|  |  |  |  |
| --- | --- | --- | --- |
|  | Budget | Actual | Variance |
| Net Revenue | 8,000,000 | 7,600,000 | 400,000 |
| Variable Costs |  |  |  |
| Fuel | 160,000 | 157,000 | 3,000 |
| Repairs and maintenance | 80,000 | 85,000 | 5,000 |
| Supplies and miscellaneous | 800,000 | 788,000 | 12,000 |
| Variable payroll | 5,360,000 | 5,200,000 | 160,000 |
| Total variable costs | 6,400,000 | 6,230,000 | 170,000 |
| Fixed Costs |  |  |  |
| Supervision | 180,000 | 183,000 | 3,000 |
| Rent | 160,000 | 160,000 |  |
| Depreciation | 480,000 | 480,000 |  |
| Other fixed costs | 160,000 | 158,000 | 2,000 |
| Total Fixed costs | 980,000 | 981,000 | 1,000 |
| Total fixed and variable costs | 7,380,000 | 7,211,000 | 169,000 |
| Operating income | 620,000 | 389,000 | 231,000 |
|  |  |  |  |

Barton Transportation Company’s general manager reports quarterly to the company president on the firm’s operating performance. The company uses a budget based on detailed expectations for the forthcoming quarter. The general manager has just received the condensed quarterly performance report shown in Exhibit 8-10.

Although the general manager was upset about not obtaining enough revenue, she was happy that her cost performance was favorable; otherwise her net operating income would be even worse.

The president was totally unhappy and remarked, “I can see some merit in comparing actual performance with budgeted performance because we can see whether actual revenue coincided with our best guess for budget purposes. But I can’t see how this performance report helps me evaluate cost control performance”.

1. Prepare a columnar flexible budget for Burton Transportation at revenue levels of $7,600,000, $8,000,000 and $8,400,000. Use the format of the last three columns of Exhibit 8-2, pae 345, Assume that the prices and mix of products sold are equal to the budgeted prices and mix.
2. Write out the flexablebudget formula for costs as a function of revenue.
3. Prepare a condensed table showing the static budget variance, the sales –activity variance and the flexible-budget variance. Use the format of Exhibit 8-5, page 347.