

# [Financial acconting exercises: flexible budgets](https://assignbuster.com/financial-acconting-exercises-flexible-budgets/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

Flexible Budgets Flexible Budgets Exercise 9 Gator Drivers Flexible Budget Budgeted Actual Driving Hours
200
190
Revenue
76, 000
72, 200
U
$
$
Expenses:
Wages and Salaries
38, 000
36, 700
F
Supplies
1, 000
950
F
Equipment rental
7, 700
7, 440
F
Insurance
4, 200
4, 200
-
Miscellaneous
840
825
-
Total Expenses
51, 740
50, 115
F
Net Operating Income
24, 260
22, 085
U
Exercise 9-6
The variance report is useful for evaluating if The Exterminator Inc. is able to control its revenues and costs. It can be clearly noted that the company has not able to been to control its revenues as the actual results are unfavorable. Despite increase in jobs the company did not generate equal or more revenues, which implies that the company has not been able to charge its clients the budgeted rate for each job. Furthermore, the company has not been able to control its expenses including mobile team operating costs, exterminating supplies, advertising, and dispatching costs. These unfavorable results have led to a decrease in the company’s net operating income. However, this variance report does not indicate reasons why these results have been generated.
Exercise 9-14
Machine Hours
4, 000
Pierr Manufacturing Inc.
Planning Budget
For the Month Ending July 31
$
Direct Materials ($5. 70Hr)
22, 800
Direct Labor
42, 800
Supplies ($0. 20Hr)
800
Utilities ($1, 600+$0. 15Hr)
2, 200
Depreciation
14, 900
Insurance
14, 000
Total Costs
97, 500