

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>\$ 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

	(Static) Planning Budget	(Actual) 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

**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**

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: 40,000

	Actual	Flex	
Revenue.....	\$101,500	104,000	$= (2.60 \times 40,000)$
Wages and salaries .....	\$52,000	52,300	$= (0.80 \times 40,000) + 20,300$
Supplies.....	\$18,100	20,000	$= (0.50 \times 40,000)$
Insurance .....	\$9,400	7,500	$= 7500$
Miscellaneous.....	\$18,100	15,700	$= (0.30 \times 40,000) + 3,700$
Total Expense	97,600	95,500	
Required: NI	3,900	8,500	

Variances

\$2,500 U
300 F
1,900 F
1,900 U
2,400 U
2100 U
4600 U

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

*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*

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

(Apples  
v. Oranges)

	Planning Budget	Actual Results	Variance	Flex 21,000	Variance
Customers served .....	20,000	21,000			
Revenue (\$3.60q) .....	<u>\$72,000</u>	<u>\$75,800</u>	<u>\$3,800 F</u>	75,600	200 F
Expenses:					
Wages and salaries (\$22,600 + \$1.10q) ...	44,600	45,700	1,100 U	45,700	0
Supplies (\$0.50q) .....	10,000	8,700	1,300 F	10,500	1,800 F
Insurance (\$4,600) .....	4,600	4,600	0	4,600	0
Miscellaneous (\$3,400 + \$0.30q) .....	<u>9,400</u>	<u>8,100</u>	<u>1,300 F</u>	<u>9,700</u>	<u>1,600 F</u>
Total expense .....	<u>68,600</u>	<u>67,100</u>	<u>1,500 F</u>	<u>70,500</u>	<u>3,400 F</u>
Net operating income .....	<u>\$ 3,400</u>	<u>\$ 8,700</u>	<u>\$5,300 F</u>	<u>5,000</u>	<u>3,600 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) .....	\$72,000	\$3,600	F	\$75,600
Expenses:				
Wages and salaries (\$22,600 + \$1.10q) .....	44,600	1,100	U	45,700
Supplies (\$0.50q) .....	10,000	500	U	10,500
Insurance (\$4,600) .....	4,600	0		4,600
Miscellaneous (\$3,400 + \$0.30q).....	9,400	300	U	9,700
Total expense .....	68,600	1,900	U	70,500
Net operating income .....	\$3,400	\$1,700	F	\$5,100

*Apples*

*oranges*

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) .....	\$75,600	\$200	F	\$75,800
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).....	9,700	1,600	F	8,100
Total expense .....	70,500	3,400	F	67,100
Net operating income .....	\$5,100	\$3,600	F	\$8,700

*oranges*

*oranges*

**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**

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 <sup>q1</sup>	Variable element per course <sup>q2</sup>
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**

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).

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**

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).

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) .....	<u>\$602,820</u>	<u>\$61,200</u>	U	<u>\$541,620</u>
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) .....	<u>67,327</u>	<u>2,278</u>	F	<u>65,049</u>
Total expense .....	<u>517,586</u>	<u>18,704</u>	F	<u>498,882</u>
Net operating income .....	<u>\$85,234</u>	<u>\$42,496</u>	U	<u>\$42,738</u>

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) .....	<u>\$541,620</u>	<u>\$12,220</u>	U	<u>\$529,400</u>
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) .....	<u>65,049</u>	<u>80</u>	U	<u>65,129</u>
Total expense .....	<u>498,882</u>	<u>180</u>	F	<u>498,702</u>
Net operating income .....	<u>\$42,738</u>	<u>\$12,040</u>	U	<u>\$30,698</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**

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

**Level: Hard**