7.80 \times 7,560$)	58,968
Activity variance	<u>\$ 312</u>

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

80. The activity variance for selling and administrative expenses in June would be closest to:

- A. \$1,286 U
- B. \$4 U
- C. \$1,286 F
- D. \$4 F**

Planning budget ($\$25,800 + \$0.10 \times 7,600$)	\$26,560
Flexible budget ($\$25,800 + \$0.10 \times 7,560$)	26,556
Activity variance	\$ 4

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

81. The activity variance for net operating income in June would be closest to:

- A. \$480 U**
- B. \$1,460 U
- C. \$480 F
- D. \$1,460 F

Revenue per unit	\$33.70
Total variable expense per unit	21.70
Contribution margin per unit	\$12.00
<hr/>	
Total fixed expense	\$61,200
<hr/>	
Planning budget ($\$12 \times 7,600 - \$61,200$)	\$30,000
Flexible budget ($\$12 \times 7,560 - \$61,200$)	29,520
Activity variance	\$ 480

Because the flexible budget net operating income is less than the planning budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

Nussey Clinic uses client-visits as its measure of activity. During May, the clinic budgeted for 2,100 client-visits, but its actual level of activity was 2,050 client-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for May:

Data used in budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	-	\$40.00
Personnel expenses	\$23,200	\$11.30
Medical supplies	800	7.90
Occupancy expenses	5,700	1.10
Administrative expenses	<u>3,300</u>	<u>0.30</u>
Total expenses	<u>\$33,000</u>	<u>\$20.60</u>

Actual results for May:

Revenue	\$82,960
Personnel expenses	\$45,935
Medical supplies	\$17,195
Occupancy expenses	\$7,875
Administrative expenses	\$3,985

82. The revenue variance for May would be closest to:

- A. \$1,040 F
- B. \$1,040 U
- C. \$960 F**
- D. \$960 U

Flexible budget ($\$40 \times 2,050$)	\$82,000
Actual results	82,960
Revenue variance	\$ 960

Because the actual revenue is greater than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

83. The spending variance for medical supplies in May would be closest to:

- A. \$200 F
- B. \$200 U**
- C. \$195 F
- D. \$195 U

Flexible budget ($\$800 + \$7.90 \times 2,050$)	\$16,995
Actual results	17,195
Spending variance	\$ 200

Because the actual expense is greater than the flexible budget; the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

84. The spending variance for occupancy expenses in May would be closest to:

- A. \$135 U
- B. \$135 F
- C. \$80 U
- D. \$80 F**

Flexible budget ($\$5,700 + \$1.10 \times 2,050$)	\$7,955
Actual results	7,875
Spending variance	\$ 80

Because the actual expense is less than the flexible budget; the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

85. The overall revenue and spending variance (i.e., the variance for net operating income in the revenue and spending variance column on the flexible budget performance report) for May would be closest to:

- A. \$230 F
- B. \$1,200 U
- C. \$1,200 F**
- D. \$230 U

Revenue per client-visit	\$40.00
Total variable expense per client-visit	20.60
Contribution margin per client-visit	\$19.40
Total fixed expense	\$33,000
Flexible budget ($\\$19.40 \times 2,050 - \\$33,000$)	\$6,770
Actual results	7,970
Activity variance	\$1,200

Because the actual net operating income is greater than the flexible budget; the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

86. The revenue variance for September would be closest to:

Refer To: 9-86

- A. \$1,789 U
- B. \$2,830 U**
- C. \$2,830 F
- D. \$1,789 F

Flexible budget ($\$34.70 \times 3,330$)	\$115,551
Actual results	112,721
Revenue variance	\$ 2,830

Because the actual revenue is less than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

87. The spending variance for expendables in September would be closest to:

Refer To: 9-86

- A. \$1,185 F
- B. \$1,185 U
- C. \$750 F
- D. \$750 U**

Flexible budget ($\$1,400 + \$14.50 \times 3,330$)	\$49,685
Actual results	50,435
Spending variance	\$ 750

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

88. The spending variance for facility expenses in September would be closest to:

Refer To: 9-86

- A.** \$290 F
- B. \$191 U
- C. \$290 U
- D. \$191 F

Flexible budget ($\\$8,200 + \\$3.30 \times 3,330$)	\$19,189
Actual results	18,899
Spending variance	\$ 290

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

89. The overall revenue and spending variance (i.e., the variance for net operating income in the revenue and spending variance column on the flexible budget performance report) for September would be closest to:

Refer To: 9-86

- A. \$3,200 F
- B. \$3,470 F
- C. \$3,200 U
- D.** \$3,470 U

Revenue per tenant-day	\$34.70
Total variable expense per tenant-day	25.70
Contribution margin per tenant-day	\$9.00
Total fixed expense	\$18,900
Flexible budget ($\$9 \times 3,330 - \$18,900$)	\$11,070
Actual results	7,600
Activity variance	\$ 3,470

Because the actual net operating income is less than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

MacPhail Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During April, the company budgeted for 5,600 units, but its actual level of activity was 5,650 units. The company has provided the following data concerning the formulas used in its budgeting and its actual results for April:

Data used in budgeting:

	Fixed element per month	Variable element per unit
Revenue		\$43.90
Direct labor	\$ 0	\$ 6.50
Direct materials	0	19.10
Manufacturing overhead	37,800	1.90
Selling and administrative expenses	<u>23,900</u>	<u>0.60</u>
Total expenses	<u>\$61,700</u>	<u>\$28.10</u>

Actual results for April:

Revenue	\$244,195
Direct labor	\$36,105
Direct materials	\$110,175
Manufacturing overhead	\$47,565
Selling and administrative expenses	\$27,660

90. The revenue variance for April would be closest to:

- A. \$1,645 F
- B. \$1,645 U
- C. \$3,840 U**
- D. \$3,840 F

Flexible budget ($\$43.90 \times 5,650$)	\$248,035
Actual results	244,195
Revenue variance	\$ 3,840

Because the actual revenue is less than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

91. The spending variance for direct materials in April would be closest to:

Refer To: 9-90

- A. \$3,215 U
- B. \$2,260 U**
- C. \$2,260 F
- D. \$3,215 F

Flexible budget ($\$0 + \$19.10 \times 5,650$)	\$107,915
Actual results	110,175
Spending variance	\$ 2,260

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

92. The spending variance for manufacturing overhead in April would be closest to:

Refer To: 9-90

- A. \$875 F
- B. \$970 U
- C. \$970 F**
- D. \$875 U

Flexible budget ($\$0 + \$19.10 \times 5,650$)	\$107,915
Actual results	110,175
Spending variance	\$ 2,260

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

93. The overall revenue and spending variance (i.e., the variance for net operating income in the revenue and spending variance column on the flexible budget performance report) for April would be closest to:

Refer To: 9-90

- A. \$4,880 U
- B. \$4,090 F
- C. \$4,090 U
- D. \$4,880 F

Revenue per unit	\$43.90
Total variable expense per unit	28.10
Contribution margin per unit	\$15.80
Total fixed expense	\$61,700
Flexible budget ($\\$15.80 \times 5,650 - \\$61,700$)	\$27,570
Actual results	22,690
Activity variance	\$ 4,880

Because the actual net operating income is less than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

94. The personnel expenses in the planning budget for October would be closest to:

Refer To: 9-94

- A.** \$48,760
- B. \$46,647
- C. \$49,018
- D. \$47,098

$$\text{Cost} = \text{Fixed cost per unit} + \text{Variable cost per unit} \times q$$

$$= \$22,100 + \$8.60 \times 3,100 = \$48,760$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

Askland Clinic uses client-visits as its measure of activity. During October, the clinic budgeted for 3,100 client-visits, but its actual level of activity was 3,130 client-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for October:

Data used in budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	–	\$28.80
Personnel expenses	\$22,100	\$ 8.60
Medical supplies	1,300	5.50
Occupancy expenses	6,300	1.00
Administrative expenses	<u>3,500</u>	<u>0.40</u>
Total expenses	<u>\$33,200</u>	<u>\$15.50</u>

Actual results for October:

Revenue	\$86,454
Personnel expenses	\$47,098
Medical supplies	\$17,825
Occupancy expenses	\$9,170
Administrative expenses	\$4,972

95. The medical supplies in the flexible budget for October would be closest to:

- A.** \$18,515
- B. \$18,350
- C. \$17,654
- D. \$17,998

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$1,300 + \$5.50 \times 3,130 = \$18,515 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

96. The activity variance for personnel expenses in October would be closest to:

- A. \$1,662 F
- B. \$258 F
- C.** \$258 U
- D. \$1,662 U

Planning budget (\$22,100 + \$8.60 × 3,100)	\$48,760
Flexible budget (\$22,100 + \$8.60 × 3,130)	49,018
Activity variance	\$ 258

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances
Level: Medium

97. The revenue variance for October would be closest to:

- A. \$2,826 F
- B. \$3,690 F
- C. \$2,826 U
- D. \$3,690 U**

Flexible budget ($\$28.80 \times 3,130$)	\$90,144
Actual results	86,454
Revenue variance	\$ 3,690

Because the actual revenue is less than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

98. The spending variance for medical supplies in October would be closest to:

- A. \$525 U
- B. \$690 F**
- C. \$690 U
- D. \$525 F

Flexible budget ($\$1,300 + \$5.50 \times 3,130$)	\$18,515
Actual results	17,825
Spending variance	\$ 690

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Langner Clinic uses client-visits as its measure of activity. During February, the clinic budgeted for 3,700 client-visits, but its actual level of activity was 3,740 client-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for February:

Data used in budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	–	\$24.90
Personnel expenses	\$26,600	\$ 6.50
Medical supplies	600	3.50
Occupancy expenses	7,200	1.10
Administrative expenses	<u>4,600</u>	<u>0.10</u>
Total expenses	<u>\$39,000</u>	<u>\$11.20</u>

Actual results for February:

Revenue	\$95,656
Personnel expenses	\$52,440
Medical supplies	\$13,300
Occupancy expenses	\$11,304
Administrative expenses	\$4,914

99. The administrative expenses in the planning budget for February would be closest to:

- A. \$4,970
- B. \$4,861
- C. \$4,914
- D. \$4,974

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$4,600 + \$0.10 \times 3,700 = \$4,970 \end{aligned}$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

100. The occupancy expenses in the flexible budget for February would be closest to:

- A. \$11,183
- B. \$11,426
- C. \$11,270
- D. \$11,314**

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$7,200 + \$1.10 \times 3,740 = \$11,314 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

101. The activity variance for administrative expenses in February would be closest to:

- A. \$4 F
- B. \$56 F
- C. \$4 U**
- D. \$56 U

Flexible budget ($\$600 + \$3.50 \times 3,740$)	\$13,690
Actual results	13,300
Spending variance	\$ 390

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances
Level: Medium

102. The spending variance for medical supplies in February would be closest to:

- A. \$390 F
- B. \$250 U
- C. \$250 F
- D. \$390 U

Flexible budget (\$600 + \$3.50 × 3,740)	\$13,690
Actual results	13,300
Spending variance	\$ 390

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Lizana Clinic uses client-visits as its measure of activity. During December, the clinic budgeted for 3,700 client-visits, but its actual level of activity was 3,680 client-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for December

Data used in budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	–	\$34.90
Personnel expenses	\$27,300	\$11.50
Medical supplies	1,500	5.60
Occupancy expenses	10,100	1.00
Administrative expenses	<u>6,900</u>	<u>0.30</u>
Total expenses	<u>\$45,800</u>	<u>\$18.40</u>

Actual results for December:

Revenue	\$126,712
Personnel expenses	\$71,560
Medical supplies	\$22,628
Occupancy expenses	\$14,350
Administrative expenses	\$8,104

103. The net operating income in the planning budget for December would be closest to:

- A. \$10,125
- B. \$10,016
- C. \$14,920
- D. \$15,250**

Revenue per client-visit	\$34.90
Total variable expense per client-visit	18.40
Contribution margin per client-visit	\$16.50
Total fixed expense	\$45,800

$$\text{Net operating income} = \$16.50 \times 3,700 - \$45,800 = \$15,250$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

104. The net operating income in the flexible budget for December would be closest to:

- A. \$15,250
- B. \$10,125
- C. \$10,016
- D. \$14,920**

Revenue per client-visit	\$34.90
Total variable expense per client-visit	18.40
Contribution margin per client-visit	\$16.50
Total fixed expense	\$45,800

$$\text{Net operating income} = \$16.50 \times 3,680 - \$45,800 = \$14,920$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

105. The activity variance for net operating income in December would be closest to:

- A.** \$330 U
- B. \$330 F
- C. \$5,180 U
- D. \$5,180 F

Revenue per client-visit	\$34.90
Total variable expense per client-visit	18.40
Contribution margin per client-visit	\$16.50
Total fixed expense	\$45,800
Planning budget ($\$16.50 \times 3,700 - \$45,800$)	\$15,250
Flexible budget ($\$16.50 \times 3,680 - \$45,800$)	14,920
Activity variance	\$ 330

Because the flexible budget net operating income is less than the planning budget, the variance is unfavorable (U)

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

106. The overall revenue and spending variance (i.e., the variance for net operating income in the revenue and spending variance column on the flexible budget performance report) for December would be closest to:

- A. \$4,850 F
- B. \$5,180 U
- C. \$4,850 U**
- D. \$5,180 F

Revenue per client-visit	\$34.90
Total variable expense per client-visit	18.40
Contribution margin per client-visit	\$16.50
Total fixed expense	\$45,800
Flexible budget ($\$16.50 \times 3,680 - \$45,800$)	\$14,920
Actual results	10,070
Activity variance	\$ 4,850

Because the actual net operating income is less than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Tuason Clinic uses client-visits as its measure of activity. During May, the clinic budgeted for 2,900 client-visits, but its actual level of activity was 2,930 client-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for May:

Data used in budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	\$ –	\$51.60
Personnel expenses	\$35,800	\$18.20
Medical supplies	2,400	6.50
Occupancy expenses	10,700	2.70
Administrative expenses	<u>5,200</u>	<u>0.20</u>
Total expenses	<u>\$54,100</u>	<u>\$27.60</u>

Actual results for May:

Revenue	\$157,358
Personnel expenses	\$87,296
Medical supplies	\$21,105
Occupancy expenses	\$17,901
Administrative expenses	\$5,816

107. The personnel expenses in the planning budget for May would be closest to:

- A. \$86,402
- B. \$88,580**
- C. \$89,126
- D. \$87,296

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$35,800 + \$18.20 \times 2,900 = \$88,580 \end{aligned}$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

108. The occupancy expenses in the flexible budget for May would be closest to:

- A. \$17,718
- B. \$18,611**
- C. \$18,086
- D. \$18,530

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$10,700 + \$2.70 \times 2,930 = \$18,611 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

109. The activity variance for administrative expenses in May would be closest to:

- A. \$36 U
- B. \$6 F
- C. \$6 U**
- D. \$36 F

Planning budget ($\$5,200 + \$0.20 \times 2,900$)	\$5,780
Flexible budget ($\$5,200 + \$0.20 \times 2,930$)	5,786
Activity variance	\$ 6

Because the flexible budget is greater than the planning budget; the variance is unfavorable (U).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances
Level: Medium

110. The spending variance for occupancy expenses in May would be closest to:

- A. \$710 U
- B. \$710 F**
- C. \$629 F
- D. \$629 U

Flexible budget ($\$10,700 + \$2.70 \times 2,930$)	\$18,611
Actual results	17,901
Spending variance	\$ 710

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Gotthelf Clinic uses client-visits as its measure of activity. During December, the clinic budgeted for 2,500 client-visits, but its actual level of activity was 2,480 client-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for December:

Data used in budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	–	\$54.50
Personnel expenses	\$33,500	\$18.70
Medical supplies	900	8.70
Occupancy expenses	10,200	1.70
Administrative expenses	<u>4,400</u>	<u>0.40</u>
Total expenses	<u>\$49,000</u>	<u>\$29.50</u>

Actual results for December:

Revenue	\$132,230
Personnel expenses	\$81,986
Medical supplies	\$23,506
Occupancy expenses	\$14,526
Administrative expenses	\$5,132

111. The administrative expenses in the planning budget for December would be closest to:

- A. \$5,392
- B. \$5,173
- C. \$5,400**
- D. \$5,132

$$\begin{aligned}\text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$4,400 + \$0.40 \times 2,500 = \$5,400\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

112. The medical supplies in the flexible budget for December would be closest to:

Refer To: 9-17

- A. \$23,696
- B. \$22,650
- C. \$23,318
- D. \$22,476**

$$\begin{aligned}\text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$900 + \$8.70 \times 2,480 = \$22,476\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

113. The activity variance for personnel expenses in December would be closest to:

- A. \$374 F
- B. \$1,736 U
- C. \$374 U
- D. \$1,736 F

Planning budget ($\$33,500 + \$18.70 \times 2,500$)	\$80,250
Flexible budget ($\$33,500 + \$18.70 \times 2,480$)	79,876
Activity variance	\$ 374

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

114. The spending variance for medical supplies in December would be closest to:

- A. \$856 U
- B. \$1,030 F
- C. \$1,030 U
- D. \$856 F

Flexible budget ($\$900 + \$8.70 \times 2,480$)	\$22,476
Actual results	23,506
Spending variance	\$ 1,030

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Goodfriend Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During June, the kennel budgeted for 2,800 tenant-days, but its actual level of activity was 2,840 tenant-days. The kennel has provided the following data concerning the formulas used in its budgeting and its actual results for June:

Data used in budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	–	\$35.10
Wages and salaries	\$ 2,300	\$ 7.10
Expendables	800	13.50
Facility expenses	8,300	3.90
Administrative expenses	<u>7,900</u>	<u>0.10</u>
Total expenses	<u>\$19,300</u>	<u>\$24.60</u>

Actual results for June:

Revenue	\$94,724
Wages and salaries	\$22,214
Expendables	\$40,530
Facility expenses	\$19,766
Administrative expenses	\$7,904

115. The wages and salaries in the planning budget for June would be closest to:

- A. \$22,214
- B. \$21,901
- C. \$22,180**
- D. \$22,464

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$2,300 + \$7.10 \times 2,800 = \$22,180 \end{aligned}$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

116. The expendables in the flexible budget for June would be closest to:

- A. \$41,109
- B. \$39,140**
- C. \$39,959
- D. \$38,600

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$800 + \$13.50 \times 2,840 = \$39,140 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

117. The activity variance for wages and salaries in June would be closest to:

- A. \$34 U
- B. \$34 F
- C. \$284 U**
- D. \$284 F

Planning budget (\$2,300 + \$7.10 × 2,800)	\$22,180
Flexible budget (\$2,300 + \$7.10 × 2,840)	22,464
Activity variance	\$ 284

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances
Level: Medium

118. The revenue variance for June would be closest to:

Refer To: 9-115

- A. \$3,556 U
- B. \$4,960 F
- C. \$3,556 F
- D. \$4,960 U**

Flexible budget ($\$35.10 \times 2,840$)	\$99,684
Actual results	94,724
Revenue variance	\$ 4,960

Because the actual revenue is less than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

119. The spending variance for expendables in June would be closest to:

Refer To: 9-115

- A. \$1,390 F
- B. \$1,930 U
- C. \$1,390 U**
- D. \$1,930 F

Flexible budget ($\$800 + \$13.50 \times 2,840$)	\$39,140
Actual results	40,530
Spending variance	\$ 1,390

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

120. The administrative expenses in the planning budget for June would be closest to:

Refer To: 09-120

- A. \$7,881
- B. \$7,850
- C. \$8,151
- D.** \$8,150

$$\begin{aligned}\text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$7,900 + \$0.10 \times 2,500 = \$8,150\end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

121. The facility expenses in the flexible budget for June would be closest to:

Refer To: 9-19

- A. \$17,933
- B. \$17,791
- C.** \$17,732
- D. \$17,700

$$\begin{aligned}\text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$9,700 + \$3.20 \times 2,510 = \$17,732\end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

Marsee Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During June, the kennel budgeted for 2,500 tenant-days, but its actual level of activity was 2,510 tenant-days. The kennel has provided the following data concerning the formulas used in its budgeting and its actual results for June:

Data used in budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	–	\$32.50
Wages and salaries	\$ 2,000	\$ 7.50
Expendables	1,200	9.90
Facility expenses	9,700	3.20
Administrative expenses	<u>7,900</u>	<u>0.10</u>
Total expenses	<u>\$20,800</u>	<u>\$20.70</u>

Actual results for June:

Revenue	\$80,715
Wages and salaries	\$21,005
Expendables	\$26,939
Facility expenses	\$17,862
Administrative expenses	\$7,881

122. The activity variance for administrative expenses in June would be closest to:

- A. \$269 F
- B. \$1 U**
- C. \$269 U
- D. \$1 F

Planning budget ($\$7,900 + \$0.10 \times 2,500$)	\$8,150
Flexible budget ($\$7,900 + \$0.10 \times 2,510$)	8,151
Activity variance	<u>\$ 1</u>

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

123. The spending variance for expendables in June would be closest to:

- A. \$890 U
- B. \$890 F
- C. \$989 U
- D. \$989 F

Flexible budget ($\$1,200 + \$9.90 \times 2,510$)	\$26,049
Actual results	26,939
Spending variance	\$ 890

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Galante Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During May, the kennel budgeted for 3,400 tenant-days, but its actual level of activity was 3,380 tenant-days. The kennel has provided the following data concerning the formulas used in its budgeting and its actual results for May: Data used in budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	–	\$29.70
Wages and salaries	\$ 2,400	\$ 6.20
Expendables	700	11.10
Facility expenses	8,000	3.50
Administrative expenses	<u>7,500</u>	<u>0.40</u>
Total expenses	<u>\$18,600</u>	<u>\$21.20</u>

Actual results for May:

Revenue	\$104,736
Wages and salaries	\$23,416
Expendables	\$36,788
Facility expenses	\$19,290
Administrative expenses	\$9,222

124. The net operating income in the planning budget for May would be closest to:

- A. \$10,300
- B. \$15,926
- C. \$10,130
- D. \$16,115

Revenue per tenant-day	\$29.70
Total variable expense per tenant-day	21.20
Contribution margin per tenant-day	\$8.50
Total fixed expense	\$18,600

Net operating income = $\$8.50 \times 3,400 - \$18,600 = \$10,300$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

125. The net operating income in the flexible budget for May would be closest to:

- A. \$16,115
- B. \$15,926
- C. \$10,130
- D. \$10,300

Revenue per tenant-day	\$29.70
Total variable expense per tenant-day	21.20
Contribution margin per tenant-day	\$8.50
Total fixed expense	\$18,600

Net operating income = $\$8.50 \times 3,380 - \$18,600 = \$10,130$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

126. The activity variance for net operating income in May would be closest to:

A. \$5,720 F

B. \$170 U

C. \$170 F

D. \$5,720 U

Revenue per tenant-day	\$29.70
Total variable expense per tenant-day	21.20
Contribution margin per tenant-day	\$8.50
Total fixed expense	\$18,600
Planning budget ($\$8.50 \times 3,400 - \$18,600$)	\$10,300
Flexible budget ($\$8.50 \times 3,380 - \$18,600$)	10,130
Activity variance	\$ 170

Because the flexible budget net operating income is less than the planning budget, the variance is unfavorable (U)

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

127. The overall revenue and spending variance (i.e., the variance for net operating income in the revenue and spending variance column on the flexible budget performance report) for May would be closest to:

- A. \$5,890 F
- B. \$5,890 U
- C. \$5,720 U
- D. \$5,720 F

Revenue per tenant-day	\$29.70
Total variable expense per tenant-day	21.20
Contribution margin per tenant-day	\$8.50
Total fixed expense	\$18,600
Flexible budget ($\$8.50 \times 3,380 - \$18,600$)	\$10,130
Actual results	16,020
Activity variance	\$ 5,890

Because the actual net operating income is greater than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Clore Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During March, the kennel budgeted for 2,900 tenant-days, but its actual level of activity was 2,920 tenant-days. The kennel has provided the following data concerning the formulas used in its budgeting and its actual results for March:
Data used in budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	–	\$35.40
Wages and salaries	\$ 3,700	\$ 6.70
Expendables	600	12.70
Facility expenses	9,700	4.50
Administrative expenses	<u>6,900</u>	<u>0.40</u>
Total expenses	<u>\$20,900</u>	<u>\$24.30</u>

Actual results for March:

Revenue	\$103,548
Wages and salaries	\$23,854
Expendables	\$38,824
Facility expenses	\$23,570
Administrative expenses	\$7,848

128. The wages and salaries in the planning budget for March would be closest to:

- A. \$23,691
- B. \$23,264
- C. \$23,130**
- D. \$23,854

$$\text{Cost} = \text{Fixed cost per unit} + \text{Variable cost per unit} \times q$$

$$= \$3,700 + \$6.70 \times 2,900 = \$23,130$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

129. The facility expenses in the flexible budget for March would be closest to:

- A. \$23,409
- B. \$22,840**
- C. \$22,750
- D. \$23,733

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$9,700 + \$4.50 \times 2,920 = \$22,840 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

130. The activity variance for administrative expenses in March would be closest to:

- A. \$212 F
- B. \$8 U**
- C. \$212 U
- D. \$8 F

Planning budget ($\$6,900 + \$0.40 \times 2,900$)	\$8,060
Flexible budget ($\$6,900 + \$0.40 \times 2,920$)	8,068
Activity variance	\$ 8

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances
Level: Medium

131. The spending variance for facility expenses in March would be closest to:

- A.** \$730 U
- B. \$730 F
- C. \$820 U
- D. \$820 F

Flexible budget ($\$9,700 + \$4.50 \times 2,920$)	\$22,840
Actual results	23,570
Spending variance	\$ 730

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Arkin Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During May, the kennel budgeted for 3,100 tenant-days, but its actual level of activity was 3,070 tenant-days. The kennel has provided the following data concerning the formulas used in its budgeting and its actual results for May:

Data used in budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	–	\$30.30
Wages and salaries	\$ 2,400	\$ 6.70
Expendables	700	11.20
Facility expenses	9,500	2.30
Administrative expenses	<u>6,000</u>	<u>0.40</u>
Total expenses	<u>\$18,600</u>	<u>\$20.60</u>

Actual results for May:

Revenue	\$95,421
Wages and salaries	\$22,529
Expendables	\$36,204
Facility expenses	\$17,101
Administrative expenses	\$6,948

132. The administrative expenses in the planning budget for May would be closest to:

- A. \$7,228
- B. \$7,016
- C. \$6,948
- D.** \$7,240

$$\begin{aligned}\text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$6,000 + \$0.40 \times 3,100 = \$7,240\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

133. The expendables in the flexible budget for May would be closest to:

- A.** \$35,084
- B. \$35,420
- C. \$35,854
- D. \$36,558

$$\begin{aligned}\text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$700 + \$11.20 \times 3,070 = \$35,084\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

134. The activity variance for wages and salaries in May would be closest to:

- A.** \$201 F
- B. \$201 U
- C. \$641 U
- D. \$641 F

Planning budget ($\$2,400 + \$6.70 \times 3,100$)	\$23,170
Flexible budget ($\$2,400 + \$6.70 \times 3,070$)	22,969
Activity variance	\$ 201

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

135. The spending variance for expendables in May would be closest to:

- A. \$784 U
- B. \$1,120 F
- C. \$784 F
- D.** \$1,120 U

Flexible budget ($\$700 + \$11.20 \times 3,070$)	\$35,084
Actual results	36,204
Spending variance	\$ 1,120

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Diskind Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During October, the company budgeted for 6,700 units, but its actual level of activity was 6,650 units. The company has provided the following data concerning the formulas used in its budgeting and its actual results for October:

Data used in budgeting:

	Fixed element per month	Variable element per unit
Revenue	–	\$34.40
Direct labor	\$ 0	\$ 5.40
Direct materials	0	14.30
Manufacturing overhead	32,000	1.60
Selling and administrative expenses	<u>25,800</u>	<u>0.60</u>
Total expenses	<u>\$57,800</u>	<u>\$21.90</u>

Actual results for October:

Revenue	\$229,800
Direct labor	\$35,880
Direct materials	\$97,105
Manufacturing overhead	\$42,000
Selling and administrative expenses	\$30,450

136. The direct labor in the planning budget for October would be closest to:

- A. \$36,150
- B. \$35,880
- C. \$35,910
- D.** \$36,180

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$0 + \$5.40 \times 6,700 = \$36,180 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

137. The direct materials in the flexible budget for October would be closest to:

- A.** \$95,095
- B. \$97,835
- C. \$95,810
- D. \$96,380

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$0 + \$14.30 \times 6,650 = \$95,095 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

138. The activity variance for direct labor in October would be closest to:

Refer To: 9-23

- A. \$300 U
- B. \$270 U
- C. \$300 F
- D.** \$270 F

Planning budget ($\$0 + \$5.40 \times 6,700$)	\$36,180
Flexible budget ($\$0 + \$5.40 \times 6,650$)	35,910
Activity variance	\$ 270

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances
Level: Medium

139. The revenue variance for October would be closest to:

- A. \$680 F
- B. \$1,040 F**
- C. \$1,040 U
- D. \$680 U

Flexible budget ($\\$34.40 \times 6,650$)	\$228,760
Actual results	229,800
Revenue variance	\$ 1,040

Because the actual revenue is greater than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

140. The spending variance for direct materials in October would be closest to:

- A. \$1,295 F
- B. \$2,010 U**
- C. \$2,010 F
- D. \$1,295 U

Flexible budget ($\\$0 + \\$14.30 \times 6,650$)	\$95,095
Actual results	97,105
Spending variance	\$ 2,010

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Bureau Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During January, the company budgeted for 5,500 units, but its actual level of activity was 5,510 units. The company has provided the following data concerning the formulas used in its budgeting and its actual results for January:

Data used in budgeting:

	Fixed element per month	Variable element per unit
Revenue	–	\$34.60
Direct labor	\$ 0	\$ 6.50
Direct materials	0	12.40
Manufacturing overhead	38,200	1.20
Selling and administrative expenses	<u>21,300</u>	<u>0.40</u>
Total expenses	<u>\$59,500</u>	<u>\$20.50</u>

Actual results for January:

Revenue	\$182,316
Direct labor	\$36,795
Direct materials	\$66,764
Manufacturing overhead	\$42,822
Selling and administrative expenses	\$24,334

141. The selling and administrative expenses in the planning budget for January would be closest to:

- A. \$24,290
- B. \$24,334
- C. \$23,500**
- D. \$23,504

$$\text{Cost} = \text{Fixed cost per unit} + \text{Variable cost per unit} \times q$$

$$\$21,300 + \$0.40 \times 5,500 = \$23,500$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

142. The manufacturing overhead in the flexible budget for January would be closest to:

- A. \$44,812
- B. \$42,744
- C. \$44,800
- D. \$42,900

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$38,200 + \$1.20 \times 5,510 = \$44,812 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

143. The activity variance for selling and administrative expenses in January would be closest to:

- A. \$4 F
- B. \$834 F
- C. \$4 U
- D. \$834 U

Planning budget ($\$21,300 + \$0.40 \times 5,500$)	\$23,500
Flexible budget ($\$21,300 + \$0.40 \times 5,510$)	23,504
Activity variance	\$ 4

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances
Level: Medium

144. The spending variance for direct materials in January would be closest to:

- A. \$1,436 U
- B. \$1,560 F**
- C. \$1,560 U
- D. \$1,436 F

Flexible budget ($\$0 + \$12.40 \times 5,510$)	\$68,324
Actual results	66,764
Spending variance	\$ 1,560

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Wohner Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During August, the company budgeted for 5,000 units, but its actual level of activity was 5,050 units. The company has provided the following data concerning the formulas used in its budgeting and its actual results for August:

Data used in budgeting:

	Fixed element per month	Variable element per unit
Revenue	–	\$42.40
Direct labor	\$ 0	\$ 7.10
Direct materials	0	14.20
Manufacturing overhead	44,300	1.90
Selling and administrative expenses	<u>21,000</u>	<u>0.80</u>
Total expenses	<u>\$65,300</u>	<u>\$24.00</u>

Actual results for August:

Revenue	\$204,520
Direct labor	\$36,485
Direct materials	\$72,240
Manufacturing overhead	\$52,325
Selling and administrative expenses	\$23,830

145. The net operating income in the planning budget for August would be closest to:

- A. \$19,836
- B. \$19,446
- C. \$26,700**
- D. \$27,620

Revenue per unit	\$42.40
Total variable expense per unit	24.00
Contribution margin per unit	\$18.40
Total fixed expense	\$65,300

$$\text{Net operating income} = \$18.40 \times 5,000 - \$65,300 = \$26,700$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

146. The net operating income in the flexible budget for August would be closest to:

- A. \$26,700
- B. \$19,446
- C. \$27,620**
- D. \$19,836

Revenue per unit	\$42.40
Total variable expense per unit	24.00
Contribution margin per unit	\$18.40
Total fixed expense	\$65,300

$$\text{Net operating income} = \$18.40 \times 5,050 - \$65,300 = \$27,620$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

147. The activity variance for net operating income in August would be closest to:

- A. \$920 F
- B. \$7,060 U
- C. \$7,060 F
- D. \$920 U

Revenue per unit	\$42.40
Total variable expense per unit	24.00
Contribution margin per unit	\$18.40
<hr/>	
Total fixed expense	\$65,300
<hr/>	
Planning budget ($\$18.40 \times 5,000 - \$65,300$)	\$26,700
Flexible budget ($\$18.40 \times 5,050 - \$65,300$)	27,620
Activity variance	\$ 920

Because the flexible budget net operating income is greater than the planning budget, the variance is favorable (F)

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

148. The overall revenue and spending variance (i.e., the variance for net operating income in the revenue and spending variance column on the flexible budget performance report) for August would be closest to:

- A. \$7,060 U
- B. \$7,060 F
- C. \$7,980 U**
- D. \$7,980 F

Revenue per unit	\$42.40
Total variable expense per unit	24.00
Contribution margin per unit	\$18.40
Total fixed expense	\$65,300
Flexible budget ($\$18.40 \times 5,050 - \$65,300$)	\$27,620
Actual results	19,640
Activity variance	\$ 7,980

Because the actual net operating income is less than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Mouton Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During July, the company budgeted for 7,300 units, but its actual level of activity was 7,350 units. The company has provided the following data concerning the formulas used in its budgeting and its actual results for July:

Data used in budgeting:

	Fixed element per month	Variable element per unit
Revenue	–	\$35.80
Direct labor	\$ 0	\$ 4.40
Direct materials	0	15.60
Manufacturing overhead	39,500	1.80
Selling and administrative expenses	<u>27,300</u>	<u>0.40</u>
Total expenses	<u>\$66,800</u>	<u>\$22.20</u>

Actual results for July:

Revenue	\$275,640
Direct labor	\$32,600
Direct materials	\$115,780
Manufacturing overhead	\$51,950
Selling and administrative expenses	\$30,940

149. The direct labor in the planning budget for July would be closest to:

- A. \$32,340
- B. \$32,378
- C. \$32,120**
- D. \$32,600

$$\text{Cost} = \text{Fixed cost per unit} + \text{Variable cost per unit} \times q$$

$$= \$0 + \$4.40 \times 7,300 = \$32,120$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

150. The manufacturing overhead in the flexible budget for July would be closest to:

- A. \$52,640
- B. \$51,597
- C. \$52,306
- D.** \$52,730

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$39,500 + \$1.80 \times 7,350 = \$52,730 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

151. The activity variance for selling and administrative expenses in July would be closest to:

- A.** \$20 U
- B. \$20 F
- C. \$720 U
- D. \$720 F

Planning budget (\$27,300 + \$0.40 × 7,300)	\$30,220
Flexible budget (\$27,300 + \$0.40 × 7,350)	30,240
Activity variance	\$ 20

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances
Level: Medium

152. The spending variance for manufacturing overhead in July would be closest to:

- A. \$780 F
- B. \$690 U
- C. \$780 U
- D. \$690 F

Flexible budget ($\$39,500 + \$1.80 \times 7,350$)	\$52,730
Actual results	51,950
Spending variance	\$ 780

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Figliola Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During October, the company budgeted for 6,700 units, but its actual level of activity was 6,680 units. The company has provided the following data concerning the formulas used in its budgeting and its actual results for October:

Data used in budgeting:

	Fixed element per month	Variable element per unit
Revenue	–	\$27.30
Direct labor	\$ 0	\$ 5.50
Direct materials	0	8.20
Manufacturing overhead	40,300	1.80
Selling and administrative expenses	<u>20,900</u>	<u>0.20</u>
Total expenses	<u>\$61,200</u>	<u>\$15.70</u>

Actual results for October:

Revenue	\$174,274
Direct labor	\$35,970
Direct materials	\$54,906
Manufacturing overhead	\$53,744
Selling and administrative expenses	\$22,846

153. The selling and administrative expenses in the planning budget for October would be closest to:

- A.** \$22,240
- B. \$22,914
- C. \$22,846
- D. \$22,236

$$\begin{aligned}\text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$20,900 + \$0.20 \times 6,700 = \$22,240\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

154. The direct materials in the flexible budget for October would be closest to:

- A. \$55,070
- B. \$54,742
- C. \$54,940
- D.** \$54,776

$$\begin{aligned}\text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$0 + \$8.20 \times 6,680 = \$54,776\end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

155. The activity variance for direct labor in October would be closest to:

- A. \$110 U
- B. \$880 U
- C. \$880 F
- D. \$110 F**

Planning budget ($\$0 + \$5.50 \times 6,700$)	\$36,850
Flexible budget ($\$0 + \$5.50 \times 6,680$)	36,740
Activity variance	\$ 110

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

156. The spending variance for direct materials in October would be closest to:

- A. \$34 U
- B. \$130 U**
- C. \$34 F
- D. \$130 F

Flexible budget ($\$0 + \$8.20 \times 6,680$)	\$54,776
Actual results	54,906
Spending variance	\$ 130

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

Karmazyn Hospital bases its budgets on patient-visits. The hospital's static budget for October appears below:

Budgeted number of patient-visits	8,900
Budgeted variable costs:	
Supplies (@\$9.00 per patient-visit)	\$ 80,100
Laundry (@\$8.70 per patient-visit)	<u>77,430</u>
Total variable cost	<u>157,530</u>
Budgeted fixed costs:	
Wages and salaries	99,680
Occupancy costs	<u>107,690</u>
Total fixed cost	<u>207,370</u>
Total cost	<u>\$364,900</u>

157. The total variable cost at the activity level of 9,000 patient-visits per month should be:

- A. \$157,530
- B. \$209,700
- C. \$207,370
- D. \$159,300**

Budgeted number of patient-visits	9,000
Budgeted variable costs:	
Supplies (@\$9.00 per patient-visit)	\$ 81,000
Laundry (@\$8.70 per patient-visit)	78,300
Total variable cost	<u>\$159,300</u>

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

158. The total fixed cost at the activity level of 9,300 patient-visits per month should be:

- A. \$381,300
- B. \$207,370**
- C. \$216,690
- D. \$364,900

Budgeted number of patient-visits	9,300
Budgeted fixed costs:	
Wages and salaries	\$ 99,680
Occupancy costs	107,690
Total fixed cost	\$207,370

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

159. The total cost at the activity level of 9,200 patient-visits per month should be:

- A. \$364,900
- B. \$377,200
- C. \$370,770
- D. \$370,210**

Budgeted number of patient-visits	9,200
Budgeted variable costs:	
Supplies (@\$9.00 per patient-visit)	\$ 82,800
Laundry (@\$8.70 per patient-visit)	80,040
Total variable cost	162,840
Budgeted fixed costs:	
Wages and salaries	99,680
Occupancy costs	107,690
Total fixed cost	207,370
Total cost	\$370,210

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

Yewston Hotel bases its budgets on guest-days. The hotel's static budget for April appears below:

Budgeted number of guest-days	2,300
Budgeted variable costs:	
Supplies (@\$3.40 per guest-day)	\$ 7,820
Laundry (@\$9.40 per guest-day)	<u>21,620</u>
Total variable cost	<u>29,440</u>
Budgeted fixed costs:	
Wages and salaries	10,120
Occupancy costs	<u>25,300</u>
Total fixed cost	<u>35,420</u>
Total cost	<u>\$64,860</u>

160. The total variable cost at the activity level of 3,200 guest-days per month should be:

- A. \$40,960
- B. \$49,280
- C. \$29,440
- D. \$35,420

Budgeted number of guest-days	3,200
Budgeted variable costs:	
Supplies (@\$3.40 per guest-day)	\$10,880
Laundry (@\$9.40 per guest-day)	30,080
Total variable cost	<u>\$40,960</u>

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

161. The total fixed cost at the activity level of 3,400 guest-days per month should be:

- A. \$52,360
- B. \$35,420**
- C. \$95,880
- D. \$64,860

Budgeted number of guest-days	3,400
Budgeted fixed costs:	
Wages and salaries	\$10,120
Occupancy costs	25,300
Total fixed cost	\$35,420

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

162. The total cost at the activity level of 3,300 guest-days per month should be:

- A. \$78,530
- B. \$93,060
- C. \$77,660**
- D. \$64,860

Budgeted number of guest-days	3,300
Budgeted variable costs:	
Supplies (@\$3.40 per guest-day)	\$11,220
Laundry (@\$9.40 per guest-day)	31,020
Total variable cost	42,240
Budgeted fixed costs:	
Wages and salaries	10,120
Occupancy costs	25,300
Total fixed cost	35,420
Total cost	\$77,660

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

163. The personnel expenses in the planning budget for August would be closest to:

Refer To: 9-30

- A. \$81,155
- B. \$80,989
- C. \$82,295
- D. \$80,370**

$$\text{Cost} = \text{Fixed cost per unit} + \text{Variable cost per unit} \times q$$

$$= \$31,700 + \$15.70 \times 3,100 = \$80,370$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

Mock Clinic uses client-visits as its measure of activity. During August, the clinic budgeted for 3,100 client-visits, but its actual level of activity was 3,150 client-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for August:

Data used in budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	–	\$49.20
Personnel expenses	\$31,700	\$15.70
Medical supplies	1,600	9.90
Occupancy expenses	11,100	2.00
Administrative expenses	<u>4,500</u>	<u>0.40</u>
Total expenses	<u>\$48,900</u>	<u>\$28.00</u>

Actual results for August:

Revenue	\$147,470
Personnel expenses	\$82,295
Medical supplies	\$33,795
Occupancy expenses	\$16,810
Administrative expenses	\$6,030

164. The administrative expenses in the planning budget for August would be closest to:

- A. \$5,740
- B. \$5,934
- C. \$6,030
- D. \$5,760

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$4,500 + \$0.40 \times 3,100 = \$5,740 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

165. The net operating income in the planning budget for August would be closest to:

- A. \$8,404
- B. \$17,880
- C. \$16,820
- D. \$8,678

Revenue per client-visit	\$49.20
Total variable expense per client-visit	28.00
Contribution margin per client-visit	\$21.20
Total fixed expense	\$48,900

$$\text{Net operating income} = \$21.20 \times 3,100 - \$48,900 = \$16,820$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

Edington Clinic uses client-visits as its measure of activity. During September, the clinic budgeted for 2,800 client-visits, but its actual level of activity was 2,850 client-visits. The clinic has provided the following data concerning the formulas to be used in its budgeting for September:

	Fixed element per month	Variable element per client-visit
Revenue	–	\$39.60
Personnel expenses	\$31,700	\$12.40
Medical supplies	800	4.90
Occupancy expenses	7,000	2.20
Administrative expenses	<u>6,200</u>	<u>0.10</u>
Total expenses	<u>\$45,700</u>	<u>\$19.60</u>

166. The personnel expenses in the planning budget for September would be closest to:

- A. \$62,946
- B. \$67,040
- C. \$66,420**
- D. \$64,070

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$31,700 + \$12.40 \times 2,800 = \$66,420 \end{aligned}$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

167. The administrative expenses in the planning budget for September would be closest to:

- A.** \$6,480
- B. \$6,405
- C. \$6,293
- D. \$6,485

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$6,200 + \$0.10 \times 2,800 = \$6,480 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

168. The net operating income in the planning budget for September would be closest to:

- A. \$16,387
- B.** \$10,300
- C. \$11,300
- D. \$16,978

Revenue per client-visit	\$39.60
Total variable expense per client-visit	19.60
Contribution margin per client-visit	\$20.00
Total fixed expense	\$45,700

$$\text{Net operating income} = \$20 \times 2,800 - \$45,700 = \$10,300$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

Diiorio Clinic uses client-visits as its measure of activity. During February, the clinic budgeted for 2,700 client-visits, but its actual level of activity was 2,750 client-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for February:

Data used in budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	–	\$37.10
Personnel expenses	\$23,000	\$11.40
Medical supplies	600	7.00
Occupancy expenses	6,300	1.80
Administrative expenses	<u>4,000</u>	<u>0.30</u>
Total expenses	<u>\$33,900</u>	<u>\$20.50</u>

Actual results for February:

Revenue	\$104,565
Personnel expenses	\$53,530
Medical supplies	\$19,690
Occupancy expenses	\$10,980
Administrative expenses	\$4,765

169. The medical supplies in the flexible budget for February would be closest to:

- A. \$19,332
- B. \$19,500
- C. \$20,055
- D.** \$19,850

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$600 + \$7 \times 2,750 = \$19,850 \end{aligned}$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

170. The occupancy expenses in the flexible budget for February would be closest to:

- A. \$11,250
- B. \$11,160
- C. \$11,183
- D. \$10,780

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$6,300 + \$1.80 \times 2,750 = \$11,250 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

171. The net operating income in the flexible budget for February would be closest to:

Refer To: 9-169

- A. \$15,889
- B. \$15,316
- C. \$10,920
- D. \$11,750

Revenue per client-visit	\$37.10
Total variable expense per client-visit	20.50
Contribution margin per client-visit	\$16.60
Total fixed expense	\$33,900

$$\text{Net operating income} = \$16.60 \times 2,750 - \$33,900 = \$11,750$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

Parisi Clinic uses client-visits as its measure of activity. During March, the clinic budgeted for 2,300 client-visits, but its actual level of activity was 2,350 client-visits. The clinic has provided the following data concerning the formulas to be used in its budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	–	\$53.80
Personnel expenses	\$36,900	\$14.80
Medical supplies	1,300	7.70
Occupancy expenses	8,700	2.90
Administrative expenses	<u>6,400</u>	<u>0.40</u>
Total expenses	<u>\$53,300</u>	<u>\$25.80</u>

172. The medical supplies in the flexible budget for March would be closest to:

- A. \$19,149
- B. \$19,395**
- C. \$19,990
- D. \$19,010

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$1,300 + \$7.70 \times 2,350 = \$19,395 \end{aligned}$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

173. The occupancy expenses in the flexible budget for March would be closest to:

- A. \$14,510
- B. \$15,370
- C. \$15,147
- D.** \$15,515

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$8,700 + \$2.90 \times 2,350 = \$15,515 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

174. The net operating income in the flexible budget for March would be closest to:

- A. \$11,100
- B. \$9,905
- C. \$10,340
- D.** \$12,500

Revenue per client-visit	\$53.80
Total variable expense per client-visit	25.80
Contribution margin per client-visit	\$28.00
Total fixed expense	\$53,300

$$\text{Net operating income} = \$28 \times 2,350 - \$53,300 = \$12,500$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

Caballes Clinic uses client-visits as its measure of activity. During November, the clinic budgeted for 3,100 client-visits, but its actual level of activity was 3,070 client-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for November:

Data used in budgeting:

	Fixed element per month	Variable element per client-visit
Revenue	–	\$39.30
Personnel expenses	\$35,600	\$10.00
Medical supplies	1,500	6.90
Occupancy expenses	8,600	1.40
Administrative expenses	<u>4,600</u>	<u>0.30</u>
Total expenses	<u>\$50,300</u>	<u>\$18.60</u>

Actual results for November:

Revenue	\$125,611
Personnel expenses	\$63,400
Medical supplies	\$22,893
Occupancy expenses	\$13,218
Administrative expenses	\$5,731

175. The personnel expenses in the planning budget for November would be closest to:

- A. \$63,400
- B. \$66,600**
- C. \$64,020
- D. \$66,300

$$\text{Cost} = \text{Fixed cost per unit} + \text{Variable cost per unit} \times q$$

$$= \$35,600 + \$10 \times 3,100 = \$66,600$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

176. The occupancy expenses in the flexible budget for November would be closest to:

- A. \$12,898
- B. \$13,090
- C. \$13,347
- D. \$12,940

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$8,600 + \$1.40 \times 3,070 = \$12,898 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

177. The net operating income in the flexible budget for November would be closest to:

- A. \$20,172
- B. \$13,870
- C. \$13,249
- D. \$20,568

Revenue per client-visit	\$39.30
Total variable expense per client-visit	18.60
Contribution margin per client-visit	\$20.70
Total fixed expense	\$50,300

$$\text{Net operating income} = \$20.70 \times 3,070 - \$50,300 = \$13,249$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

Doubleday Clinic uses client-visits as its measure of activity. During June, the clinic budgeted for 3,200 client-visits, but its actual level of activity was 3,180 client-visits. The clinic has provided the following data concerning the formulas to be used in its budgeting for June:

	Fixed element per month	Variable element per client-visit
Revenue	–	\$31.20
Personnel expenses	\$31,800	\$ 8.10
Medical supplies	1,700	4.20
Occupancy expenses	7,100	1.10
Administrative expenses	<u>3,200</u>	<u>0.10</u>
Total expenses	<u>\$43,800</u>	<u>\$13.50</u>

178. The administrative expenses in the planning budget for June would be closest to:

- A. \$3,429
- B. \$3,408
- C. \$3,520**
- D. \$3,518

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$3,200 + \$0.10 \times 3,200 = \$3,520 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

179. The net operating income in the planning budget for June would be closest to:

- A. \$12,486
- B. \$15,573
- C. \$12,840**
- D. \$15,379

Revenue per client-visit	\$31.20
Total variable expense per client-visit	13.50
Contribution margin per client-visit	\$17.70
Total fixed expense	\$43,800

$$\text{Net operating income} = \$17.70 \times 3,200 - \$43,800 = \$12,840$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

180. The medical supplies in the flexible budget for June would be closest to:

- A. \$14,637
- B. \$15,056**
- C. \$15,140
- D. \$14,455

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$1,700 + \$4.20 \times 3,180 = \$15,056 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

Nakhle Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During October, the kennel budgeted for 3,000 tenant-days, but its actual level of activity was 2,960 tenant-days. The kennel has provided the following data concerning the formulas used in its budgeting and its actual results for October:

Data used in budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	–	\$30.90
Wages and salaries	\$ 3,700	\$ 6.40
Expendables	600	11.40
Facility expenses	9,700	2.70
Administrative expenses	<u>6,100</u>	<u>0.40</u>
Total expenses	<u>\$20,100</u>	<u>\$20.90</u>

Actual results for October:

Revenue	\$86,934
Wages and salaries	\$22,614
Expendables	\$35,554
Facility expenses	\$18,562
Administrative expenses	\$7,484

181. The wages and salaries in the planning budget for October would be closest to:

- A. \$22,920
- B. \$22,644
- C. \$22,614
- D.** \$22,900

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$3,700 + \$6.40 \times 3,000 = \$22,900 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

182. The administrative expenses in the planning budget for October would be closest to:

- A. \$7,484
- B. \$7,284
- C. \$7,585
- D. \$7,300**

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$6,100 + \$0.40 \times 3,000 = \$7,300 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

183. The net operating income in the planning budget for October would be closest to:

- A. \$2,757
- B. \$9,500
- C. \$2,684
- D. \$9,900**

Revenue per tenant-day	\$30.90
Total variable expense per tenant-day	20.90
Contribution margin per tenant-day	\$10.00
Total fixed expense	\$20,100

$$\text{Net operating income} = \$10 \times 3,000 - \$20,100 = \$9,900$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

Foxworthy Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During July, the kennel budgeted for 2,000 tenant-days, but its actual level of activity was 2,050 tenant-days. The kennel has provided the following data concerning the formulas to be used in its budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	–	\$32.90
Wages and salaries	\$ 2,900	\$ 7.40
Expendables	400	9.70
Facility expenses	9,100	2.50
Administrative expenses	<u>7,400</u>	<u>0.40</u>
Total expenses	<u>\$19,800</u>	<u>\$20.00</u>

184. The wages and salaries in the planning budget for July would be closest to:

- A. \$18,070
- B. \$17,239
- C. \$17,700**
- D. \$17,670

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$2,900 + \$7.40 \times 2,000 = \$17,700 \end{aligned}$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

185. The administrative expenses in the planning budget for July would be closest to:

- A. \$8,220
- B. \$8,200**
- C. \$8,300
- D. \$8,098

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$7,400 + \$0.40 \times 2,000 = \$8,200 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

186. The net operating income in the planning budget for July would be closest to:

- A. \$6,645
- B. \$4,141
- C. \$4,351
- D. \$6,000**

Revenue per tenant-day	\$32.90
Total variable expense per tenant-day	20.00
Contribution margin per tenant-day	\$12.90
Total fixed expense	\$19,800

$$\text{Net operating income} = \$12.90 \times 2,000 - \$19,800 = \$6,000$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

Tolentino Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During November, the kennel budgeted for 2,600 tenant-days, but its actual level of activity was 2,620 tenant-days. The kennel has provided the following data concerning the formulas used in its budgeting and its actual results for November:

Data used in budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	–	\$31.30
Wages and salaries	\$ 2,600	\$ 5.60
Expendables	700	9.90
Facility expenses	9,000	4.60
Administrative expenses	<u>6,400</u>	<u>0.30</u>
Total expenses	<u>\$18,700</u>	<u>\$20.40</u>

Actual results for November:

Revenue	\$78,176
Wages and salaries	\$16,762
Expendables	\$27,338
Facility expenses	\$20,762
Administrative expenses	\$7,006

187. The expendables in the flexible budget for November would be closest to:

- A. \$27,548
- B. \$26,440
- C. \$26,638**
- D. \$27,129

$$\text{Cost} = \text{Fixed cost per unit} + \text{Variable cost per unit} \times q$$

$$= \$700 + \$9.90 \times 2,620 = \$26,638$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

188. The facility expenses in the flexible budget for November would be closest to:

- A.** \$21,052
- B. \$20,922
- C. \$20,604
- D. \$20,960

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$9,000 + \$4.60 \times 2,620 = \$21,052 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

189. The net operating income in the flexible budget for November would be closest to:

- A. \$9,640
- B.** \$9,858
- C. \$6,260
- D. \$6,357

Revenue per tenant-day	\$31.30
Total variable expense per tenant-day	20.40
Contribution margin per tenant-day	\$10.90
Total fixed expense	\$18,700

$$\text{Net operating income} = \$10.90 \times 2,620 - \$18,700 = \$9,858$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

Maliszewski Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During March, the kennel budgeted for 3,400 tenant-days, but its actual level of activity was 3,410 tenant-days. The kennel has provided the following data concerning the formulas to be used in its budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	–	\$27.80
Wages and salaries	\$ 2,300	\$ 6.00
Expendables	500	9.50
Facility expenses	8,000	3.20
Administrative expenses	<u>7,800</u>	<u>0.30</u>
Total expenses	<u>\$18,600</u>	<u>\$19.00</u>

190. The expendables in the flexible budget for March would be closest to:

- A. \$32,800
- B. \$31,598
- C. \$32,895**
- D. \$31,413

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$500 + \$9.50 \times 3,410 = \$32,895 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

191. The facility expenses in the flexible budget for March would be closest to:

- A. \$19,664
- B. \$18,912**
- C. \$18,880
- D. \$19,780

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$8,000 + \$3.20 \times 3,410 = \$18,912 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

192. The net operating income in the flexible budget for March would be closest to:

- A. \$14,625
- B. \$11,320
- C. \$11,408**
- D. \$14,711

Revenue per tenant-day	\$27.80
Total variable expense per tenant-day	19.00
Contribution margin per tenant-day	\$8.80
Total fixed expense	\$18,600

$$\text{Net operating income} = \$8.80 \times 3,410 - \$18,600 = \$11,408$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

Pong Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During December, the kennel budgeted for 2,000 tenant-days, but its actual level of activity was 1,980 tenant-days. The kennel has provided the following data concerning the formulas used in its budgeting and its actual results for December:

Data used in budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	—	\$32.50
Wages and salaries	\$ 3,500	\$ 5.50
Expendables	800	10.70
Facility expenses	8,700	3.00
Administrative expenses	<u>6,500</u>	<u>0.40</u>
Total expenses	<u>\$19,500</u>	<u>\$19.60</u>

Actual results for December:

Revenue	\$66,320
Wages and salaries	\$14,460
Expendables	\$21,826
Facility expenses	\$14,330
Administrative expenses	\$7,622

193. The wages and salaries in the planning budget for December would be closest to:

- A. \$14,460
- B. \$14,606
- C. \$14,500**
- D. \$14,390

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$3,500 + \$5.50 \times 2,000 = \$14,500 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

194. The facility expenses in the flexible budget for December would be closest to:

- A.** \$14,640
- B. \$14,187
- C. \$14,475
- D. \$14,700

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$8,700 + \$3 \times 1,980 = \$14,640 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

195. The net operating income in the flexible budget for December would be closest to:

- A. \$8,001
- B. \$6,300
- C. \$8,164
- D.** \$6,042

Revenue per tenant-day	\$32.50
Total variable expense per tenant-day	19.60
Contribution margin per tenant-day	\$12.90
Total fixed expense	\$19,500

$$\text{Net operating income} = \$12.90 \times 1,980 - \$19,500 = \$6,042$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

Hamp Kennel uses tenant-days as its measure of activity; an animal housed in the kennel for one day is counted as one tenant-day. During December, the kennel budgeted for 3,000 tenant-days, but its actual level of activity was 3,050 tenant-days. The kennel has provided the following data concerning the formulas to be used in its budgeting:

	Fixed element per month	Variable element per tenant-day
Revenue	–	\$31.10
Wages and salaries	\$ 2,500	\$ 5.90
Expendables	500	11.80
Facility expenses	9,400	2.90
Administrative expenses	<u>7,300</u>	<u>0.10</u>
Total expenses	<u>\$19,700</u>	<u>\$20.70</u>

196. The administrative expenses in the planning budget for December would be closest to:

- A. \$7,126
- B. \$7,245
- C. \$7,605
- D.** \$7,600

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$7,300 + \$0.10 \times 3,000 = \$7,600 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

197. The net operating income in the planning budget for December would be closest to:

- A. \$13,420
- B. \$12,020
- C. \$12,984
- D.** \$11,500

Revenue per tenant-day	\$31.10
Total variable expense per tenant-day	20.70
Contribution margin per tenant-day	\$10.40
Total fixed expense	\$19,700

$$\text{Net operating income} = \$10.40 \times 3,000 - \$19,700 = \$11,500$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

198. The expendables in the flexible budget for December would be closest to:

- A. \$35,900
- B. \$34,466
- C.** \$36,490
- D. \$35,624

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$500 + \$11.80 \times 3,050 = \$36,490 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

Brothern Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During May, the company budgeted for 6,800 units, but its actual level of activity was 6,820 units. The company has provided the following data concerning the formulas used in its budgeting and its actual results for May:

Data used in budgeting:

	Fixed element per month	Variable element per unit
Revenue	—	\$37.60
Direct labor	\$ 0	\$ 3.30
Direct materials	0	19.50
Manufacturing overhead	33,500	1.80
Selling and administrative expenses	<u>25,500</u>	<u>0.80</u>
Total expenses	<u>\$59,000</u>	<u>\$25.40</u>

Actual results for May:

Revenue	\$253,822
Direct labor	\$22,356
Direct materials	\$129,670
Manufacturing overhead	\$47,296
Selling and administrative expenses	\$32,286

199. The direct labor in the planning budget for May would be closest to:

- A. \$22,356
- B. \$22,506
- C. \$22,440**
- D. \$22,290

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$0 + \$3.30 \times 6,800 = \$22,440 \end{aligned}$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Medium

200. The selling and administrative expenses in the planning budget for May would be closest to:

- A. \$30,956
- B. \$30,940**
- C. \$32,286
- D. \$32,191

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$25,500 + \$0.80 \times 6,800 = \$30,940 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

201. The net operating income in the planning budget for May would be closest to:

Refer To: 09-199

- A. \$22,149
- B. \$22,279
- C. \$24,204
- D. \$23,960**

Revenue per unit	\$37.60
Total variable expense per unit	25.40
Contribution margin per unit	\$12.20
Total fixed expense	\$59,000

$$\text{Net operating income} = \$12.20 \times 6,800 - \$59,000 = \$23,960$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

Amadon Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During July, the company budgeted for 7,900 units, but its actual level of activity was 7,920 units. The company has provided the following data concerning the formulas to be used in its budgeting:

	Fixed element per month	Variable element per unit
Revenue	–	\$27.00
Direct labor	\$ 0	\$ 5.20
Direct materials	0	9.80
Manufacturing overhead	40,800	1.00
Selling and administrative expenses	<u>20,000</u>	<u>0.50</u>
Total expenses	<u>\$60,800</u>	<u>\$16.50</u>

202. The direct labor in the planning budget for July would be closest to:

- A. \$41,868
- B. \$41,080**
- C. \$41,184
- D. \$41,974

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$0 + \$5.20 \times 7,900 = \$41,080 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

203. The selling and administrative expenses in the planning budget for July would be closest to:

- A. \$23,960
- B. \$24,690
- C. \$24,628
- D. \$23,950**

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$20,000 + \$0.50 \times 7,900 = \$23,950 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

204. The net operating income in the planning budget for July would be closest to:

- A. \$22,360
- B. \$22,150**
- C. \$15,082
- D. \$15,158

Revenue per unit	\$27.00
Total variable expense per unit	16.50
Contribution margin per unit	\$10.50
Total fixed expense	\$60,800

$$\text{Net operating income} = \$10.50 \times 7,900 - \$60,800 = \$22,150$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

Herard Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During March, the company budgeted for 7,900 units, but its actual level of activity was 7,890 units. The company has provided the following data concerning the formulas used in its budgeting and its actual results for March:

Data used in budgeting:

	Fixed element per month	Variable element per unit
Revenue	–	\$34.40
Direct labor	\$ 0	\$ 5.40
Direct materials	0	15.20
Manufacturing overhead	37,300	1.70
Selling and administrative expenses	<u>25,100</u>	<u>0.50</u>
Total expenses	<u>\$62,400</u>	<u>\$22.80</u>

Actual results for March:

Revenue	\$260,656
Direct labor	\$43,296
Direct materials	\$117,698
Manufacturing overhead	\$52,353
Selling and administrative expenses	\$27,685

205. The direct materials in the flexible budget for March would be closest to:

- A. \$117,847
- B. \$119,928**
- C. \$117,549
- D. \$120,080

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$0 + \$15.20 \times 7,890 = \$119,928 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

206. The manufacturing overhead in the flexible budget for March would be closest to:

- A. \$50,730
- B. \$52,287
- C. \$50,713**
- D. \$52,419

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$37,300 + \$1.70 \times 7,890 = \$50,713 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

207. The net operating income in the flexible budget for March would be closest to:

- A. \$19,599
- B. \$29,240
- C. \$29,124**
- D. \$19,649

Revenue per unit	\$34.40
Total variable expense per unit	22.80
Contribution margin per unit	\$11.60
Total fixed expense	\$62,400

$$\text{Net operating income} = \$11.60 \times 7,890 - \$62,400 = \$29,124$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

Hanekamp Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During August, the company budgeted for 5,400 units, but its actual level of activity was 5,440 units. The company has provided the following data concerning the formulas to be used in its budgeting:

	Fixed element per month	Variable element per unit
Revenue	–	\$33.20
Direct labor	\$ 0	\$ 7.40
Direct materials	0	11.00
Manufacturing overhead	33,600	1.00
Selling and administrative expenses	<u>20,900</u>	<u>0.30</u>
Total expenses	<u>\$54,500</u>	<u>\$19.70</u>

208. The direct materials in the flexible budget for August would be closest to:

- A.** \$59,840
- B. \$60,686
- C. \$59,797
- D. \$59,400

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$0 + \$11 \times 5,440 = \$59,840 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

209. The manufacturing overhead in the flexible budget for August would be closest to:

- A. \$39,040
- B. \$39,140
- C. \$39,000
- D. \$39,722

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$33,600 + \$1 \times 5,440 = \$39,040 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

210. The net operating income in the flexible budget for August would be closest to:

- A. \$18,940
- B. \$13,550
- C. \$13,351
- D. \$18,400

Revenue per unit	\$33.20
Total variable expense per unit	19.70
Contribution margin per unit	\$13.50
Total fixed expense	\$54,500

$$\text{Net operating income} = \$13.50 \times 5,440 - \$54,500 = \$18,940$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

Friou Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During July, the company budgeted for 6,300 units, but its actual level of activity was 6,250 units. The company has provided the following data concerning the formulas used in its budgeting and its actual results for July:

Data used in budgeting:

	Fixed element per month	Variable element per unit
Revenue	–	\$31.80
Direct labor	\$ 0	\$ 4.50
Direct materials	0	13.90
Manufacturing overhead	32,500	1.60
Selling and administrative expenses	<u>20,900</u>	<u>0.30</u>
Total expenses	<u>\$53,400</u>	<u>\$20.30</u>

Actual results for July:

Revenue	\$204,790
Direct labor	\$27,295
Direct materials	\$83,985
Manufacturing overhead	\$43,270
Selling and administrative expenses	\$22,185

211. The direct labor in the planning budget for July would be closest to:

- A. \$27,295
- B. \$28,350**
- C. \$28,125
- D. \$27,513

$$\text{Cost} = \text{Fixed cost per unit} + \text{Variable cost per unit} \times q$$

$$= \$0 + \$4.50 \times 6,300 = \$28,350$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Medium

212. The manufacturing overhead in the flexible budget for July would be closest to:

- A. \$42,500
- B. \$43,616
- C. \$42,927
- D. \$42,580

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$32,500 + \$1.60 \times 6,250 = \$42,500 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

213. The net operating income in the flexible budget for July would be closest to:

- A. \$19,050
- B. \$28,279
- C. \$18,475
- D. \$27,832

Revenue per unit	\$31.80
Total variable expense per unit	20.30
Contribution margin per unit	\$11.50
Total fixed expense	\$53,400

$$\text{Net operating income} = \$11.50 \times 6,250 - \$53,400 = \$18,475$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Medium

Dukeman Corporation manufactures and sells a single product. The company uses units as the measure of activity in its budgets and performance reports. During February, the company budgeted for 7,100 units, but its actual level of activity was 7,060 units. The company has provided the following data concerning the formulas to be used in its budgeting:

	Fixed element per month	Variable element per unit
Revenue	–	\$23.80
Direct labor	\$ 0	\$ 3.30
Direct materials	0	8.30
Manufacturing overhead	33,000	1.10
Selling and administrative expenses	<u>24,200</u>	<u>0.60</u>
Total expenses	<u>\$57,200</u>	<u>\$13.30</u>

214. The selling and administrative expenses in the planning budget for February would be closest to:

- A. \$28,656
- B. \$28,818
- C. \$28,436
- D.** \$28,460

$$\text{Cost} = \text{Fixed cost per unit} + \text{Variable cost per unit} \times q$$

$$= \$24,200 + \$0.60 \times 7,100 = \$28,460$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

215. The net operating income in the planning budget for February would be closest to:

- A. \$16,930
- B. \$17,350**
- C. \$16,885
- D. \$16,695

Revenue per unit	\$23.80
Total variable expense per unit	13.30
Contribution margin per unit	\$10.50
Total fixed expense	\$57,200

$$\text{Net operating income} = \$10.50 \times 7,100 - \$57,200 = \$17,350$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

216. The direct materials in the flexible budget for February would be closest to:

- A. \$58,129
- B. \$58,598**
- C. \$58,930
- D. \$58,789

$$\begin{aligned} \text{Cost} &= \text{Fixed cost per unit} + \text{Variable cost per unit} \times q \\ &= \$0 + \$8.30 \times 7,060 = \$58,598 \end{aligned}$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-01 Prepare a flexible budget
Level: Easy

Rushton Hospital bases its budgets on patient-visits. The hospital's static planning budget for May appears below:

Budgeted number of patient-visits	7,700
Supplies (@ \$5.10 per patient-visit)	\$ 39,270
Laundry (@ \$7.00 per patient-visit)	53,900
Salaries	47,740
Occupancy costs	<u>67,760</u>
Total	<u>\$208,670</u>

Actual results for the month were:

Actual number of patient-visits	7,800
Supplies	\$42,300
Laundry	\$55,560
Salaries	\$48,580
Occupancy costs	\$70,620

217. The spending variance for supplies costs in the flexible budget performance report for the month is:

- A. \$3,030 F
- B. \$2,520 U**
- C. \$3,030 U
- D. \$2,520 F

Flexible budget ($\$5.10 \times 7,800$)	\$39,780
Actual results	42,300
Spending variance	\$ 2,520

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

218. The spending variance for laundry costs in the flexible budget performance report for the month is:

- A. \$960 F
- B. \$1,660 F
- C. \$960 U**
- D. \$1,660 U

Flexible budget ($\$7.00 \times 7,800$)	\$54,600
Actual results	55,560
Spending variance	<u>\$ 960</u>

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

219. The spending variance for occupancy costs in the flexible budget performance report for the month is:

- A. \$1,980 F
- B. \$1,980 U
- C. \$2,860 U**
- D. \$2,860 F

Flexible budget	\$67,760
Actual results	70,620
Spending variance	<u>\$ 2,860</u>

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

Lotson Corporation bases its budgets on machine-hours. The company's static planning budget for May appears below:

Budgeted number of machine-hours	9,600
Supplies (@ \$1.10 per machine-hour)	\$ 10,560
Power (@ \$8.70 per machine-hour)	83,520
Salaries	13,440
Equipment depreciation	<u>116,160</u>
Total	<u>\$223,680</u>

Actual results for the month were:

Actual number of machine-hours	9,900
Supplies	\$10,290
Power	\$87,680
Salaries	\$13,280
Equipment depreciation	\$116,480

220. The spending variance for supplies costs in the flexible budget performance report for the month should be:

- A. \$600 U
- B. \$600 F**
- C. \$270 F
- D. \$270 U

Flexible budget ($\$1.10 \times 9,900$)	\$10,890
Actual results	10,290
Spending variance	<u>\$ 600</u>

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

221. The spending variance for power costs in the flexible budget performance report for the month should be:

- A. \$1,550 F
- B. \$4,160 F
- C. \$1,550 U**
- D. \$4,160 U

Flexible budget ($\$8.70 \times 9,900$)	\$86,130
Actual results	87,680
Spending variance	\$ 1,550

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

222. The spending variance for equipment depreciation in the flexible budget performance report for the month should be:

- A. \$320 F
- B. \$3,310 U
- C. \$320 U**
- D. \$3,310 F

Flexible budget	\$116,160
Actual results	116,480
Spending variance	\$ 320

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

223. The spending variance for supplies cost in the flexible budget performance report for the month should be:

Refer To: 90-223

A. \$5,540 F

B. \$4,640 U

C. \$4,640 F

D. \$5,540 U

Actual results	\$64,040
Flexible budget ($\$9.00 \times 6,600$)	59,400
Spending variance	\$ 4,640

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

224. The spending variance for power cost in the flexible budget performance report for the month should be:

Refer To: 09-224

A. \$570 F

B. \$470 F

C. \$470 U

D. \$570 U

Flexible budget ($\$1.00 \times 6,600$)	\$6,600
Actual results	7,070
Spending variance	\$ 470

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

225. The spending variance for equipment depreciation in the flexible budget performance report for the month should be:

Refer To: 09-224

- A. \$280 F
- B. \$170 U
- C. \$280 U**
- D. \$170 F

Flexible budget	\$7,150
Actual results	7,430
Spending variance	\$ 280

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

Privitera Printing uses two measures of activity, press runs and book set-ups, in the cost formulas in its budgets and performance reports. The cost formula for wages and salaries is \$7,220 per month plus \$650 per press run plus \$1,110 per book set-up. The company expected its activity in January to be 188 press runs and 117 book set-ups, but the actual activity was 191 press runs and 114 book set-ups. The actual cost for wages and salaries in January was \$269,270.

226. The wages and salaries in the planning budget for January would be closest to:

- A. \$257,910
- B. \$259,290**
- C. \$265,041
- D. \$269,270

$$\begin{aligned} \text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit}_1 \times q_1 + \text{Variable cost per unit}_2 \times q_2 \\ &= \$7,220 + \$650 \times 188 + \$1,110 \times 117 = \$259,290 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Easy

227. The wages and salaries in the flexible budget for January would be closest to:

- A. \$259,290
- B. \$269,270
- C. \$263,428
- D. \$257,910**

$$\text{Cost} = \text{Fixed cost} + \text{Variable cost per unit}_1 \times q_1 + \text{Variable cost per unit}_2 \times q_2$$

$$= \$7,220 + \$650 \times 191 + \$1,110 \times 114 = \$257,910$$

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver
 Level: Easy

228. The activity variance for wages and salaries in January would be closest to:

- A. \$9,980 F
- B. \$1,380 U
- C. \$1,380 F**
- D. \$9,980 U

Planning budget (\$7,220 + \$650 × 188 + \$1,110 × 117)	\$259,290
Flexible budget (\$7,220 + \$650 × 191 + \$1,110 × 114)	257,910
Activity variance	\$ 1,380

Because the flexible budget is less than the planning budget, the variance is favorable (F).

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances
 Level: Easy

229. The spending variance for wages and salaries in January would be closest to:

- A. \$11,360 F
- B. \$9,980 U
- C. \$9,980 F
- D. \$11,360 U**

Flexible budget ($\$7,220 + \$650 \times 191 + \$1,110 \times 114$)	\$257,910
Actual results	269,270
Spending variance	\$ 11,360

Because the actual expense is greater than the flexible budget, the variance is unfavorable (U).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Easy

Sterr Air uses two measures of activity, flights and passengers, in the cost formulas in its budgets and performance reports. The cost formula for plane operating costs is \$49,340 per month plus \$2,635 per flight plus \$2 per passenger. The company expected its activity in January to be 73 flights and 191 passengers, but the actual activity was 75 flights and 193 passengers. The actual cost for plane operating costs in January was \$246,440.

230. The plane operating costs in the planning budget for January would be closest to:

- A. \$247,351
- B. \$246,440
- C. \$239,868
- D. \$242,077**

$$\begin{aligned} \text{Cost} &= \text{Fixed cost} + \text{Variable cost per unit}_1 \times q_1 + \text{Variable cost per unit}_2 \times q_2 \\ &= \$49,340 + \$2,635 \times 73 + \$2 \times 191 = \$242,077 \end{aligned}$$

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Easy

231. The plane operating costs in the flexible budget for January would be closest to:

- A. \$246,440
- B. \$247,351**
- C. \$248,709
- D. \$242,077

$$\text{Cost} = \text{Fixed cost} + \text{Variable cost per unit}_1 \times q_1 + \text{Variable cost per unit}_2 \times q_2$$

$$= \$49,340 + \$2,635 \times 75 + \$2 \times 193 = \$247,351$$

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver
Level: Easy

232. The activity variance for plane operating costs in January would be closest to:

- A. \$5,274 F
- B. \$4,363 U
- C. \$4,363 F
- D. \$5,274 U**

Planning budget (\$49,340 + \$2,635 × 73 + \$2 × 191)	\$242,077
Flexible budget (\$49,340 + \$2,635 × 75 + \$2 × 193)	247,351
Activity variance	\$ 5,274

Because the flexible budget is greater than the planning budget, the variance is unfavorable (U).

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Bloom's: Application
Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances
Level: Easy

233. The spending variance for plane operating costs in January would be closest to:

- A. \$911 U
- B. \$911 F**
- C. \$4,363 F
- D. \$4,363 U

Flexible budget ($\$49,340 + \$2,635 \times 75 + \$2 \times 193$)	\$247,351
Actual results	246,440
Spending variance	\$ 911

Because the actual expense is less than the flexible budget, the variance is favorable (F).

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Easy

Essay Questions

234. Galligan Corporation bases its budgets on the activity measure customers served. During July, the company planned to serve 30,000 customers. The company has provided the following data concerning the formulas it uses in its budgeting:

	Fixed element per month	Variable element per customer
Revenue	–	\$4.00
Wages and salaries	\$35,100	\$1.30
Supplies	\$0	\$0.80
Insurance	\$10,000	\$0.00
Miscellaneous	\$4,700	\$0.10

The company has also furnished its income statement for July:

Galligan Corporation Income Statement For the Month Ended July 31	
Actual customers served	34,000
Revenue	<u>\$134,200</u>
Expenses:	
Wages and salaries	77,700
Supplies	28,100
Insurance	10,500
Miscellaneous	<u>5,600</u>
Total expense	<u>121,900</u>
Net operating income	<u>\$ 12,300</u>

Required:

Prepare a report showing the company's activity variances for July. Indicate in each case whether the variance is favorable (F) or unfavorable (U).

Galligan Corporation Activity Variances For the Month Ended July 31				
	Planning Budget	Flexible Budget	Activity Variance s	
Customers served (q)	30,000	34,000		
Revenue (\$4.00q)	\$120,000	\$136,000	\$16,000	F
Expenses:				
Wages and salaries (\$35,100 + \$1.30q)	74,100	79,300	5,200	U
Supplies (\$0.80q)	24,000	27,200	3,200	U
Insurance (\$10,000)	10,000	10,000	0	
Miscellaneous (\$4,700 + \$0.10q)	7,700	8,100	400	U
Total expense	115,800	124,600	8,800	U
Net operating income	\$4,200	\$11,400	\$7,200	F

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Medium

235. Voytek Corporation bases its budgets on the activity measure customers served. During October, the company planned to serve 36,000 customers, but actually served 34,000 customers. The company has provided the following data concerning the formulas it uses in its budgeting:

	Fixed element per month	Variable element per customer
Revenue	–	\$3.40
Wages and salaries	\$37,200	\$1.10
Supplies	\$0	\$0.40
Insurance	\$8,100	\$0.00
Miscellaneous	\$6,400	\$0.30

Required:

Prepare a report showing the company's activity variances for October. Indicate in each case whether the variance is favorable (F) or unfavorable (U).

Voytek Corporation Activity Variances For the Month Ended October 31				
	Planning Budget	Flexible Budget	Activity Variance	
Customers served (q)	36,000	34,000		
Revenue (\$3.40q)	\$122,400	\$115,600	\$6,800	U
Expenses:				
Wages and salaries (\$37,200 + \$1.10q)	76,800	74,600	2,200	F
Supplies (\$0.40q)	14,400	13,600	800	F
Insurance (\$8,100)	8,100	8,100	0	
Miscellaneous (\$6,400 + \$0.30q)	17,200	16,600	600	F
Total expense	116,500	112,900	3,600	F
Net operating income	\$5,900	\$2,700	\$3,200	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

236. Zindell Corporation bases its budgets on the activity measure customers served. During December, the company planned to serve 21,000 customers, but actually served 19,000 customers. The company uses the following revenue and cost formulas in its budgeting, where q is the number of customers served:

Revenue: $\$3.60q$

Wages and salaries: $\$21,300 + \$1.10q$

Supplies: $\$0.70q$

Insurance: $\$6,400$

Miscellaneous: $\$3,200 + \$0.20q$

Required:

Prepare a report showing the company's activity variances for December. Indicate in each case whether the variance is favorable (F) or unfavorable (U).

Zindell Corporation Activity Variances For the Month Ended December 31				
	Planning Budget	Flexible Budget	Activity Variances	
Customers served (q)	21,000	19,000		
Revenue ($\$3.60q$)	\$75,600	\$68,400	\$7,200	U
Expenses:				
Wages and salaries ($\$21,300 + \$1.10q$)	44,400	42,200	2,200	F
Supplies ($\$0.70q$)	14,700	13,300	1,400	F
Insurance ($\$6,400$)	6,400	6,400	0	
Miscellaneous ($\$3,200 + \$0.20q$)	7,400	7,000	400	F
Total expense	72,900	68,900	4,000	F
Net operating income	\$2,700	(\$500)	\$3,200	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

237. Brandewie Corporation bases its budgets on the activity measure customers served. During May, the company planned to serve 38,000 customers, but actually served 33,000 customers. Revenue is \$2.80 per customer served. Wages and salaries are \$28,800 per month plus \$0.80 per customer served. Supplies are \$0.50 per customer served. Insurance is \$6,800 per month. Miscellaneous expenses are \$5,800 per month plus \$0.30 per customer served. Required: Prepare a report showing the company's activity variances for May. Indicate in each case whether the variance is favorable (F) or unfavorable (U).

Brandewie Corporation Activity Variances For the Month Ended May 31				
	Planning Budget	Flexible Budget	Activity Variances	
Customers served (q)	38,000	33,000		
Revenue (\$2.80q)	\$106,400	\$92,400	\$14,000	U
Expenses:				
Wages and salaries (\$28,800 + \$0.80q)	59,200	55,200	4,000	F
Supplies (\$0.50q)	19,000	16,500	2,500	F
Insurance (\$6,800)	6,800	6,800	0	
Miscellaneous (\$5,800 + \$0.30q)	17,200	15,700	1,500	F
Total expense	102,200	94,200	8,000	F
Net operating income	\$4,200	(\$1,800)	\$6,000	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

238. Chapnick Clinic bases its budgets on the activity measure patient-visits. During September, the clinic planned for 2,800 patient-visits. The clinic has provided the following data concerning the formulas it uses in its budgeting:

	Fixed element per month	Variable element per patient-visit
Revenue	-	\$50.00
Personnel expenses	\$37,700	\$14.80
Medical supplies	\$1,500	\$9.50
Occupancy expenses	\$8,000	\$2.20
Administrative expenses	\$4,000	\$0.30

The clinic has also furnished its income statement for September:

Chapnick Clinic Income Statement For the Month Ended September 30	
Actual patient-visits	3,000
Revenue	<u>\$144,990</u>
Expenses:	
Personnel expenses	80,290
Medical supplies	29,780
Occupancy expenses	15,300
Administrative expenses	<u>4,780</u>
Total expense	<u>130,150</u>
Net operating income	<u>\$ 14,840</u>

Required:

Prepare a report showing the clinic's activity variances for September.

Chapnick Clinic Activity Variances For the Month Ended September 30				
	Planning Budget	Flexible Budget	Activity Variances	
Patient-visits (q)	2,800	3,000		
Revenue (\$50.00q)	\$140,000	\$150,000	\$10,000	F
Expenses:				
Personnel expenses (\$37,700 + \$14.80q)	79,140	82,100	2,960	U
Medical supplies (\$1,500 + \$9.50q)	28,100	30,000	1,900	U
Occupancy expenses (\$8,000 + \$2.20q)	14,160	14,600	440	U
Administrative expenses (\$4,000 + \$0.30q)	4,840	4,900	60	U
Total expense	126,240	131,600	5,360	U
Net operating income	\$13,760	\$18,400	\$4,640	F

Chapter 09 Flexible Budgets and Performance Analysis

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Learning Objective: 09-02 Prepare a report showing activity variances
 Level: Medium

239. Filkins Clinic bases its budgets on the activity measure patient-visits. During February, the clinic planned for 3,900 patient-visits, but the actual level of activity was 4,100 patient-visits. The clinic has provided the following data concerning the formulas it uses in its budgeting:

	Fixed element per month	Variable element per patient-visit
Revenue	-	\$31.60
Personnel expenses	\$31,200	\$9.80
Medical supplies	\$1,300	\$5.40
Occupancy expenses	\$6,900	\$1.00
Administrative expenses	\$5,500	\$0.10

Required:

Prepare a report showing the clinic's activity variances for February. Indicate in each case whether the variance is favorable (F) or unfavorable (U).

Filkins Clinic Activity Variances For the Month Ended February 28				
	Planning Budget	Flexible Budget	Activity Variances	
Patient-visits (q)	3,900	4,100		
Revenue (\$31.60q)	\$123,240	\$129,560	\$6,320	F
Expenses:				
Personnel expenses (\$31,200 + \$9.80q)	69,420	71,380	1,960	U
Medical supplies (\$1,300 + \$5.40q)	22,360	23,440	1,080	U
Occupancy expenses (\$6,900 + \$1.00q)	10,800	11,000	200	U
Administrative expenses (\$5,500 + \$0.10q)	5,890	5,910	20	U
Total expense	108,470	111,730	3,260	U
Net operating income	\$14,770	\$17,830	\$3,060	F

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Learning Objective: 09-02 Prepare a report showing activity variances
 Level: Easy

240. Sroufe Clinic bases its budgets on the activity measure patient-visits. During July, the clinic planned for 3,500 patient-visits, but its actual level of activity was 4,000 patient-visits. The clinic has provided the following data concerning the formulas it uses in its budgeting:

	Fixed element	Variable element
Revenue	-	\$35.20
Personnel expenses	\$34,400	\$9.00
Medical supplies	\$900	\$7.20
Occupancy expenses	\$6,800	\$1.80
Administrative expenses	\$5,200	\$0.30

Required:

Prepare a report showing the clinic's activity variances for July. Indicate in each case whether the variance is favorable (F) or unfavorable (U).

Sroufe Clinic Activity Variances For the Month Ended July 31				
	Planning Budget	Flexible Budget	Activity Variances	
Patient-visits (q)	3,500	4,000		
Revenue (\$35.20q)	\$123,200	\$140,800	\$17,600	F
Expenses:				
Personnel expenses (\$34,400 + \$9.00q)	65,900	70,400	4,500	U
Medical supplies (\$900 + \$7.20q)	26,100	29,700	3,600	U
Occupancy expenses (\$6,800 + \$1.80q)	13,100	14,000	900	U
Administrative expenses (\$5,200 + \$0.30q)	6,250	6,400	150	U
Total expense	111,350	120,500	9,150	U
Net operating income	\$11,850	\$20,300	\$8,450	F

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

241. Fongeallaz Clinic bases its budgets on the activity measure patient-visits. During January, the clinic planned for 2,300 patient-visits, but its actual level of activity was 2,100 patient-visits. Revenue should be \$52.50 per patient-visit. Personnel expenses should be \$34,100 per month plus \$15.10 per patient-visit. Medical supplies should be \$1,600 per month plus \$8.40 per patient-visit. Occupancy expenses should be \$9,400 per month plus \$1.90 per patient-visit. Administrative expenses should be \$3,500 per month plus \$0.10 per patient-visit.

Required:

Prepare a report showing the clinic's activity variances for January. Indicate in each case whether the variance is favorable (F) or unfavorable (U).

Fongeallaz Clinic Activity Variances For the Month Ended January 31				
	Planning Budget	Flexible Budget	Activity Variances	
Patient-visits (q)	2,300	2,100		
Revenue (\$52.50q)	\$120,750	\$110,250	\$10,500	U
Expenses:				
Personnel expenses (\$34,100 + \$15.10q)	68,830	65,810	3,020	F
Medical supplies (\$1,600 + \$8.40q)	20,920	19,240	1,680	F
Occupancy expenses (\$9,400 + \$1.90q)	13,770	13,390	380	F
Administrative expenses (\$3,500 + \$0.10q)	3,730	3,710	20	F
Total expense	107,250	102,150	5,100	F
Net operating income	\$13,500	\$8,100	\$5,400	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

242. Socha Memorial Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for January was based on 3,400 meals, but the diner actually served 3,800 meals. The diner's director has provided the following cost formulas to use in budgets:

	Fixed element per month	Variable element per meal
Groceries	\$0	\$3.65
Kitchen operations	\$5,100	\$1.55
Administrative expenses	\$3,200	\$0.75
Fundraising expenses	\$1,800	\$0.00

The director has also provided the diner's statement of actual expenses for the month:

Socha Memorial Diner Statement of Expenses For the Month Ended January 31	
Actual meals	3,800
Groceries	\$13,230
Kitchen operations	11,130
Administrative expenses	6,150
Fundraising expenses	<u>1,830</u>
Total expense	<u>\$32,340</u>

Required:

Prepare a report showing the activity variances for each of the expenses and for total expenses for January. Label each variance as favorable (F) or unfavorable (U).

Socha Memorial Diner Activity Variances For the Month Ended January 31				
	Planning Budget	Flexible Budget	Activity Variances	
Meals (q)	3,400	3,800		
Groceries (\$3.65q)	\$12,410	\$13,870	\$1,460	U
Kitchen operations (\$5,100 + \$1.55q)	10,370	10,990	620	U
Administrative expenses (\$3,200 + \$0.75q)	5,750	6,050	300	U
Fundraising expenses (\$1,800)	1,800	1,800	0	
Total expense	\$30,330	\$32,710	\$2,380	U

Chapter 09 Flexible Budgets and Performance Analysis

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Medium

243. Mable Memorial Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for April was based on 3,000 meals, but the diner actually served 3,100 meals. The diner's director has provided the following cost formulas to use in budgets:

	Fixed element per month	Variable element per meal
Groceries	\$0	\$3.85
Kitchen operations	\$4,800	\$1.30
Administrative expenses	\$3,500	\$0.65
Fundraising expenses	\$1,800	\$0.00

Required:

Prepare a report showing the activity variances for each of the expenses and for total expenses for April. Label each variance as favorable (F) or unfavorable (U).

Mable Memorial Diner Activity Variances For the Month Ended April 30				
	Planning Budget	Flexible Budget	Activity Variances	
Meals (q)	3,000	3,100		
Groceries (\$3.85q)	\$11,550	\$11,935	\$385	U
Kitchen operations (\$4,800 + \$1.30q)	8,700	8,830	130	U
Administrative expenses (\$3,500 + \$0.65q)	5,450	5,515	65	U
Fundraising expenses (\$1,800)	1,800	1,800	0	
Total expense	\$27,500	\$28,080	\$580	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

244. Zuehlke Urban Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for September was based on 2,800 meals, but the diner actually served 3,000 meals. The diner's director has provided the following cost data to use in the budget: groceries, \$3.85 per meal; kitchen operations, \$4,500 per month plus \$1.65 per meal; administrative expenses, \$3,300 per month plus \$0.30 per meal; and fundraising expenses, \$1,200 per month. The director has also provided the diner's statement of actual expenses for the month:

Zuehlke Urban Diner Statement of Expenses For the Month Ended September 30	
Actual meals	3,000
Groceries	\$11,500
Kitchen operations	9,000
Administrative expenses	4,020
Fundraising expenses	<u>1,200</u>
Total expense	<u>\$25,720</u>

Required:

Prepare a report showing the activity variances for each of the expenses and for total expenses for September.

Zuehlke Urban Diner Activity Variances For the Month Ended September 30				
	Planning Budget	Flexibl e Budget	Activity Variances	
Meals (q)	2,800	3,000		
Groceries (\$3.85q)	\$10,780	\$11,550	\$770	U
Kitchen operations (\$4,500 + \$1.65q)	9,120	9,450	330	U
Administrative expenses (\$3,300 + \$0.30q)	4,140	4,200	60	U
Fundraising expenses (\$1,200)	1,200	1,200	0	
Total expense	\$25,240	\$26,400	\$1,160	U

Chapter 09 Flexible Budgets and Performance Analysis

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Medium

245. Aubuchon Urban Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for March was based on 3,400 meals, but the diner actually served 3,100 meals. The diner's director has provided the following cost data to use in the budget: groceries, \$2.90 per meal; kitchen operations, \$4,900 per month plus \$1.05 per meal; administrative expenses, \$3,600 per month plus \$0.25 per meal; and fundraising expenses, \$1,700 per month.

Required:

Prepare a report showing the activity variances for each of the expenses and for total expenses for March. Label each variance as favorable (F) or unfavorable (U).

Aubuchon Urban Diner Activity Variances For the Month Ended March 31				
	Planning Budget	Flexible Budget	Activity Variances	
Meals (q)	3,400	3,100		
Groceries (\$2.90q)	\$9,860	\$8,990	\$870	F
Kitchen operations (\$4,900 + \$1.05q)	8,470	8,155	315	F
Administrative expenses (\$3,600 + \$0.25q)	4,450	4,375	75	F
Fundraising expenses (\$1,700)	1,700	1,700	0	
Total expense	\$24,480	\$23,220	\$1,260	F

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-02 Prepare a report showing activity variances

Level: Easy

246. Crovo Corporation uses customers served as its measure of activity. During December, the company budgeted for 38,000 customers, but actually served 40,000 customers. The company has provided the following data concerning the formulas used in its budgeting and its actual results for December:

Data used in budgeting:

	Fixed element per month	Variable element per customer
Revenue	-	\$2.60
Wages and salaries	\$20,300	\$0.80
Supplies	\$0	\$0.50
Insurance	\$7,500	\$0.00
Miscellaneous	\$3,700	\$0.30

Actual results for December:

Revenue	\$101,500
Wages and salaries	\$52,000
Supplies	\$18,100
Insurance	\$9,400
Miscellaneous	\$18,100

Required:

Prepare a report showing the company's revenue and spending variances for December. Label each variance as favorable (F) or unfavorable (U).

Crovo Corporation Revenue and Spending Variances For the Month Ended December 31				
	Flexible Budget	Actual Results	Revenue and Spending Variances	
Customers served (q)	40,000	40,000		
Revenue (\$2.60q)	\$104,000	\$101,500	\$2,500	U
Expenses:				
Wages and salaries (\$20,300 + \$0.80q)	52,300	52,000	300	F
Supplies (\$0.50q)	20,000	18,100	1,900	F
Insurance (\$7,500)	7,500	9,400	1,900	U
Miscellaneous (\$3,700 + \$0.30q)	15,700	18,100	2,400	U
Total expense	95,500	97,600	2,100	U
Net operating income	\$8,500	\$3,900	\$4,600	U

Chapter 09 Flexible Budgets and Performance Analysis

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

247. Hertzler Corporation uses customers served as its measure of activity. During November, the company budgeted for 33,000 customers, but actually served 34,000 customers. The company uses the following revenue and cost formulas in its budgeting, where q is the number of customers served:

Revenue: $\$3.20q$

Wages and salaries: $\$26,600 + \$1.20q$

Supplies: $\$0.40q$

Insurance: $\$7,900$

Miscellaneous: $\$6,400 + \$0.10q$

The company reported the following actual results for November:

Revenue	\$108,200
Wages and salaries	\$70,100
Supplies	\$12,300
Insurance	\$7,300
Miscellaneous	\$12,000

Required:

Prepare a report showing the company's revenue and spending variances for November. Label each variance as favorable (F) or unfavorable (U).

Hertzler Corporation Revenue and Spending Variances For the Month Ended November 30				
	Flexible Budget	Actual Results	Revenue and Spending Variances	
Customers served (q)	34,000	34,000		
Revenue ($\$3.20q$)	\$108,800	\$108,200	\$600	U
Expenses:				
Wages and salaries ($\$26,600 + \$1.20q$)	67,400	70,100	2,700	U
Supplies ($\$0.40q$)	13,600	12,300	1,300	F
Insurance ($\$7,900$)	7,900	7,300	600	F
Miscellaneous ($\$6,400 + \$0.10q$)	9,800	12,000	2,200	U
Total expense	98,700	101,700	3,000	U
Net operating income	\$10,100	\$6,500	\$3,600	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

248. Wartenberg Corporation uses customers served as its measure of activity. The company bases its budgets on the following information: Revenue should be \$3.80 per customer served. Wages and salaries should be \$38,800 per month plus \$1.00 per customer served. Supplies should be \$0.60 per customer served. Insurance should be \$7,100 per month. Miscellaneous expenses should be \$5,100 per month plus \$0.30 per customer served. The company reported the following actual results for January:

Customers served	30,000
Revenue	\$115,500
Wages and salaries	\$66,900
Supplies	\$15,900
Insurance	\$6,800
Miscellaneous	\$15,500

Required:

Prepare a report showing the company's revenue and spending variances for January. Label each variance as favorable (F) or unfavorable (U).

Wartenberg Corporation Revenue and Spending Variances For the Month Ended January 31				
	Flexible Budget	Actual Results	Revenue and Spending Variances	
Customers served (q)	30,000	30,000		
Revenue (\$3.80q)	\$114,000	\$115,500	\$1,500	F
Expenses:				
Wages and salaries (\$38,800 + \$1.00q)	68,800	66,900	1,900	F
Supplies (\$0.60q)	18,000	15,900	2,100	F
Insurance (\$7,100)	7,100	6,800	300	F
Miscellaneous (\$5,100 + \$0.30q)	14,100	15,500	1,400	U
Total expense	108,000	105,100	2,900	F
Net operating income	\$6,000	\$10,400	\$4,400	F

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

249. Carlisle Clinic uses patient-visits as its measure of activity. During December, the clinic budgeted for 2,500 patient-visits, but its actual level of activity was 2,100 patient-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for December:

Data used in budgeting:

	Fixed element per month	Variable element per patient-visit
Revenue	-	\$47.70
Personnel expenses	\$29,400	\$14.00
Medical supplies	\$600	\$8.30
Occupancy expenses	\$7,400	\$2.20
Administrative expenses	\$6,400	\$0.20

Actual results for December:

Revenue	\$100,890
Personnel expenses	\$59,750
Medical supplies	\$17,950
Occupancy expenses	\$11,920
Administrative expenses	\$7,150

Required:

Prepare a report showing the clinic's revenue and spending variances for December. Label each variance as favorable (F) or unfavorable (U).

Carlisle Clinic Revenue and Spending Variances For the Month Ended December 31				
	Flexible Budget	Actual Results	Revenue and Spending Variances	
Patient-visits (q)	2,100	2,100		
Revenue (\$47.70q)	\$100,170	\$100,890	\$720	F
Expenses:				
Personnel expenses (\$29,400 + \$14.00q)	58,800	59,750	950	U
Medical supplies (\$600 + \$8.30q)	18,030	17,950	80	F
Occupancy expenses (\$7,400 + \$2.20q)	12,020	11,920	100	F
Administrative expenses (\$6,400 + \$0.20q)	6,820	7,150	330	U
Total expense	95,670	96,770	1,100	U
Net operating income	\$4,500	\$4,120	\$380	U

Chapter 09 Flexible Budgets and Performance Analysis

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

250. Stailey Clinic uses patient-visits as its measure of activity. During September, the clinic budgeted for 3,200 patient-visits, but its actual level of activity was 2,800 patient-visits. The clinic uses the following revenue and cost formulas in its budgeting, where q is the number of patient-visits:

Revenue: $\$34.90q$

Personnel expenses: $\$27,300 + \$10.30q$

Medical supplies: $\$1,400 + \$6.50q$

Occupancy expenses: $\$6,000 + \$1.80q$

Administrative expenses: $\$5,300 + \$0.40q$

The clinic reported the following actual results for September:

Revenue	\$98,000
Personnel expenses	\$56,100
Medical supplies	\$19,620
Occupancy expenses	\$11,460
Administrative expenses	\$6,210

Required:

Prepare a report showing the clinic's revenue and spending variances for September. Label each variance as favorable (F) or unfavorable (U).

Stailey Clinic Revenue and Spending Variances For the Month Ended September 30				
	Flexible Budget	Actual Results	Revenue and Spending Variances	
Patient-visits (q)	2,800	2,800		
Revenue ($\$34.90q$)	\$97,720	\$98,000	\$280	F
Expenses:				
Personnel expenses ($\$27,300 + \$10.30q$)	56,140	56,100	40	F
Medical supplies ($\$1,400 + \$6.50q$)	19,600	19,620	20	U
Occupancy expenses ($\$6,000 + \$1.80q$)	11,040	11,460	420	U
Administrative expenses ($\$5,300 + \$0.40q$)	6,420	6,210	210	F
Total expense	93,200	93,390	190	U
Net operating income	\$4,520	\$4,610	\$90	F

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Medium

251. Glassey Clinic uses patient-visits as its measure of activity. The clinic bases its budgets on the following information: Revenue should be \$41.80 per patient-visit. Personnel expenses should be \$35,400 per month plus \$10.60 per patient-visit. Medical supplies should be \$700 per month plus \$7.90 per patient-visit. Occupancy expenses should be \$8,800 per month plus \$1.30 per patient-visit. Administrative expenses should be \$5,600 per month plus \$0.40 per patient-visit.

The clinic reported the following actual results for February:

Patient-visits	2,700
Revenue	\$116,950
Personnel expenses	\$66,400
Medical supplies	\$22,270
Occupancy expenses	\$11,790
Administrative expenses	\$6,600

Required:

Prepare a report showing the clinic's revenue and spending variances for February. Label each variance as favorable (F) or unfavorable (U).

Glassey Clinic Revenue and Spending Variances For the Month Ended February 28				
	Flexible Budget	Actual Results	Revenue and Spending Variances	
Patient-visits (q)	2,700	2,700		
Revenue (\$41.80q)	\$112,860	\$116,950	\$4,090	F
Expenses:				
Personnel expenses (\$35,400 + \$10.60q)	64,020	66,400	2,380	U
Medical supplies (\$700 + \$7.90q)	22,030	22,270	240	U
Occupancy expenses (\$8,800 + \$1.30q)	12,310	11,790	520	F
Administrative expenses (\$5,600 + \$0.40q)	6,680	6,600	80	F
Total expense	105,040	107,060	2,020	U
Net operating income	\$7,820	\$9,890	\$2,070	F

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

252. Pinion Memorial Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for August was based on 2,700 meals. The diner's director has provided the following cost formulas to use in budgets:

	Fixed element per month	Variable element per meal
Groceries	\$0	\$3.10
Kitchen operations	\$4,700	\$1.55
Administrative expenses	\$3,400	\$0.40
Fundraising expenses	\$1,800	\$0.00

The director has also provided the diner's statement of actual expenses for the month:

Pinion Memorial Diner
Statement of Expenses
For the Month Ended August
31

Actual meals	2,200
Groceries	\$ 6,530
Kitchen operations	8,470
Administrative expenses	4,320
Fundraising expenses	<u>1,770</u>
Total expense	<u>\$21,090</u>

Required:

Prepare a report showing the spending variances for each of the expenses and for total expenses for August. Label each variance as favorable (F) or unfavorable (U).

Pinion Memorial Diner
Spending Variances
For the Month Ended August 31

	Flexible Budget	Actual Results	Spending Variances
Meals (q)	2,200	2,200	
Groceries (\$3.10q)	\$6,820	\$6,530	\$290F
Kitchen operations (\$4,700 + \$1.55q)	8,110	8,470	360U
Administrative expenses (\$3,400 + \$0.40q)	4,280	4,320	40U
Fundraising expenses (\$1,800)	1,800	1,770	30F
Total expense	<u>\$21,010</u>	<u>\$21,090</u>	<u>\$ 80U</u>

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

253. Hernande Urban Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for October was based on 2,800 meals. The diner's director has provided the following cost data to use in the budget: groceries, \$2.45 per meal; kitchen operations, \$5,200 per month plus \$1.70 per meal; administrative expenses, \$2,600 per month plus \$0.65 per meal; and fundraising expenses, \$1,100 per month. The director has also provided the diner's statement of actual expenses for the month:

Hernande Urban Diner Statement of Expenses For the Month Ended October 31	
Actual meals	2,600
Groceries	\$ 6,520
Kitchen operations	9,580
Administrative expenses	4,250
Fundraising expenses	<u>1,050</u>
Total expense	<u>\$21,400</u>

Required:

Prepare a report showing the diner's spending variances for each of the expenses and for total expenses for October. Label each variance as favorable (F) or unfavorable (U).

Hernande Urban Diner Spending Variances For the Month Ended October 31				
	Flexible Budget	Actual Results	Spending Variances	
Meals (q)	2,600	2,600		
Groceries (\$2.45q)	\$6,370	\$6,520	\$150	U
Kitchen operations (\$5,200 + \$1.70q)	9,620	9,580	40	F
Administrative expenses (\$2,600 + \$0.65q)	4,290	4,250	40	F
Fundraising expenses (\$1,100)	1,100	1,050	50	F
Total expense	\$21,380	\$21,400	\$20	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Level: Easy

254. Tajiri Corporation uses customers served as its measure of activity. The following report compares the planning budget to the actual operating results for the month of May:

Tajiri Corporation
 Comparison of
 Planning Budget
 to Actual Results
 For the Month
 Ended May 31

	Planning Budget	Actual Results	Variance
Customers served.....	20,000	21,000	
Revenue (\$3.60q).....	<u>\$72,000</u>	<u>\$75,800</u>	<u>\$3,800 F</u>
Expenses:			
Wages and salaries (\$22,600 + \$1.10q).....	44,600	45,700	1,100 U
Supplies (\$0.50q).....	10,000	8,700	1,300 F
Insurance (\$4,600).....	4,600	4,600	0
Miscellaneous (\$3,400 + \$0.30q).....	<u>9,400</u>	<u>8,100</u>	<u>1,300 F</u>
Total expense.....	<u>68,600</u>	<u>67,100</u>	<u>1,500 F</u>
Net operating income.....	<u>\$ 3,400</u>	<u>\$ 8,700</u>	<u>\$5,300 F</u>

Required:

Prepare the company's flexible budget performance report for May. Label each variance as favorable (F) or unfavorable (U).

Tajiri Corporation
Flexible Budget Performance Report Part 1
For the Month Ended May 31

	Planning Budget	Activity Variances	Flexible Budget
Customers served (q)	20,000	--	21,000
Revenue (\$3.60q)	<u>\$72,000</u>	<u>\$3,600F</u>	<u>\$75,600</u>
Expenses:			
Wages and salaries (\$22,600 + \$1.10q)	44,600	1,100U	45,700
Supplies (\$0.50q)	10,000	500U	10,500
Insurance (\$4,600)	4,600	0	4,600
Miscellaneous (\$3,400 + \$0.30q)	<u>9,400</u>	<u>300U</u>	<u>9,700</u>
Total expense	<u>68,600</u>	<u>1,900U</u>	<u>70,500</u>
Net operating income	<u>\$3,400</u>	<u>\$1,700F</u>	<u>\$5,100</u>

Tajiri Corporation
Flexible Budget Performance Report Part 2
For the Month Ended May 31

	Flexible Budget	Revenue and Spending Variances	Actual Results
Customers served (q)	21,000	- -	21,000
Revenue (\$3.60q)	<u>\$75,600</u>	<u>\$200 F</u>	<u>\$75,800</u>
Expenses:			
Wages and salaries (\$22,600 + \$1.10q)	45,700	0	45,700
Supplies (\$0.50q)	10,500	1,800 F	8,700
Insurance (\$4,600)	4,600	0	4,600
Miscellaneous (\$3,400 + \$0.30q)	<u>9,700</u>	<u>1,600 F</u>	<u>8,100</u>
Total expense	<u>70,500</u>	<u>3,400 F</u>	<u>67,100</u>
Net operating income	<u>\$5,100</u>	<u>\$3,600 F</u>	<u>\$8,700</u>

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Learning Objective: 09-06 Understand common errors made in preparing performance reports based on budgets and actual results

Level: Medium

255. Sammartino Clinic uses patient-visits as its measure of activity. The following report compares the planning budget to the actual operating results for the month of November:

Sammartino Clinic Comparison of Planning Budget to Actual Results For the Month Ended November 30			
	Planning Budget	Actual Results	Variances
Patient-visits	2,300	1,800	
Revenue (\$60.00q)	<u>\$138,000</u>	<u>\$112,670</u>	<u>\$25,330 U</u>
Expenses:			
Personnel expenses (\$36,900 + \$15.60q)	72,780	68,000	4,780 F
Medical supplies (\$1,500 + \$11.20q)	27,260	22,520	4,740 F
Occupancy expenses (\$10,600 + \$2.10q)	15,430	14,050	1,380 F
Administrative expenses (\$5,500 + \$0.30q)	<u>6,190</u>	<u>5,940</u>	<u>250 F</u>
Total expense	<u>121,660</u>	<u>110,510</u>	<u>11,150 F</u>
Net operating income	<u>\$ 16,340</u>	<u>\$ 2,160</u>	<u>\$14,180 U</u>

Required:

Prepare the clinic's flexible budget performance report for November. Label each variance as favorable (F) or unfavorable (U).

Sammartino Clinic				
Flexible Budget Performance Report Part 1				
For the Month Ended November 30				
	Planning Budget	Activity Variances		Flexible Budget
Patient-visits (q)	2,300	-	-	1,800
Revenue (\$60.00q)	\$138,000	\$30,000	U	\$108,000
Expenses:				
Personnel expenses (\$36,900 + \$15.60q)	72,780	7,800	F	64,980
Medical supplies (\$1,500 + \$11.20q)	27,260	5,600	F	21,660
Occupancy expenses (\$10,600 + \$2.10q)	15,430	1,050	F	14,380
Administrative expenses (\$5,500 + \$0.30q)	6,190	150	F	6,040
Total expense	121,660	14,600	F	107,060
Net operating income	\$16,340	\$15,400	U	\$940

Sammartino Clinic				
Flexible Budget Performance Report Part 2				
For the Month Ended November 30				
	Flexible Budget	Revenue and Spending Variances		Actual Results
Patient-visits (q)	1,800	-	-	1,800
Revenue (\$60.00q)	\$108,000	\$4,670	F	\$112,670
Expenses:				
Personnel expenses (\$36,900 + \$15.60q)	64,980	3,020	U	68,000
Medical supplies (\$1,500 + \$11.20q)	21,660	860	U	22,520
Occupancy expenses (\$10,600 + \$2.10q)	14,380	330	F	14,050
Administrative expenses (\$5,500 + \$0.30q)	6,040	100	F	5,940
Total expense	107,060	3,450	U	110,510
Net operating income	\$940	\$1,220	F	\$2,160

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Learning Objective: 09-06 Understand common errors made in preparing performance reports based on budgets and actual results

Level: Medium

256. Hemphill Corporation uses customers served as its measure of activity. During June, the company budgeted for 20,000 customers, but actually served 19,000 customers. The company has provided the following data concerning the formulas used in its budgeting and its actual results for June:

Data used in budgeting:

	Fixed element per month	Variable element per customer
Revenue	-	\$4.50
Wages and salaries	\$23,900	\$1.40
Supplies	\$0	\$0.80
Insurance	\$5,700	\$0.00
Miscellaneous	\$5,000	\$0.40

Actual results for June:

Revenue	\$85,400
Wages and salaries	\$52,700
Supplies	\$17,500
Insurance	\$5,500
Miscellaneous	\$12,200

Required:

Prepare the company's flexible budget performance report for June. Label each variance as favorable (F) or unfavorable (U).

Hemphill Corporation Flexible Budget Performance Report Part I For the Month Ended June 30				
	Planning Budget	Activity Variances		Flexible Budget
Customers served (q)	20,000	-	-	19,000
Revenue (\$4.50q)	\$90,000	\$4,500	U	\$85,500
Expenses:				
Wages and salaries (\$23,900 + \$1.40q)	51,900	1,400	F	50,500
Supplies (\$0.80q)	16,000	800	F	15,200
Insurance (\$5,700)	5,700	0		5,700
Miscellaneous (\$5,000 + \$0.40q)	13,000	400	F	12,600
Total expense	86,600	2,600	F	84,000
Net operating income	\$3,400	\$1,900	U	\$1,500

Hemphill Corporation Flexible Budget Performance Report Part 2 For the Month Ended June 30				
	Flexible Budget	Revenue and Spending Variances		Actual Results
Customers served (q)	19,000	-	-	19,000
Revenue (\$4.50q)	\$85,500	\$100	U	\$85,400
Expenses:				
Wages and salaries (\$23,900 + \$1.40q)	50,500	2,200	U	52,700
Supplies (\$0.80q)	15,200	2,300	U	17,500
Insurance (\$5,700)	5,700	200	F	5,500
Miscellaneous (\$5,000 + \$0.40q)	12,600	400	F	12,200
Total expense	84,000	3,900	U	87,900
Net operating income	\$1,500	\$4,000	U	(\$2,500)

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

257. Vieyra Corporation uses customers served as its measure of activity. During November, the company budgeted for 36,000 customers, but actually served 39,000 customers. The company uses the following revenue and cost formulas in its budgeting, where q is the number of customers served:

Revenue: $\$2.50q$

Wages and salaries: $\$21,500 + \$0.70q$

Supplies: $\$0.40q$

Insurance: $\$6,100$

Miscellaneous: $\$3,700 + \$0.40q$

The company reported the following actual results for November:

Revenue	\$100,300
Wages and salaries	\$45,900
Supplies	\$15,200
Insurance	\$6,300
Miscellaneous	\$17,600

Required:

Prepare the company's flexible budget performance report for November. Label each variance as favorable (F) or unfavorable (U).

Vieyra Corporation
Flexible Budget Performance Report Part 1
For the Month Ended November 30

	Planning Budget	Activity Variances	Flexible Budget
Customers served (q).....	36,000	--	39,000
Revenue (\$2.50q).....	\$90,000	\$7,500F	\$97,500
Expenses:			
Wages and salaries (\$21,500 + \$0.70q).....	46,700	2,100U	48,800
Supplies (\$0.40q).....	14,400	1,200U	15,600
Insurance (\$6,100).....	6,100	0	6,100
Miscellaneous (\$3,700 + \$0.40q).....	18,100	1,200U	19,300
Total expense.....	85,300	4,500U	89,800
Net operating income.....	\$4,700	\$3,000F	\$7,700

Vieyra Corporation
Flexible Budget Performance Report Part 2
For the Month Ended November 30

	Flexible Budget	Revenue and Spending Variances	Actual Results
Customers served (q).....	39,000	--	39,000
Revenue (\$2.50q).....	\$97,500	\$2,800F	\$100,300
Expenses:			
Wages and salaries (\$21,500 + \$0.70q).....	48,800	2,900F	45,900
Supplies (\$0.40q).....	15,600	400F	15,200
Insurance (\$6,100).....	6,100	200U	6,300
Miscellaneous (\$3,700 + \$0.40q).....	19,300	1,700F	17,600
Total expense.....	89,800	4,800F	85,000
Net operating income.....	\$7,700	\$7,600F	\$15,300

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

258. Schoeppner Corporation uses customers served as its measure of activity. During October, the company budgeted for 39,000 customers, but actually served 42,000 customers. The company bases its budgets on the following information: Revenue should be \$3.10 per customer served. Wages and salaries should be \$38,100 per month plus \$0.80 per customer served. Supplies should be \$0.40 per customer served. Insurance should be \$9,600 per month. Miscellaneous expenses should be \$3,400 per month plus \$0.40 per customer served. The company reported the following actual results for October:

Revenue	\$133,000
Wages and salaries	\$72,400
Supplies	\$18,600
Insurance	\$9,700
Miscellaneous	\$18,700

Required:

Prepare the company's flexible budget performance report for October. Label each variance as favorable (F) or unfavorable (U).

Schoeppner Corporation
Flexible Budget Performance Report Part 1
For the Month Ended October 31

	Planning Budget	Activity Variances	Flexible Budget
Customers served (q).....	39,000	--	42,000
Revenue (\$3.10q).....	\$120,900	\$9,300F	\$130,200
Expenses:			
Wages and salaries (\$38,100 + \$0.80q).....	69,300	2,400U	71,700
Supplies (\$0.40q).....	15,600	1,200U	16,800
Insurance (\$9,600).....	9,600	0	9,600
Miscellaneous (\$3,400 + \$0.40q).....	19,000	1,200U	20,200
Total expense.....	113,500	4,800U	118,300
Net operating income.....	\$7,400	\$4,500F	\$11,900

Schoeppner Corporation
Flexible Budget Performance Report Part 2
For the Month Ended October 31

	Flexible Budget	Revenue and Spending Variances	Actual Results
Customers served (q).....	42,000	--	42,000
Revenue (\$3.10q).....	\$130,200	\$2,800F	\$133,000
Expenses:			
Wages and salaries (\$38,100 + \$0.80q).....	71,700	700U	72,400
Supplies (\$0.40q).....	16,800	1,800U	18,600
Insurance (\$9,600).....	9,600	100U	9,700
Miscellaneous (\$3,400 + \$0.40q).....	20,200	1,500F	18,700
Total expense.....	118,300	1,100U	119,400
Net operating income.....	\$11,900	\$1,700F	\$13,600

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

259. Adeyemo Clinic uses patient-visits as its measure of activity. During July, the clinic budgeted for 2,500 patient-visits, but its actual level of activity was 2,800 patient-visits. The clinic has provided the following data concerning the formulas used in its budgeting and its actual results for July:

Data used in budgeting:

	Fixed element per month	Variable element per patient-visit
Revenue	-	\$70.10
Personnel expenses	\$37,900	\$22.70
Medical supplies	\$1,900	\$12.80
Occupancy expenses	\$12,200	\$3.00
Administrative expenses	\$8,000	\$0.40

Actual results for July:

Revenue	\$188,210
Personnel expenses	\$103,740
Medical supplies	\$38,440
Occupancy expenses	\$20,500
Administrative expenses	\$8,780

Required:

Prepare the clinic's flexible budget performance report for July. Label each variance as favorable (F) or unfavorable (U).

Chapter 09 Flexible Budgets and Performance Analysis

Adeyemo Clinic Flexible Budget Performance Report Part 1 For the Month Ended July 31			
	Planning Budget	Activity Variances	Flexible Budget
Patient-visits (q)	2,500	- -	2,800
Revenue (\$70.10q)	\$175,250	\$21,030 F	\$196,280
Expenses:			
Personnel expenses (\$37,900 + \$22.70q)	94,650	6,810 U	101,460
Medical supplies (\$1,900 + \$12.80q)	33,900	3,840 U	37,740
Occupancy expenses (\$12,200 + \$3.00q)	19,700	900 U	20,600
Administrative expenses (\$8,000 + \$0.40q)	9,000	120 U	9,120
Total expense	157,250	11,670 U	168,920
Net operating income	\$18,000	\$9,360 F	\$27,360

Adeyemo Clinic Flexible Budget Performance Report Part 2 For the Month Ended July 31			
	Flexible Budget	Revenue and Spending Variances	Actual Results
Patient-visits (q)	2,800	- -	2,800
Revenue (\$70.10q)	\$196,280	\$8,070 U	\$188,210
Expenses:			
Personnel expenses (\$37,900 + \$22.70q)	101,460	2,280 U	103,740
Medical supplies (\$1,900 + \$12.80q)	37,740	700 U	38,440
Occupancy expenses (\$12,200 + \$3.00q)	20,600	100 F	20,500
Administrative expenses (\$8,000 + \$0.40q)	9,120	340 F	8,780
Total expense	168,920	2,540 U	171,460
Net operating income	\$27,360	\$10,610 U	\$16,750

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

260. Cayouette Clinic uses patient-visits as its measure of activity. During February, the clinic budgeted for 2,400 patient-visits, but its actual level of activity was 2,700 patient-visits. The clinic uses the following revenue and cost formulas in its budgeting, where q is the number of patient-visits:

Revenue: $\$53.80q$

Personnel expenses: $\$32,000 + \$16.60q$

Medical supplies: $\$700 + \$8.80q$

Occupancy expenses: $\$10,400 + \$1.90q$

Administrative expenses: $\$5,500 + \$0.20q$

The clinic reported the following actual results for February:

Revenue	\$144,200
Personnel expenses	\$77,380
Medical supplies	\$25,080
Occupancy expenses	\$15,440
Administrative expenses	\$5,830

Required:

Prepare the clinic's flexible budget performance report for February. Label each variance as favorable (F) or unfavorable (U).

Cayouette Clinic Flexible Budget Performance Report Part 1 For the Month Ended February 28				
	Planning Budget	Activity Variances		Flexible Budget
Patient-visits (q)	2,400	-	-	2,700
Revenue (\$53.80q)	\$129,120	\$16,140	F	\$145,260
Expenses:				
Personnel expenses (\$32,000 + \$16.60q)	71,840	4,980	U	76,820
Medical supplies (\$700 + \$8.80q)	21,820	2,640	U	24,460
Occupancy expenses (\$10,400 + \$1.90q)	14,960	570	U	15,530
Administrative expenses (\$5,500 + \$0.20q)	5,980	60	U	6,040
Total expense	114,600	8,250	U	122,850
Net operating income	\$14,520	\$7,890	F	\$22,410

Cayouette Clinic Flexible Budget Performance Report Part 2 For the Month Ended February 28				
	Flexible Budget	Revenue and Spending Variances		Actual Results
Patient-visits (q)	2,700	-	-	2,700
Revenue (\$53.80q)	\$145,260	\$1,060	U	\$144,200
Expenses:				
Personnel expenses (\$32,000 + \$16.60q)	76,820	560	U	77,380
Medical supplies (\$700 + \$8.80q)	24,460	620	U	25,080
Occupancy expenses (\$10,400 + \$1.90q)	15,530	90	F	15,440
Administrative expenses (\$5,500 + \$0.20q)	6,040	210	F	5,830
Total expense	122,850	880	U	123,730
Net operating income	\$22,410	\$1,940	U	\$20,470

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

261. Tsui Clinic uses patient-visits as its measure of activity. During November, the clinic budgeted for 3,400 patient-visits, but its actual level of activity was 2,900 patient-visits. The clinic bases its budgets on the following information: Revenue should be \$30.00 per patient-visit. Personnel expenses should be \$30,200 per month plus \$7.70 per patient-visit. Medical supplies should be \$1,600 per month plus \$5.20 per patient-visit. Occupancy expenses should be \$7,400 per month plus \$1.00 per patient-visit. Administrative expenses should be \$3,900 per month plus \$0.20 per patient-visit. The clinic reported the following actual results for November:

Revenue	\$89,360
Personnel expenses	\$53,360
Medical supplies	\$16,880
Occupancy expenses	\$9,940
Administrative expenses	\$4,550

Required:

Prepare the clinic's flexible budget performance report for November. Label each variance as favorable (F) or unfavorable (U).

Tsui Clinic Flexible Budget Performance Report Part 1 For the Month Ended November 30					
	Planning Budget	Activity Variances		Flexible Budget	
Patient-visits (q)	3,400	-	-	2,900	
Revenue (\$30.00q)	\$102,000	\$15,000	0	U	\$87,000
Expenses:					
Personnel expenses (\$30,200 + \$7.70q)	56,380	3,850	F	52,530	
Medical supplies (\$1,600 + \$5.20q)	19,280	2,600	F	16,680	
Occupancy expenses (\$7,400 + \$1.00q)	10,800	500	F	10,300	
Administrative expenses (\$3,900 + \$0.20q)	4,580	100	F	4,480	
Total expense	91,040	7,050	F	83,990	
Net operating income	\$10,960	\$7,950	U	\$3,010	

Tsui Clinic Flexible Budget Performance Report Part 2 For the Month Ended November 30				
	Flexible Budget	Revenue and Spending Variances		Actual Results
Patient-visits (q)	2,900	-	-	2,900
Revenue (\$30.00q)	\$87,000	\$2,360	F	\$89,360
Expenses:				
Personnel expenses (\$30,200 + \$7.70q)	52,530	830	U	53,360
Medical supplies (\$1,600 + \$5.20q)	16,680	200	U	16,880
Occupancy expenses (\$7,400 + \$1.00q)	10,300	360	F	9,940
Administrative expenses (\$3,900 + \$0.20q)	4,480	70	U	4,550
Total expense	83,990	740	U	84,730
Net operating income	\$3,010	\$1,620	F	\$4,630

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Medium

262. Dreyfus Memorial Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for April was based on 2,100 meals. The diner's director has provided the following cost formulas to use in budgets:

	Fixed element per month	Variable element per meal
Groceries	\$0	\$3.35
Kitchen operations	\$5,500	\$1.10
Administrative expenses	\$2,100	\$0.35
Fundraising expenses	\$1,200	\$0.00

The director has also provided the diner's statement of actual expenses for the month:

Dreyfus Memorial Diner Statement of Expenses For the Month Ended April 30	
Actual meals	1,600
Groceries	\$ 5,480
Kitchen operations	7,350
Administrative expenses	2,560
Fundraising expenses	<u>1,230</u>
Total expense	<u>\$16,620</u>

Required:

Prepare a flexible budget performance report showing both the activity variances and the spending variances for each of the expenses and for total expenses for April. Label each variance as favorable (F) or unfavorable (U).

Dreyfus Memorial Diner Flexible Budget Performance Report Part 1 For the Month Ended April 30				
	Planning Budget	Activity Variances		Flexible Budget
Meals (q)	2,100	-	-	1,600
Groceries (\$3.35q)	\$7,035	\$1,675	F	\$5,360
Kitchen operations (\$5,500 + \$1.10q)	7,810	550	F	7,260
Administrative expenses (\$2,100 + \$0.35q)	2,835	175	F	2,660
Fundraising expenses (\$1,200)	1,200	0		1,200
Total expense	\$18,880	\$2,400	F	\$16,480

Dreyfus Memorial Diner Flexible Budget Performance Report Part 2 For the Month Ended April 30				
	Flexible Budget	Spending Variances		Actual Results
Meals (q)	1,600	-	-	1,600
Groceries (\$3.35q)	\$5,360	\$120	U	\$5,480
Kitchen operations (\$5,500 + \$1.10q)	7,260	90	U	7,350
Administrative expenses (\$2,100 + \$0.35q)	2,660	100	F	2,560
Fundraising expenses (\$1,200)	1,200	30	U	1,230
Total expense	\$16,480	\$140	U	\$16,620

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Easy

263. Akes Urban Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for August was based on 2,200 meals. The diner's director has provided the following cost data to use in the budget: groceries, \$3.65 per meal; kitchen operations, \$5,400 per month plus \$1.85 per meal; administrative expenses, \$2,900 per month plus \$0.55 per meal; and fundraising expenses, \$1,700 per month. The director has also provided the diner's statement of actual expenses for the month:

Akes Urban Diner Statement of Expenses For the Month Ended August 31	
Actual meals	2,600
Groceries	\$ 9,890
Kitchen operations	9,710
Administrative expenses	4,270
Fundraising expenses	<u>1,700</u>
Total expense	<u>\$25,570</u>

Required:

Prepare a flexible budget performance report showing both the activity variances and the spending variances for each of the expenses and for total expenses for August. Label each variance as favorable (F) or unfavorable (U).

Akes Urban Diner Flexible Budget Performance Report Part 1 For the Month Ended August 31				
	Planning Budget	Activity Variances		Flexible Budget
Meals (q)	2,200	-	-	2,600
Groceries (\$3.65q)	\$8,030	\$1,460	U	\$9,490
Kitchen operations (\$5,400 + \$1.85q)	9,470	740	U	10,210
Administrative expenses (\$2,900 + \$0.55q)	4,110	220	U	4,330
Fundraising expenses (\$1,700)	1,700	0		1,700
Total expense	\$23,310	\$2,420	U	\$25,730

Akes Urban Diner Flexible Budget Performance Report Part 2 For the Month Ended August 31				
	Flexible Budget	Spending Variances		Actual Results
Meals (q)	2,600	-	-	2,600
Groceries (\$3.65q)	\$9,490	\$400	U	\$9,890
Kitchen operations (\$5,400 + \$1.85q)	10,210	500	F	9,710
Administrative expenses (\$2,900 + \$0.55q)	4,330	60	F	4,270
Fundraising expenses (\$1,700)	1,700	0		1,700
Total expense	\$25,730	\$160	F	\$25,570

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Level: Easy

264. Blockmon Hospital bases its budgets on patient-visits. The hospital's static planning budget for November appears below:

Budgeted number of patient-visits	8,100
Budgeted variable costs:	
Supplies (@ \$8.30 per patient-visit)	\$ 67,230
Laundry (@ \$7.80 per patient-visit)	63,180
Budgeted fixed costs:	
Wages and salaries	97,200
Occupancy costs	<u>80,190</u>
Total cost	<u>\$307,800</u>

Required:

Prepare a flexible budget for 8,600 patient-visits per month.

	Cost Formula (per patient- visit)	Flexible Budget Based on 8,600 Patient-Visits
Variable costs:		
Supplies	\$8.30	\$71,380
Laundry	7.80	67,080
Fixed costs:		
Wages and salaries		97,200
Occupancy costs		80,190
Total cost		<u>\$315,850</u>

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

265. Clines Corporation bases its budgets on machine-hours. The company's static planning budget for November appears below:

Budgeted number of machine-hours	9,500
Budgeted variable costs:	
Supplies (@ \$1.60 per machine-hour)	\$15,200
Power (@ \$3.20 per machine-hour)	30,400
Budgeted fixed costs:	
Salaries	19,000
Equipment depreciation	<u>31,350</u>
Total cost	<u>\$95,950</u>

Required:

Prepare a flexible budget for 9,800 machine-hours per month.

	Cost Formula (per machine- hour)	Flexible Budget Based on 9,800 Machine-Hours
Variable costs:		
Supplies	\$1.60	\$15,680
Power	3.20	31,360
Fixed costs:		
Salaries		19,000
Equipment depreciation		31,350
Total cost		<u>\$97,390</u>

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

266. Meares Corporation bases its budgets on the activity measure customers served. During May, the company plans to serve 27,000 customers. The company has provided the following data concerning the formulas it uses in its budgeting:

	Fixed element per month	Variable element per customer
Revenue	-	\$4.80
Wages and salaries	\$39,100	\$1.50
Supplies	\$0	\$0.90
Insurance	\$8,200	\$0.00
Miscellaneous	\$7,800	\$0.20

Required:

Prepare the company's planning budget for May.

Meares Corporation Planning Budget For the Month Ended May 31	
Budgeted customers served (q)	27,000
Revenue (\$4.80q)	\$129,600
Expenses:	
Wages and salaries (\$39,100 + \$1.50q)	79,600
Supplies (\$0.90q)	24,300
Insurance (\$8,200)	8,200
Miscellaneous (\$7,800 + \$0.20q)	13,200
Total expense	125,300
Net operating income	\$4,300

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

267. During August, Diga Corporation plans to serve 35,000 customers. The company uses the following revenue and cost formulas in its budgeting, where q is the number of customers served:

Revenue: $\$4.20q$

Wages and salaries: $\$33,700 + \$1.50q$

Supplies: $\$0.70q$

Insurance: $\$11,000$

Miscellaneous: $\$4,800 + \$0.40q$

Required:

Prepare the company's planning budget for August.

Diga Corporation Planning Budget For the Month Ended August 31	
Budgeted customers served (q)	35,000
Revenue ($\$4.20q$)	\$147,000
Expenses:	
Wages and salaries ($\$33,700 + \$1.50q$)	86,200
Supplies ($\$0.70q$)	24,500
Insurance ($\$11,000$)	11,000
Miscellaneous ($\$4,800 + \$0.40q$)	18,800
Total expense	140,500
Net operating income	\$6,500

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

268. During September, Kocab Corporation plans to serve 37,000 customers. Revenue is \$2.80 per customer served. Wages and salaries are \$33,300 per month plus \$0.80 per customer served. Supplies are \$0.40 per customer served. Insurance is \$9,000 per month. Miscellaneous expenses are \$5,300 per month plus \$0.20 per customer served.

Required:

Prepare the company's planning budget for September.

Kocab Corporation Planning Budget For the Month Ended September 30	
Budgeted customers served (q)	37,000
Revenue (\$2.80q)	\$103,600
Expenses:	
Wages and salaries (\$33,300 + \$0.80q)	62,900
Supplies (\$0.40q)	14,800
Insurance (\$9,000)	9,000
Miscellaneous (\$5,300 + \$0.20q)	12,700
Total expense	99,400
Net operating income	\$4,200

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

269. Vera Corporation bases its budgets on the activity measure customers served. During September, the company planned to serve 28,000 customers, but actually served 27,000 customers. The company has provided the following data concerning the formulas it uses in its budgeting:

	Fixed element per month	Variable element per customer
Revenue	-	\$5.00
Wages and salaries	\$35,800	\$1.90
Supplies	\$0	\$0.60
Insurance	\$13,000	\$0.00
Miscellaneous	\$7,500	\$0.20

Required:

Prepare the company's flexible budget for September based on the actual level of activity for the month.

Vera Corporation Flexible Budget For the Month Ended September 30	
Actual customers served (q)	27,000
Revenue (\$5.00q)	\$135,000
Expenses:	
Wages and salaries (\$35,800 + \$1.90q)	87,100
Supplies (\$0.60q)	16,200
Insurance (\$13,000)	13,000
Miscellaneous (\$7,500 + \$0.20q)	12,900
Total expense	129,200
Net operating income	\$5,800

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

270. During May, Hiles Corporation budgeted for 31,000 customers, but actually served 29,000 customers. The company uses the following revenue and cost formulas in its budgeting, where q is the number of customers served:

Revenue: $\$4.40q$

Wages and salaries: $\$35,800 + \$1.70q$

Supplies: $\$0.60q$

Insurance: $\$12,300$

Miscellaneous: $\$5,500 + \$0.10q$

Required:

Prepare the company's flexible budget for May based on the actual level of activity for the month.

Hiles Corporation Flexible Budget For the Month Ended May 31	
Actual customers served (q)	29,000
Revenue ($\$4.40q$)	\$127,600
Expenses:	
Wages and salaries ($\$35,800 + \$1.70q$)	85,100
Supplies ($\$0.60q$)	17,400
Insurance ($\$12,300$)	12,300
Miscellaneous ($\$5,500 + \$0.10q$)	8,400
Total expense	123,200
Net operating income	\$4,400

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

271. During February, Poetker Corporation budgeted for 29,000 customers, but actually served 28,000 customers. Revenue should be \$4.70 per customer served. Wages and salaries should be \$31,700 per month plus \$1.50 per customer served. Supplies should be \$0.80 per customer served. Insurance should be \$8,400 per month. Miscellaneous expenses should be \$7,400 per month plus \$0.40 per customer served.

Required:

Prepare the company's flexible budget for February based on the actual level of activity for the month.

Poetker Corporation Flexible Budget For the Month Ended February 28	
Actual customers served (q)	28,000
Revenue (\$4.70q)	\$131,600
Expenses:	
Wages and salaries (\$31,700 + \$1.50q)	73,700
Supplies (\$0.80q)	22,400
Insurance (\$8,400)	8,400
Miscellaneous (\$7,400 + \$0.40q)	18,600
Total expense	123,100
Net operating income	\$8,500

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

272. Mish Clinic bases its budgets on patient-visits. During November, the clinic plans for a level of activity of 3,200 patient-visits. The clinic has provided the following data concerning the formulas it uses in its budgeting:

	Fixed element per month	Variable element per patient-visit
Revenue	-	\$45.30
Personnel expenses	\$29,900	\$14.60
Medical supplies	\$1,500	\$9.30
Occupancy expenses	\$9,700	\$1.50
Administrative expenses	\$6,900	\$0.40

Required:

Prepare the clinic's planning budget for November.

Mish Clinic Planning Budget For the Month Ended November 30	
Budgeted patient-visits (q)	3,200
Revenue (\$45.30q)	\$144,960
Expenses:	
Personnel expenses (\$29,900 + \$14.60q)	76,620
Medical supplies (\$1,500 + \$9.30q)	31,260
Occupancy expenses (\$9,700 + \$1.50q)	14,500
Administrative expenses (\$6,900 + \$0.40q)	8,180
Total expense	130,560
Net operating income	\$14,400

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

273. During January, Agron Clinic plans for an activity level of 2,500 patient-visits. The clinic uses the following revenue and cost formulas in its budgeting, where q is the number of patient-visits:

Revenue: $\$51.50q$

Personnel expenses: $\$33,800 + \$16.60q$

Medical supplies: $\$700 + \$7.40q$

Occupancy expenses: $\$10,900 + \$2.10q$

Administrative expenses: $\$4,300 + \$0.40q$

Required:

Prepare the clinic's planning budget for January.

Agron Clinic Planning Budget For the Month Ended January 31	
Budgeted patient-visits (q)	2,500
Revenue ($\$51.50q$)	\$128,750
Expenses:	
Personnel expenses ($\$33,800 + \$16.60q$)	75,300
Medical supplies ($\$700 + \$7.40q$)	19,200
Occupancy expenses ($\$10,900 + \$2.10q$)	16,150
Administrative expenses ($\$4,300 + \$0.40q$)	5,300
Total expense	115,950
Net operating income	\$12,800

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

274. During March, Samorano Clinic plans for an activity level of 2,500 patient-visits. Revenue is \$42.10 per patient-visit. Personnel expenses are \$30,400 per month plus \$11.20 per patient-visit. Medical supplies are \$1,100 per month plus \$6.50 per patient-visit. Occupancy expenses are \$6,500 per month plus \$1.90 per patient-visit. Administrative expenses are \$5,200 per month plus \$0.40 per patient-visit.

Required:

Prepare the clinic's planning budget for March.

Samorano Clinic Planning Budget For the Month Ended March 31	
Budgeted patient-visits (q)	2,500
Revenue (\$42.10q)	\$105,250
Expenses:	
Personnel expenses (\$30,400 + \$11.20q)	58,400
Medical supplies (\$1,100 + \$6.50q)	17,350
Occupancy expenses (\$6,500 + \$1.90q)	11,250
Administrative expenses (\$5,200 + \$0.40q)	6,200
Total expense	93,200
Net operating income	\$12,050

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

275. Moss Clinic bases its budgets on the activity measure patient-visits. During August, the clinic planned for an activity level of 2,100 patient-visits, but the activity level was actually 2,400 patient-visits. The clinic has provided the following data concerning the formulas it uses in its budgeting:

	Fixed element per month	Variable element per patient-visit
Revenue	-	\$58.80
Personnel expenses	\$36,100	\$14.10
Medical supplies	\$800	\$11.60
Occupancy expenses	\$8,800	\$2.50
Administrative expenses	\$4,900	\$0.40

Required:

Prepare the clinic's flexible budget for August based on the actual level of activity for the month.

Flexible Budget For the Month Ended August 31	
Actual patient-visits (q)	2,400
Revenue (\$58.80q)	\$141,120
Expenses:	
Personnel expenses (\$36,100 + \$14.10q)	69,940
Medical supplies (\$800 + \$11.60q)	28,640
Occupancy expenses (\$8,800 + \$2.50q)	14,800
Administrative expenses (\$4,900 + \$0.40q)	5,860
Total expense	119,240
Net operating income	\$21,880

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

276. During August, Cardenas Clinic budgeted for 3,900 patient-visits, but its actual level of activity was 3,800 patient-visits. The clinic uses the following revenue and cost formulas in its budgeting, where q is the number of patient-visits:

Revenue: $\$27.80q$

Personnel expenses: $\$25,100 + \$7.80q$

Medical supplies: $\$1,100 + \$5.60q$

Occupancy expenses: $\$7,900 + \$1.20q$

Administrative expenses: $\$3,200 + \$0.10q$

Required:

Prepare the clinic's flexible budget for August based on the actual level of activity for the month.

Cardenas Clinic Flexible Budget For the Month Ended August 31	
Actual patient-visits (q)	3,800
Revenue ($\$27.80q$)	\$105,640
Expenses:	
Personnel expenses ($\$25,100 + \$7.80q$)	54,740
Medical supplies ($\$1,100 + \$5.60q$)	22,380
Occupancy expenses ($\$7,900 + \$1.20q$)	12,460
Administrative expenses ($\$3,200 + \$0.10q$)	3,580
Total expense	93,160
Net operating income	\$12,480

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

277. During October, Keliihoomalu Clinic budgeted for 2,700 patient-visits, but its actual level of activity was 2,200 patient-visits. Revenue should be \$27.30 per patient-visit. Personnel expenses should be \$21,100 per month plus \$6.80 per patient-visit. Medical supplies should be \$500 per month plus \$4.90 per patient-visit. Occupancy expenses should be \$5,700 per month plus \$0.90 per patient-visit. Administrative expenses should be \$3,700 per month plus \$0.40 per patient-visit.

Required:

Prepare the clinic's flexible budget for October based on the actual level of activity for the month.

Keliihoomalu Clinic Flexible Budget For the Month Ended October 31	
Actual patient-visits (q)	2,200
Revenue (\$27.30q)	\$60,060
Expenses:	
Personnel expenses (\$21,100 + \$6.80q)	36,060
Medical supplies (\$500 + \$4.90q)	11,280
Occupancy expenses (\$5,700 + \$0.90q)	7,680
Administrative expenses (\$3,700 + \$0.40q)	4,580
Total expense	59,600
Net operating income	\$460

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

278. Poch Memorial Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for September is to be based on 2,700 meals. The diner's director has provided the following cost formulas to use in the budget:

	Fixed element per month	Variable element per meal
Groceries	\$0	\$2.00
Kitchen operations	\$5,300	\$1.75
Administrative expenses	\$3,000	\$0.10
Fundraising expenses	\$1,100	\$0.00

Required:

Prepare the diner's budget for the month of September. The budget will only contain the costs listed above; no revenues will be on the budget.

Poch Memorial Diner Planning Budget For the Month Ended September 30	
Budgeted meals (q)	2,700
Groceries (\$2.00q)	\$5,400
Kitchen operations (\$5,300 + \$1.75q)	10,025
Administrative expenses (\$3,000 + \$0.10q)	3,270
Fundraising expenses (\$1,100)	1,100
Total expense	\$19,795

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

279. Barona Memorial Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for March was based on 2,900 meals, but the diner actually served 3,000 meals. The diner's director has provided the following cost formulas to use in budgets:

	Fixed element per month	Variable element per meal
Groceries	\$0	\$2.40
Kitchen operations	\$5,600	\$1.10
Administrative expenses	\$3,000	\$0.30
Fundraising expenses	\$1,200	\$0.00

Required:

Prepare the diner's flexible budget for the actual number of meals served in March. The budget will only contain the costs listed above; no revenues will be on the budget.

Barona Memorial Diner Flexible Budget For the Month Ended March 31	
Actual meals (q)	3,000
Groceries (\$2.40q)	\$7,200
Kitchen operations (\$5,600 + \$1.10q)	8,900
Administrative expenses (\$3,000 + \$0.30q)	3,900
Fundraising expenses (\$1,200)	1,200
Total expense	\$21,200

AACSB: Analytic
 AICPA BB: Critical Thinking
 AICPA FN: Measurement
 Bloom's: Application
 Learning Objective: 09-01 Prepare a flexible budget
 Level: Easy

280. Hilario Urban Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for September is to be based on 2,600 meals. The diner's director has provided the following cost data to use in the budget: groceries, \$2.10 per meal; kitchen operations, \$5,600 per month plus \$1.80 per meal; administrative expenses, \$3,700 per month plus \$0.55 per meal; and fundraising expenses, \$1,400 per month.

Required:

Prepare the diner's budget for the month of September. The budget will only contain the costs listed above; no revenues will be on the budget.

Hilario Urban Diner Planning Budget For the Month Ended September 30	
Budgeted meals (q)	2,600
Groceries (\$2.10q)	\$5,460
Kitchen operations (\$5,600 + \$1.80q)	10,280
Administrative expenses (\$3,700 + \$0.55q)	5,130
Fundraising expenses (\$1,400)	1,400
Total expense	\$22,270

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

281. Marchant Urban Diner is a charity supported by donations that provides free meals to the homeless. The diner's budget for June was based on 2,200 meals, but the diner actually served 1,800 meals. The diner's director has provided the following cost data to use in the budget: groceries, \$3.85 per meal; kitchen operations, \$4,300 per month plus \$1.70 per meal; administrative expenses, \$2,000 per month plus \$0.45 per meal; and fundraising expenses, \$1,100 per month.

Required:

Prepare the diner's flexible budget for the actual number of meals served in June. The budget will only contain the costs listed above; no revenues will be on the budget.

Marchant Urban Diner Flexible Budget For the Month Ended June 30	
Actual meals (q)	1,800
Groceries (\$3.85q)	\$6,930
Kitchen operations (\$4,300 + \$1.70q)	7,360
Administrative expenses (\$2,000 + \$0.45q)	2,810
Fundraising expenses (\$1,100)	1,100
Total expense	\$18,200

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-01 Prepare a flexible budget

Level: Easy

282. Carnes Tech is a for-profit vocational school. The school bases its budgets on two measures of activity (i.e., cost drivers), namely student and course. The school uses the following data in its budgeting:

	Fixed element per month	Variable element per student	Variable element per course
Revenue	\$0	\$428	\$0
Faculty wages	\$0	\$0	\$2,700
Course supplies	\$0	\$77	\$47
Administrative expenses	\$45,200	\$14	\$24

In February, the school budgeted for 1,570 students and 143 courses. The actual activity for the month was 1,370 students and 145 courses.

Required:

Prepare a report showing the school's activity variances for February. Label each variance as favorable (F) or unfavorable (U).

Carnes Tech Activity Variances For the Month Ended February 28				
	Planning Budget	Flexible Budget	Activity Variances	
Students (q1)	1,570	1,370		
Courses (q2)	143	145		
Revenue (\$428q1)	\$671,960	\$586,360	\$85,600	U
Expenses:				
Faculty wages (\$2,700q2)	386,100	391,500	5,400	U
Course supplies (\$77q1 + \$47q2)	127,611	112,305	15,306	F
Administrative expenses (\$45,200 + \$14q1 + \$24q2)	70,612	67,860	2,752	F
Total expense	584,323	571,665	12,658	F
Net operating income	\$87,637	\$14,695	\$72,942	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-02 Prepare a report showing activity variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Medium

283. Heitkamp Tech is a for-profit vocational school. The school bases its budgets on two measures of activity (i.e., cost drivers), namely student and course. The school uses the following data in its budgeting:

	Fixed element per month	Variable element per student	Variable element per course
Revenue	\$0	\$171	\$0
Faculty wages	\$0	\$0	\$2,600
Course supplies	\$0	\$25	\$11
Administrative expenses	\$19,800	\$9	\$32

In July, the school budgeted for 1,530 students and 58 courses. The school's income statement showing the actual results for the month appears below:

Heitkamp Tech Income Statement For the Month Ended July 31	
Actual students	1,430
Actual courses	55
Revenue	\$248,430
Expenses:	
Faculty wages	144,340
Course supplies	37,185
Administrative expenses	34,960
Total expense	216,485
Net operating income	\$31,945

Required:

Prepare a report showing the school's activity variances for July. Label each variance as favorable (F) or unfavorable (U).

Heitkamp Tech Activity Variances For the Month Ended July 31				
	Planning Budget	Flexible Budget	Activity Variances	
Students (q1)	1,530	1,430		
Courses (q2)	58	55		
Revenue (\$171q1)	\$261,630	\$244,530	\$17,100	U
Expenses:				
Faculty wages (\$2,600q2)	150,800	143,000	7,800	F
Course supplies (\$25q1 + \$11q2)	38,888	36,355	2,533	F
Administrative expenses (\$19,800 + \$9q1 + \$32q2)	35,426	34,430	996	F
Total expense	225,114	213,785	11,329	F
Net operating income	\$36,516	\$30,745	\$5,771	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-02 Prepare a report showing activity variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Hard

284. Nield Jeep Tours operates jeep tours in the heart of the Colorado Rockies. The company bases its budgets on two measures of activity (i.e., cost drivers), namely guests and jeeps. One vehicle used in one tour on one day counts as a jeep. Each jeep has one tour guide. The company uses the following data in its budgeting:

	Fixed element per month	Variable element per guest	Variable element per jeep
Revenue	\$0	\$132	\$0
Tour guide wages	\$0	\$0	\$130
Vehicle expenses	\$3,600	\$9	\$50
Administrative expenses	\$2,100	\$1	\$0

In July, the company budgeted for 430 guests and 210 jeeps. The actual activity for the month was 415 guests and 205 jeeps.

Required:

Prepare a report showing the company's activity variances for July. Label each variance as favorable (F) or unfavorable (U).

Nield Jeep Tours Activity Variances For the Month Ended July 31				
	Planning Budget	Flexible Budget	Activity Variances	
Guests (q1)	430	415		
Jeeps (q2)	210	205		
Revenue (\$132q1)	\$56,760	\$54,780	\$1,980	U
Expenses:				
Tour guide wages (\$130q2)	27,300	26,650	650	F
Vehicle expenses (\$3,600 + \$9q1 + \$50q2)	17,970	17,585	385	F
Administrative expenses (\$2,100 + \$1q1)	2,530	2,515	15	F
Total expense	47,800	46,750	1,050	F
Net operating income	\$8,960	\$8,030	\$930	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-02 Prepare a report showing activity variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Medium

285. Velazques Jeep Tours operates jeep tours in the heart of the Colorado Rockies. The company bases its budgets on two measures of activity (i.e., cost drivers), namely guests and jeeps. One vehicle used in one tour on one day counts as a jeep. Each jeep has one tour guide. The company uses the following data in its budgeting:

	Fixed element per month	Variable element per guest	Variable element per jeep
Revenue	\$0	\$92	\$0
Tour guide wages	\$0	\$0	\$101
Vehicle expenses	\$4,000	\$9	\$53
Administrative expenses	\$1,000	\$1	\$0

In March, the company budgeted for 356 guests and 129 jeeps. The company's income statement showing the actual results for the month appears below:

Velazques Jeep Tours Income Statement For the Month Ended March 31	
Actual guests	346
Actual jeeps	131
Revenue	<u>\$31,772</u>
Expenses:	
Tour guide wages	12,981
Vehicle expenses	14,177
Administrative expenses	<u>1,346</u>
Total expense	<u>28,504</u>
Net operating income	<u>\$ 3,268</u>

Required:

Prepare a report showing the company's activity variances for March. Label each variance as favorable (F) or unfavorable (U).

Velazques Jeep Tours Activity Variances For the Month Ended March 31				
	Planning Budget	Flexible Budget	Activity Variances	
Guests (q1)	356	346		
Jeeps (q2)	129	131		
Revenue (\$92q1)	\$32,752	\$31,832	\$920	U
Expenses:				
Tour guide wages (\$101q2)	13,029	13,231	202	U
Vehicle expenses (\$4,000 + \$9q1 + \$53q2)	14,041	14,057	16	U
Administrative expenses (\$1,000 + \$1q1)	1,356	1,346	10	F
Total expense	28,426	28,634	208	U
Net operating income	\$4,326	\$3,198	\$1,128	U

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-02 Prepare a report showing activity variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Hard

286. Rizza Tech is a for-profit vocational school. The school bases its budgets on two measures of activity (i.e., cost drivers), namely student and course. The school uses the following data in its budgeting:

	Fixed element per month	Variable element per student	Variable element per course
Revenue	\$0	\$150	\$0
Faculty wages	\$0	\$0	\$2,600
Course supplies	\$0	\$25	\$19
Administrative expenses	\$12,800	\$5	\$38

In April, the school budgeted for 1,350 students and 45 courses. The school's income statement showing the actual results for the month appears below:

Rizza Tech Income Statement For the Month Ended April 30	
Actual students	1,650
Actual courses	47
Revenue	<u>\$251,490</u>
Expenses:	
Faculty wages	121,780
Course supplies	42,293
Administrative expenses	<u>22,746</u>
Total expense	<u>186,819</u>
Net operating income	<u>\$ 64,671</u>

Required:

Prepare a report showing the school's revenue and spending variances for April. Label each variance as favorable (F) or unfavorable (U).

Rizza Tech Revenue and Spending Variances For the Month Ended April 30				
	Flexible Budget	Actual Results	Revenue and Spending Variances	
Students (q1)	1,650	1,650		
Courses (q2)	47	47		
Revenue (\$150q1)	\$247,500	\$251,490	\$3,990	F
Expenses:				
Faculty wages (\$2,600q2)	122,200	121,780	420	F
Course supplies (\$25q1 + \$19q2)	42,143	42,293	150	U
Administrative expenses (\$12,800 + \$5q1 + \$38q2)	22,836	22,746	90	F
Total expense	187,179	186,819	360	F
Net operating income	\$60,321	\$64,671	\$4,350	F

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Hard

287. Rubidoux Jeep Tours operates jeep tours in the heart of the Colorado Rockies. The company bases its budgets on two measures of activity (i.e., cost drivers), namely guests and jeeps. One vehicle used in one tour on one day counts as a jeep. Each jeep has one tour guide. The company uses the following data in its budgeting:

	Fixed element per month	Variable element per guest	Variable element per jeep
Revenue	\$0	\$134	\$0
Tour guide wages	\$0	\$0	\$109
Vehicle expenses	\$4,700	\$11	\$61
Administrative expenses	\$1,900	\$3	\$0

In September, the company budgeted for 483 guests and 240 jeeps. The company's income statement showing the actual results for the month appears below:

Rubidoux Jeep Tours Income Statement For the Month Ended September 30	
Actual guests	478
Actual jeeps	242
Revenue	<u>\$65,272</u>
Expenses:	
Tour guide wages	26,258
Vehicle expenses	25,280
Administrative expenses	<u>3,344</u>
Total expense	<u>54,882</u>
Net operating income	<u>\$10,390</u>

Required:

Prepare a report showing the company's revenue and spending variances for September. Label each variance as favorable (F) or unfavorable (U).

Rubidoux Jeep Tours
 Revenue and Spending Variances
 For the Month Ended September 30

	Flexible Budget	Actual Results	Revenue and Spending Variances	
Guests (q1)	478	478		
Jeeps (q2)	242	242		
Revenue (\$134q1)	\$64,052	\$65,272	\$1,220	F
Expenses:				
Tour guide wages (\$109q2)	26,378	26,258	120	F
Vehicle expenses (\$4,700 + \$11q1 + \$61q2)	24,720	25,280	560	U
Administrative expenses (\$1,900 + \$3q1)	3,334	3,344	10	U
Total expense	54,432	54,882	450	U
Net operating income	\$9,620	\$10,390	\$770	F

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-03 Prepare a report showing revenue and spending variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Hard

288. Riggan Tech is a for-profit vocational school. The school bases its budgets on two measures of activity (i.e., cost drivers), namely student and course. The school uses the following data in its budgeting:

	Fixed element per month	Variable element per student	Variable element per course
Revenue	\$0	\$306	\$0
Faculty wages	\$0	\$0	\$2,000
Course supplies	\$0	\$62	\$13
Administrative expenses	\$39,300	\$11	\$39

In December, the school budgeted for 1,970 students and 163 courses. The school's income statement showing the actual results for the month appears below:

Riggan Tech Income Statement For the Month Ended December 31	
Actual students	1,770
Actual courses	161
Revenue	<u>\$529,400</u>
Expenses:	
Faculty wages	321,890
Course supplies	111,683
Administrative expenses	<u>65,129</u>
Total expense	<u>498,702</u>
Net operating income	<u>\$ 30,698</u>

Required:

Prepare a flexible budget performance report showing both the school's activity variances and revenue and spending variances for December. Label each variance as favorable (F) or unfavorable (U).

Riggan Tech Flexible Budget Performance Report Part 1 For the Month Ended December 31				
	Planning Budget	Activity Variances		Flexible Budget
Students (q1)	1,970			1,770
Courses (q2)	163			161
Revenue (\$306q1)	\$602,820	\$61,200	U	\$541,620
Expenses:				
Faculty wages (\$2,000q2)	326,000	4,000	F	322,000
Course supplies (\$62q1 + \$13q2)	124,259	12,426	F	111,833
Administrative expenses (\$39,300 + \$11q1 + \$39q2)	67,327	2,278	F	65,049
Total expense	517,586	18,704	F	498,882
Net operating income	\$85,234	\$42,496	U	\$42,738

Riggan Tech Flexible Budget Performance Report Part 2 For the Month Ended December 31				
	Flexible Budget	Revenue and Spending Variances		Actual Results
Students (q1)	1,770	-	-	1,770
Courses (q2)	161	161		
Revenue (\$306q1)	\$541,620	\$12,220	U	\$529,400
Expenses:				
Faculty wages (\$2,000q2)	322,000	110	F	321,890
Course supplies (\$62q1 + \$13q2)	111,833	150	F	111,683
Administrative expenses (\$39,300 + \$11q1 + \$39q2)	65,049	80	U	65,129
Total expense	498,882	180	F	498,702
Net operating income	\$42,738	\$12,040	U	\$30,698

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Hard

289. Tervo Jeep Tours operates jeep tours in the heart of the Colorado Rockies. The company bases its budgets on two measures of activity (i.e., cost drivers), namely guests and jeeps. One vehicle used in one tour on one day counts as a jeep. Each jeep has one tour guide. The company uses the following data in its budgeting:

	Fixed element per month	Variable element per guest	Variable element per jeep
Revenue	\$0	\$101	\$0
Tour guide wages	\$0	\$0	\$136
Vehicle expenses	\$4,900	\$8	\$57
Administrative expenses	\$1,000	\$2	\$0

In March, the company budgeted for 492 guests and 165 jeeps. The company's income statement showing the actual results for the month appears below:

Tervo Jeep Tours Income Statement For the Month Ended March 31	
Actual guests	497
Actual jeeps	163
Revenue	<u>\$49,067</u>
Expenses:	
Tour guide wages	21,858
Vehicle expenses	17,917
Administrative expenses	<u>2,014</u>
Total expense	<u>41,789</u>
Net operating income	<u>\$ 7,278</u>

Required:

Prepare a flexible budget performance report showing both the company's activity variances and revenue and spending variances for March. Label each variance as favorable (F) or unfavorable (U).

Tervo Jeep Tours Flexible Budget Performance Report Part 1 For the Month Ended March 31				
	Planning Budget	Activity Variances		Flexible Budget
Guests (q1)	492	-	-	497
Jeeps (q2)	165	-	-	163
Revenue (\$101q1)	\$49,692	\$505	F	\$50,197
Expenses:				
Tour guide wages (\$136q2)	22,440	272	F	22,168
Vehicle expenses (\$4,900 + \$8q1 + \$57q2)	18,241	74	F	18,167
Administrative expenses (\$1,000 + \$2q1)	1,984	10	U	1,994
Total expense	42,665	336	F	42,329
Net operating income	\$7,027	\$841	F	\$7,868

Tervo Jeep Tours Flexible Budget Performance Report Part 2 For the Month Ended March 31				
	Flexible Budget	Revenue and Spending Variances		Actual Results
Guests (q1)	497	-	-	497
Jeeps (q2)	163	-	-	163
Revenue (\$101q1)	\$50,197	\$1,130	U	\$49,067
Expenses:				
Tour guide wages (\$136q2)	22,168	310	F	21,858
Vehicle expenses (\$4,900 + \$8q1 + \$57q2)	18,167	250	F	17,917
Administrative expenses (\$1,000 + \$2q1)	1,994	20	U	2,014
Total expense	42,329	540	F	41,789
Net operating income	\$7,868	\$590	U	\$7,278

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Hard

290. Seard Clinic uses patient-visits as its measure of activity. The clinic has provided the following report:

Seard Clinic Comparison of Planning Budget to Actual Results For the Month Ended December 31				
	Planning Budget	Actual Results	Variances	
Patient-visits	2,000	2,400		
Revenue (\$58.10q)	<u>\$116,200</u>	<u>\$142,080</u>	<u>\$25,880</u>	F
Expenses:				
Personnel expenses (\$30,400 + \$17.40q)	65,200	74,250	9,050	U
Medical supplies (\$1,300 + \$9.60q)	20,500	24,670	4,170	U
Occupancy expenses (\$9,000 + \$1.90q)	12,800	14,020	1,220	U
Administrative expenses (\$6,200 + \$0.30q)	<u>6,800</u>	<u>6,860</u>	<u>60</u>	U
Total expense	<u>105,300</u>	<u>119,800</u>	<u>14,500</u>	U
Net operating income	<u>\$ 10,900</u>	<u>\$ 22,280</u>	<u>\$11,380</u>	F

Required:

Prepare the clinic's flexible budget performance report for December. Label each variance as favorable (F) or unfavorable (U).

Seard Clinic Flexible Budget Performance Report Part 1 For the Month Ended December 31				
	Planning Budget	Activity Variances		Flexible Budget
Patient-visits (q)	2,000	-	-	2,400
Revenue (\$58.10q)	\$116,200	\$23,240	F	\$139,440
Expenses:				
Personnel expenses (\$30,400 + \$17.40q)	65,200	6,960	U	72,160
Medical supplies (\$1,300 + \$9.60q)	20,500	3,840	U	24,340
Occupancy expenses (\$9,000 + \$1.90q)	12,800	760	U	13,560
Administrative expenses (\$6,200 + \$0.30q)	6,800	120	U	6,920
Total expense	105,300	11,680	U	116,980
Net operating income	\$10,900	\$11,560	F	\$22,460

Seard Clinic Flexible Budget Performance Report Part 2 For the Month Ended December 31				
	Flexible Budget	Revenue and Spending Variances		Actual Results
Patient-visits (q)	2,400	-	-	2,400
Revenue (\$58.10q)	\$139,440	\$2,640	F	\$142,080
Expenses:				
Personnel expenses (\$30,400 + \$17.40q)	72,160	2,090	U	74,250
Medical supplies (\$1,300 + \$9.60q)	24,340	330	U	24,670
Occupancy expenses (\$9,000 + \$1.90q)	13,560	460	U	14,020
Administrative expenses (\$6,200 + \$0.30q)	6,920	60	F	6,860
Total expense	116,980	2,820	U	119,800
Net operating income	\$22,460	\$180	U	\$22,280

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-04 Prepare a performance report that combines activity variances and revenue and spending variances

Learning Objective: 09-06 Understand common errors made in preparing performance reports based on budgets and actual results

Level: Hard

291. Cecere Tech is a for-profit vocational school. The school bases its budgets on two measures of activity (i.e., cost drivers), namely student and course. The school uses the following data in its budgeting:

	Fixed element per month	Variable element per student	Variable element per course
Revenue	\$0	\$488	\$0
Faculty wages	\$0	\$0	\$2,900
Course supplies	\$0	\$76	\$42
Administrative expenses	\$55,700	\$26	\$29

In February, the school budgeted for 1,740 students and 160 courses. The actual activity for the month was 1,540 students and 161 courses.

Required:

Prepare the school's planning budget for February.

Cecere Tech Planning Budget For the Month Ended February 28	
Budgeted students (q1)	1,740
Budgeted courses (q2)	160
Revenue (\$488q1)	\$849,120
Expenses:	
Faculty wages (\$2,900q2)	464,000
Course supplies (\$76q1 + \$42q2)	138,960
Administrative expenses (\$55,700 + \$26q1 + \$29q2)	105,580
Total expense	708,540
Net operating income	\$140,580

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Medium

292. Onofre Tech is a for-profit vocational school. The school bases its budgets on two measures of activity (i.e., cost drivers), namely student and course. The school uses the following data in its budgeting:

	Fixed element per month	Variable element per student	Variable element per course
Revenue	\$0	\$183	\$0
Faculty wages	\$0	\$0	\$2,400
Course supplies	\$0	\$38	\$11
Administrative expenses	\$16,400	\$6	\$31

In October, the school budgeted for 1,410 students and 58 courses. The actual activity for the month was 1,310 students and 62 courses.

Required:

Prepare the school's flexible budget for the actual level of activity in October.

Onofre Tech Flexible Budget For the Month Ended October 31	
Actual students (q1)	1,310
Actual courses (q2)	62
Revenue (\$183q1)	\$239,730
Expenses:	
Faculty wages (\$2,400q2)	148,800
Course supplies (\$38q1 + \$11q2)	50,462
Administrative expenses (\$16,400 + \$6q1 + \$31q2)	26,182
Total expense	225,444
Net operating income	\$14,286

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Medium

293. Turnner Jeep Tours operates jeep tours in the heart of the Colorado Rockies. The company bases its budgets on two measures of activity (i.e., cost drivers), namely guests and jeeps. One vehicle used in one tour on one day counts as a jeep. Each jeep has one tour guide. The company uses the following data in its budgeting:

	Fixed element per month	Variable element per guest	Variable element per jeep
Revenue	\$0	\$142	\$0
Tour guide wages	\$0	\$0	\$126
Vehicle expenses	\$3,700	\$14	\$75
Administrative expenses	\$2,100	\$4	\$0

In April, the company budgeted for 374 guests and 166 jeeps. The actual activity for the month was 364 guests and 167 jeeps.

Required:

Prepare the company's planning budget for April.

Turnner Jeep Tours Planning Budget For the Month Ended April 30	
Budgeted guests (q1)	374
Budgeted jeeps (q2)	166
Revenue (\$142q1)	\$53,108
Expenses:	
Tour guide wages (\$126q2)	20,916
Vehicle expenses (\$3,700 + \$14q1 + \$75q2)	21,386
Administrative expenses (\$2,100 + \$4q1)	3,596
Total expense	45,898
Net operating income	\$7,210

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Medium

294. Ehrler Jeep Tours operates jeep tours in the heart of the Colorado Rockies. The company bases its budgets on two measures of activity (i.e., cost drivers), namely guests and jeeps. One vehicle used in one tour on one day counts as a jeep. Each jeep has one tour guide. The company uses the following data in its budgeting:

	Fixed element per month	Variable element per guest	Variable element per jeep
Revenue	\$0	\$141	\$0
Tour guide wages	\$0	\$0	\$143
Vehicle expenses	\$4,100	\$11	\$61
Administrative expenses	\$2,200	\$3	\$0

In March, the company budgeted for 328 guests and 143 jeeps. The actual activity for the month was 338 guests and 147 jeeps.

Required:

Prepare the company's flexible budget for the actual level of activity in March.

Ehrler Jeep Tours Flexible Budget For the Month Ended March 31	
Actual guests (q1)	338
Actual jeeps (q2)	147
Revenue (\$141q1)	\$47,658
Expenses:	
Tour guide wages (\$143q2)	21,021
Vehicle expenses (\$4,100 + \$11q1 + \$61q2)	16,785
Administrative expenses (\$2,200 + \$3q1)	3,214
Total expense	41,020
Net operating income	\$6,638

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Bloom's: Application

Learning Objective: 09-05 Prepare a flexible budget with more than one cost driver

Level: Medium