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.