

During April, the company worked 18,000 machine-hours and produced 12,000 units. The company had originally planned to work 20,000 machine-hours during April.

Required:

1. Prepare a report showing the activity variances for April. Explain what these variances mean.
2. Prepare a report showing the spending variances for April. Explain what these variances mean.



PROBLEM 10-21 More Than One Cost Driver [LO 10-4, LO 10-5]

Verona Pizza is a small neighborhood pizzeria that has a small area for in-store dining as well offering takeout and free home delivery services. The pizzeria's owner has determined that the shop has two major cost drivers—the number of pizzas sold and the number of deliveries made. Data concerning the pizzeria's costs appear below:

	Fixed Cost per Month	Cost per Pizza	Cost per Delivery
Pizza ingredients		\$4.20	
Kitchen staff	\$5,870		
Utilities	\$590	\$0.10	
Delivery person			\$2.90
Delivery vehicle	\$610		\$1.30
Equipment depreciation	\$384		
Rent	\$1,790		
Miscellaneous	\$710	\$0.05	

In October, the pizzeria budgeted for 1,500 pizzas at an average selling price of \$13.00 per pizza and for 200 deliveries.

Data concerning the pizzeria's operations in October appear below:

	Actual Results
Pizzas	1,600
Deliveries	180
Revenue	\$21,340
Pizza ingredients	\$6,850
Kitchen staff	\$5,810
Utilities	\$875
Delivery person	\$522
Delivery vehicle	\$982
Equipment depreciation	\$384
Rent	\$1,790
Miscellaneous	\$778

Required:

1. Prepare a flexible budget performance report that shows both activity variances and revenue and spending variances for the pizzeria for October.
2. Explain the activity variances.



PROBLEM 10-22 Performance Report for a Nonprofit Organization [LO 10-1, LO 10-4, LO 10-6]

The KGV Blood Bank, a private charity partly supported by government grants, is located on the Caribbean island of St. Lucia. The blood bank has just finished its operations for September, which was a particularly busy month due to a powerful hurricane that hit neighboring islands causing many injuries. The hurricane largely bypassed St. Lucia, but residents of St. Lucia willingly donated their blood to help people on other islands. As a consequence, the blood bank collected and processed over 20% more blood than had been originally planned for the month.

A report prepared by a government official comparing actual costs to budgeted costs for the blood bank appears on the following page. (The currency on St. Lucia is the East Caribbean dollar.) Continued support from the government depends on the blood bank's ability to demonstrate control over its costs.