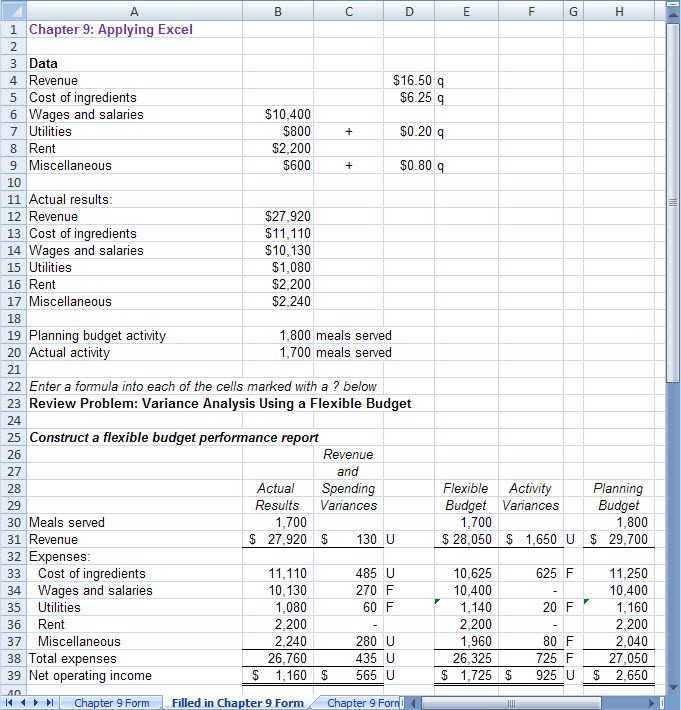
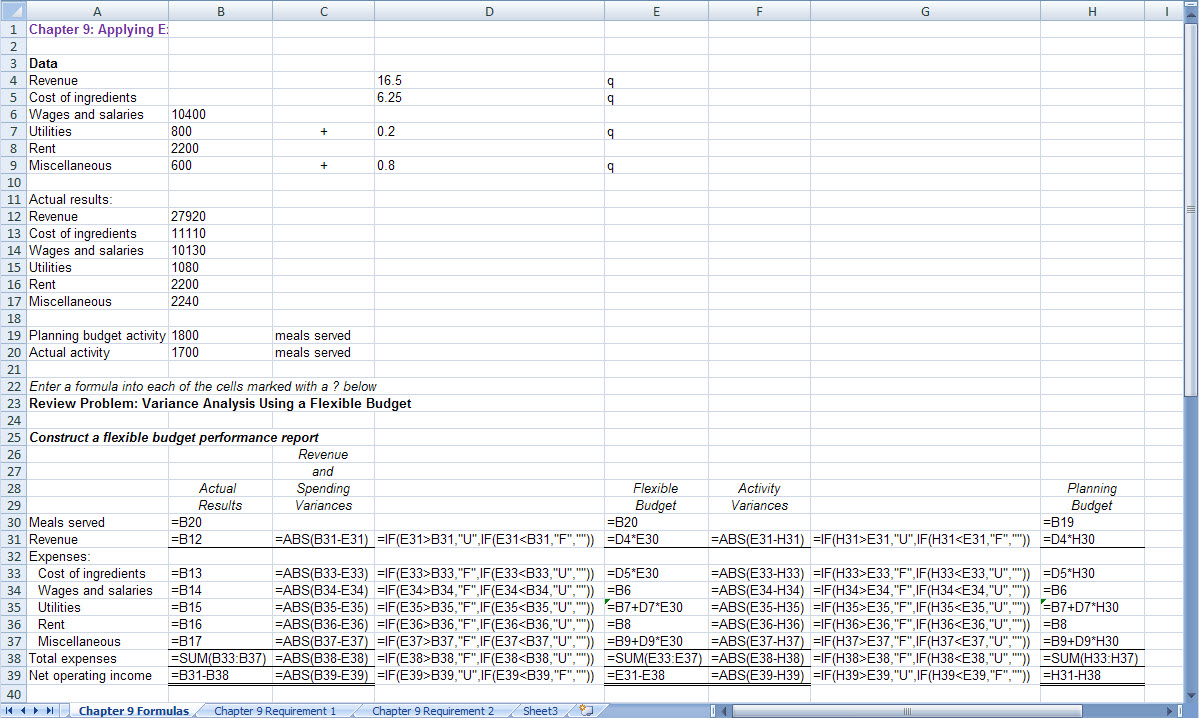
Chapter 9: Applying Excel

The completed worksheet is shown below.

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Chapter 9: Applying Excel (continued)

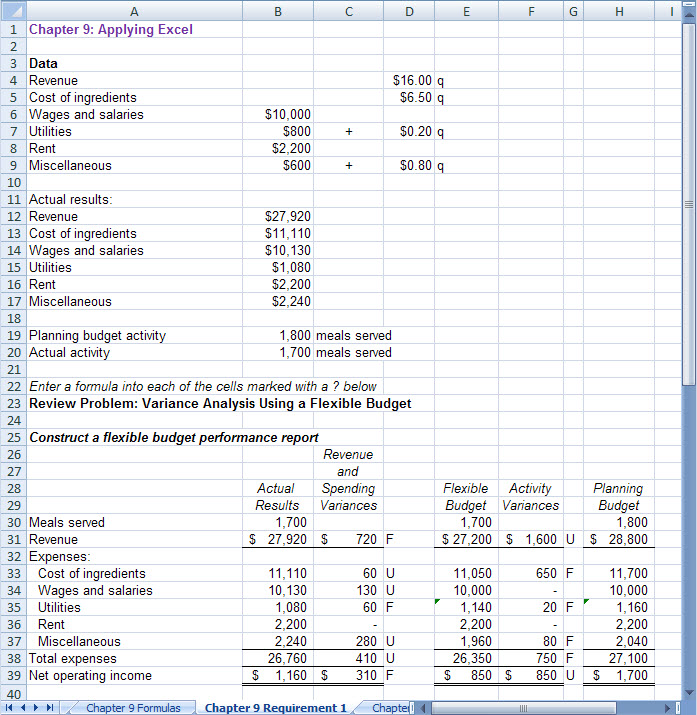
The completed worksheet, with formulas displayed, is shown below.

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Note: The formulas for to compute whether a variance is Favorable or Unfavorable use the IF() function. For example, in cell D31, the formula is =IF(E31>B31,"U",IF(E31<B31,"F","")). This formula first checks whether the actual revenue (cell B31) exceeds the revenue under the flexible budget (cell E31). If it does, the function returns the value F, which is displayed in cell D31. Otherwise, the function returns the value U, which is displayed in cell D31.When actual revenue is the same as under the flexible budget, nothing is displayed in cell D31.

Chapter 9: Applying Excel (continued)

1. With the changes in data, the result is:

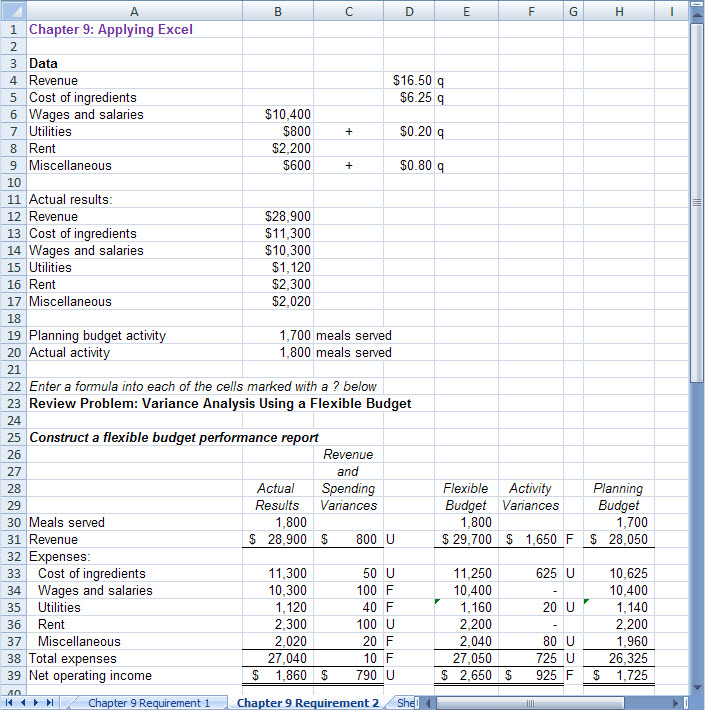
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a. The activity variance for revenue is $1,600 U. This variance is the difference between the revenue under the planning budget and under the flexible budget. It is unfavorable because the actual activity exceeds the budgeted activity and consequently revenue should be larger than planned under the budget.

b. The spending variance for the cost of ingredients is $60 U. This variance is the difference between what the cost should have been according to the flexible budget and what it actually was for the period. It is unfavorable because the actual cost exceeded what the cost should have been.

Chapter 9: Applying Excel (continued)

2. With the revised data, the worksheet should look like this:

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Actual activity exceeded planned activity by 100 meals served, which should have boosted net operating income by $925. However, actual results were not this favorable. Given the actual number of meals served, the company should have realized net operating income of $2,650, but the actual net operating income was only $1,860, resulting in an unfavorable overall spending and revenue variance of $790. Attention should be focused on the lower than expected revenue.