**21-4B** – Aaron Braun, the plant manager of SOS Co.’s Chicago plant, is responsible for all the plant’s costs other than his own salary. The plant has two operating departments and one service department. The refrigerator and dishwasher operating departments manufacture different products and have their own managers. The office department, which Braun also managers, provides services equally to the two operating departments. A monthly budget is prepared for each operating department and the office department. The company’s responsibility accounting system must assemble information to present budgeted and actual costs in performance reports for each operating department manager and the plant manager. Each performance report includes only those costs that a particular operating department manager can control: raw materials, wages, supplies used, and equipment depreciation. The plant manager is responsible for the department managers’ salaries, utilities, building rent, office salaries other than his own, and other office costs plus all costs controlled by the two operating department managers. The April departmental budgets and actual costs for the two operating departments follow.

|  |
| --- |
| **Budget Actual**  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Refrigerators Dishwashers Combined Refrigerators Dishwashers Combined |

Raw materials…………….$400,000 $200,000 $600,000 $ 375,000 $200,000 $575,000

Employee wages,……… 172,000 80,000 252,000 174,700 76,800 251,500

Dept. manager salary……. 55,000 49,000 104,000 55,000 46,500 101,500

Supplies used…………… 15,000 9,000 24,000 14,000 10,000 24,000

Depreciation-Equip…………53,000 37,000 90,000 53,000 37,000 90,000

Utilities……………………..30,000 18,000 48,000 34,500 20,700 55,200

Building rent………………. 63,000 17,000 80,000 61,000 15,000 76,000

Office department costs…… 70,500 70,500 141,000 75,000 75,000 150,000

Totals……………………… $858,500 $480,500 $1,339,000 $842,200 $481,000 1,323,200

The office department’s budget and its actual costs for April follow.

|  |  |  |
| --- | --- | --- |
| **Budget** **Actual** | | |
| Plant manager salary | $80,000 | $85,000 |
| Other office salaries | 40,000 | 35,200 |
| Other office costs | 21,000 | 29,800 |
| Totals | $141,000 | $150,000 |

**Required**

1. **Prepare responsibility accounting performance reports like those in Exhibit 21.28 that list costs controlled by the following.**
2. **Manager of the refrigerator department.**
3. **Manager of the dishwasher department.**
4. **Manager of the Chicago plant.**

**In each report, include the budgeted and actual costs for the month and show the amount by which each actual cost is over or under the budgeted amount.**

**Analysis Component**

1. **Did the plant manager or the operating department managers better manage costs? Explain.**