Problem # 5

Davis Company provides the following information budgeted for 2007.

|  |  |
| --- | --- |
| Sale price | $50 by unit |
| Cost to manufacture variable | $32 by unit |
| Fixed cost of manufacture | $100,000 |
| Fixed cost of sales and administrative | $40,000 |

Davies predicted that the sales will be of 20.000 units, but the current sales were 22,000 units. The current price of sale was of $ 48,50 by unit, and the costs current variables of production were of $33 by unit. Current fixed costs of production and fixed costs of sale and administrative they were of $104.000 and $39.000, respectively.

It required:

A) To utilize the form that appears subsequently, prepare the flexible budget; to present the current results; to determine the varying of the flexible budget; to indicate if the differences are favorable (F) or unfavorable (D).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Flexible budget | Current results | variance  Budget  Flexible | Favorable  or  Unfavorable |
| Number of units |  |  |  |  |
| Sales |  |  |  |  |
| Variable costs of manufacture |  |  |  |  |
| Contributive margin |  |  |  |  |
| Fixed costs of manufacture |  |  |  |  |
| Fixed costs of sales and administrative |  |  |  |  |
| Net income |  |  |  |  |

B. to evaluate the performance of the business in comparison with the flexible budget