Boyne University offers an extensive continuing education program in many cities throughout the state. For the convenience of its faculty and administrative staff and to save costs, the university operates a motor pool. The motor pool operated with 20 vehicles until February, when an additional automobile was acquired at the request of the university administration. The motor pool furnishes gas, oil, and other supplies for its automobiles. A mechanic does routine maintenance and minor repairs. Major repairs are performed at a nearby commercial garage. Each year, the supervisor of the motor pool prepares an annual budget, which is reviewed by the university and approved after suitable modifications. The following cost control report shows actual operating costs for March of the current year compared to one-twelfth of the annual budget.

Boyne University Motor Pool

Cost Control Report

For the Month ended March 31

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Annual Budget | Monthly budget (1/12 of annual budget) | March Actual | (over)  Under budget |
| Miles | 600,000 | 50000 | 63,000 |  |
| Autos | 20 | 20 | 21 |  |
| Gasoline | $90,000 | 7500 | 9350 | (1850) |
| Oil,minor reprairs, parts | 24000 | 2000 | 2360 | (360) |
| Outside repairs | 18,000 | 1500 | 1420 | 80 |
| insurance | 24000 | 2000 | 2120 | (120) |
| Salaries/Benefits | 90,480 | 7540 | 7540 | 0 |
| Vehicle Depreciation | 60,000 | 5,000 | 5,250 | (250) |
| Total | $306,480 | 25,540 | 28,040 | ($2,500) |

The annual budget was based on the following assumptions:

1. $0.15 per mile for gasoline
2. $0.04 per mile for oil, minor repairs and parts.
3. $900 per automobile per year for outside repairs.
4. $1200 per automobile per year for insurance
5. $7450 per month for salaries and benefits
6. $3000 per automobile per year for depreciation

The supervisor of the motor pool is unhappy with the report, claiming it paints and unfair picture of the motor pools performance.

Required:

1. Prepare a new performance report for March based on a flexible budget that shows spending variances.
2. What are the deficiencies in the original cost control report? How does the report that you prepared in Part (1) above overcome these deficiencies?