KGV Blood Bank
Cost Control Report
For the Month Ended September 30

	Planning Budget	Actual Results	Variances
Liters of blood collected	600	780	
Medical supplies	$ 7,110	$ 9,252	$2,142 U
Lab tests	8,610	10,782	2,172 U
Equipment depreciation	1,900	2,100	200 U
Rent	1,500	1,500	0
Utilities	300	324	24 U
Administration	14,310	14,575	265 U
Total expense	$33,730	$38,533	$4,803 U

The managing director of the blood bank was very unhappy with this report, claiming that his costs were higher than expected due to the emergency on the neighboring islands. He also pointed out that the additional costs had been fully covered by payments from grateful recipients on the other islands. The government official who prepared the report countered that all of the figures had been submitted by the blood bank to the government; he was just pointing out that actual costs were a lot higher than promised in the budget.

The following cost formulas were used to construct the planning budget:

Medical supplies	$11.85q
Lab tests	$14.35q
Equipment depreciation	$1,900
Rent	$1,500
Utilities	$300
Administration	$13,200 + $1.85q

Required:

1. Prepare a new performance report for September using the flexible budget approach.
2. Do you think any of the variances in the report you prepared should be investigated? Why?

PROBLEM 10–23 Critiquing a Variance Report; Preparing a Performance Report [LO 10–1, LO 10–4, LO 10–6]

Several years ago, Shipley Corporation developed a comprehensive budgeting system for profit planning and control purposes. While departmental supervisors have been happy with the system, the factory manager has expressed considerable dissatisfaction with the information being generated by the system.

A typical departmental cost report for a recent period follows:

Assembly Department
Cost Report