

Financial accounting exercises: flexible budgets

[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 been able 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

<https://assignbuster.com/financial-accounting-exercises-flexible-budgets/>

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