

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

[](https://assignbuster.com/)[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