|  |
| --- |
| TipTop Flight School offers flying lessons at a small municipal airport. The school's owner and manager has been attempting to evaluate performance and control costs using a variance report that compares the planning budget to actual results. A recent variance report appears below: |

TipTop Flight School
Variance Report
For the Month Ended July 31

|  |  |  |
| --- | --- | --- |
|  PlanningBudget |  ActualResults | Variances |
|  |  |  |
|  Lessons | 142     | 167     |   |   |
|   Revenue | $29,252     | $45,200     | $15,948 |  F |
| Expenses: |   |   |   |   |
|       Instructor wages | 9,230     | 10,650     | 1,420 |  U |
|       Aircraft depreciation | 5,396     | 6,346     | 950 |  U |
|       Fuel | 1,704     | 2,800     | 1,096 |  U |
|       Maintenance | 2,216     | 2,640     | 424 |  U |
|       Ground facility expenses | 1,806     | 1,420     | 386 |  F |
|       Administration | 3,552     | 3,220     | 332 |  F |
| Total expense | 23,904     | 27,076     | 3,172 |  U |
| Net operating income | $5,348     | $18,124     | $12,776 |  F |
| After several months of using such variance reports, the owner has become frustrated. For example, she is quite confident that instructor wages were very tightly controlled in July, but the report shows an unfavorable variance. |
| The planning budget was developed using the following formulas, where q is the number of lessons sold: |
|   Cost Formulas      |
|   Revenue | $206q      |
|   Instructor wages | $65q      |
|   Aircraft depreciation | $38q      |
|   Fuel | $12q      |
|   Maintenance | $512 + $12q      |
|   Ground facility expenses | $1,380 + $3q      |
|   Administration | $3,410 + $1q      |
|  |

Prepare a flexible budget performance report for the school for July. **(Leave no cells blank - be certain to enter "0" wherever required. Indicate the effect of each variance by selecting "F" for favorable, "U" for unfavorable, and "None" for no effect (i.e., zero variance). Input all amounts as positive values. Omit the "$" sign in your response.)**

TipTop Flight School
Flexible Budget Performance Report
For the Month Ended July 31

|  |  |
| --- | --- |
|  Activity Variances | Revenue and Spending Variances |
| Revenue | $       |        | $       |        |
| Expenses: |   |   |   |
|  Instructor wages |        |        |        |        |
|      Aircraft depreciation |        |        |        |        |
|      Fuel |        |        |        |        |
|      Maintenance |        |        |        |        |
|      Ground facility expenses |        |        |        |        |
|      Administration |        |        |        |   |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Total expense |        |        |        |       |
| Net operating income | $       |        | $       |      |