

Exercise 11-2 (15 minutes)

1.

Orcas Boat Charter Service
Flexible Budget Performance Report
For the Month Ended July 31

	Cost Formula (per charter)	Actual Costs Incurred for 160 Charters	Budget Based on 160 Charters	Variance
Variable overhead costs:				
Cleaning	\$ 60.50	\$ 9,440	\$ 9,680	\$ 240 F
Maintenance	35.25	5,980	5,640	340 U
Port fees.....	<u>15.75</u>	<u>2,670</u>	<u>2,520</u>	<u>150</u> U
Total variable overhead costs....	<u>\$111.50</u>	<u>18,090</u>	<u>17,840</u>	<u>250</u> U
Fixed overhead costs:				
Salaries and wages		9,200	9,150	50 U
Depreciation.....		12,800	12,100	700 U
Utilities		835	860	25 F
Moorage		<u>5,360</u>	<u>4,980</u>	<u>380</u> U
Total fixed overhead costs		<u>28,195</u>	<u>27,090</u>	<u>1,105</u> U
Total overhead costs		<u>\$46,285</u>	<u>\$44,930</u>	<u>\$1,355</u> U

2. The addition of a new boat to the charter fleet apparently increased depreciation and moorage charges for the month above what had been anticipated. (A new boat adds to depreciation charges and a new boat needs to be moored, hence the higher moorage charges.) These two items are responsible for most of the \$1,355 unfavorable total variance for the month.