

Chapter 09 Practice Quiz

Flexible Budgets and Performance Analysis

239. 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><u>\$ 14,840</u></u>

Required:

Prepare a report showing the clinic's activity variances for September.

247. 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).

255. 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	Variances
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).

283. 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).

287. 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).

289. 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).