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DI BERGAMO

Dipartimento
di Scienze Aziendali

Flexible Budgeting

Excercise 1

Prof. ssa Silvia Pilonato

Exercise Adger Corporation

Requirements

- 15 questions
- prepare the Flexible Budget Performance Report



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Q1. What amount of revenue would be included in Adger's flexible budget for May?

Revenue:

Variable element per customer served (a)	\$ 5,000
Actual activity (b)	35
Amount in flexible budget (a) × (b)	\$ 175,000



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Q2. What amount of employee salaries and wages would be included in Adger's flexible budget for May?

Employee salaries and wages:

Variable element per customer served (a)

\$ 1,100

Actual activity (b)

35

Variable portion of the amount (a) × (b)

\$ 38,500

Variable portion of the amount

\$ 38,500

Fixed element per month

50,000

Amount in flexible budget

\$ 88,500



Q3. What amount of travel expenses would be included in Adger's flexible budget for May?

Travel expenses:

Variable element per customer served (a)

\$ 600

Actual activity (b)

35

Amount in flexible budget (a) × (b)

\$ 21,000



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Q4. What amount of other expenses would be included in Adger's flexible budget for May?

The amount of other expenses included in the flexible budget for May would be the fixed element per month of \$36,000.



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Q5. What net operating income would appear in Adger's flexible budget for May?

Revenue		\$ 175,000
Employee salaries and wages	\$ 88,500	
Travel expenses	21,000	
Other expenses	36,000	145,500
Net operating income		<u>\$ 29,500</u>



Q6. What is Adger's revenue variance for May?

Actual results

\$ 160,000

Revenue Variance

\$ 15,000 U

Flexible Budget

\$ 175,000



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Q7. What is Adger's employee salaries and wages spending variance for May?

Actual results

\$ 88,000

Spending Variance

\$ 500 F

Flexible Budget

\$ 88,500



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Q8. What is Adger's travel expenses spending variance for May?

Actual results

\$ 19,000

Spending Variance

\$ 2,000 F

Flexible Budget

\$ 21,000



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Q9. What is Adger's other expenses spending variance for May?

Actual results

\$ 34,500

Spending Variance

\$ 1,500 F

Flexible Budget

\$ 36,000



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Q10. What amount of revenue would be included in Adger's planning budget for May?

Revenue:

Variable element per customer served (a)	\$ 5,000
Planned level of activity (b)	30
Amount in planning budget (a) × (b)	\$ 150,000



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Q11. What amount of employee salaries and wages would be included in Adger's planning budget for May?

Employee salaries and wages:

Variable element per customer served (a)	\$ 1,100
Planned activity (b)	30
Variable portion of the amount (a) × (b)	\$ 33,000
Variable portion of the amount	\$ 33,000
Fixed element per month	<u>50,000</u>
Amount in planning budget	<u>\$ 83,000</u>



Q12. What amount of travel expenses would be included in Adger's planning budget for May?

Travel expenses:

Variable element per customer served (a)	\$ 600
Planned activity (b)	30
Amount in planning budget (a) × (b)	\$ 18,000





Q13. What amount of other expenses would be included in Adger's planning budget for May?

The amount of other expenses included in the planning budget for May would be the fixed element per month of \$36,000.



Q14. What activity variance would Adger report in May with respect to its revenue?

Flexible Budget

\$ 175,000

Activity Variance

\$ 25,000 F

Planning Budget

\$ 150,000



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Q15. What activity variances would Adger report with respect to each of its expenses for May?

	Flexible Budget	Activity Variance	Planning Budget
Employee salaries and wages	\$ 88,500	\$ 5,500 U	\$ 83,000
Travel expenses	\$ 21,000	\$ 3,000 U	\$ 18,000
Other expenses	\$ 36,000	\$ 0	\$ 36,000



Adger Corporation - Flexible Budget Performance Report

For the Month Ended May 31

	Actual Results	Revenue and Spending Variances	Flexible Budget	Activity Variances	Planning Budget
Customers (q)	35		35		30
Revenues	160,000	15,000 U	175,000	25,000 F	150,000
Expenses					
Salaries & wages (50,000 + 1,100q)	88,000	500 F	88,500	5,500 U	83,000
Travel expenses (600q)	19,000	2,000 F	21,000	3,000 U	18,000
Other expenses (36,000)	34,500	1,500 F	36,000	0	36,000
Total expenses	141,500	4,000 F	145,500	8,500 U	137,000
Net operating income	18,500	11,000 U	29,500	16,500 F	13,000

$$18,500 - 13,000 = 5,500 = 16,500 - 11,000$$



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