

$\frac{10,000}{100,000} = 0.1 \text{ lb/donut}$

**Review Problem**

Delicious Donuts makes and sells custom donuts, which it plans to sell for \$2 each. For 20X1, Delicious planned to order 10,000 lbs of flour at \$0.50/lb to make the 100,000 donuts it planned for the year. The company also planned to pay bakers \$10/hour to make donuts; it is estimated that each donut requires 3 minutes to make (that's 0.05 hours).

Planned

Actual

The actual performance of the company was slightly different than planned. Donuts sold for \$1.75/each, and Delicious was able to sell 125,000 donuts. The company used 11,000 lbs of flour to make those donuts at a cost of \$0.60/lb. The labor cost Delicious exactly \$10/hour as it had expected, but each donut took 6 minutes to make (that's 0.10 hours).

$\frac{11,000}{125,000} = 0.088 \text{ lb/donut}$

Please complete the following budgets. The squares that are grayed boxed will count for your grade. You should calculate Operating Income for all three columns.

	Actual	Flex	Budget
Revenues	\$ 218,750	218,750	\$ 200,000
Expenses:			
Direct Materials	6,600	6,250	5,000
Direct Labor	125,000	125,000	50,000
Operating Income	87,150	191,250	145,000

Complete the missing boxes in the above budget analysis.

What is the Sales Volume Variance?

$191,250 - 145,000 = 46,250 \text{ F}$

What is the Flex Budget Variance?

$191,250 - 87,150 = 104,100 \text{ U}$

What is the Budget Variance?

$145,000 - 87,150 = 57,850 \text{ U}$

$\frac{100,000}{100,000} \times 2 = 2$

$\frac{100,000}{100,000} \times 10 = 10$

$\frac{125,000}{125,000} \times 0.1 = 0.1$

$\frac{125,000}{125,000} \times 2 = 2$

$\frac{125,000}{125,000} \times 0.05 = 0.05$

$\frac{125,000}{125,000} \times 10 = 10$