**Static vs. Flexible Budget Analysis Project**

BLU-Grass Acres is a 350-acre farm on the outskirts of Louisville, Kentucky, which specializes in the boarding of broodmares and their foals. They have the capacity to board up to 75 horses.

The recent economic downturn in the thoroughbred industry has made the boarding business extremely competitive in this area.

To meet the competition, BLU-Grass planned in 2022 to entertain clients, advertise more extensively, and absorb expenses formerly paid by clients such as veterinary and blacksmith fees.

Jayzee the bookkeeper (sometimes called LAZ-E!) started to prepare some financial analysis and he remembered learning about static and flexible budgets in his college accounting class. Jayzee starts with a ***static*** budget report. Unfortunately, he doesn’t know how to complete the report and management wants an analysis on the year.

The static budget income statement budget for the year is based on an expected 365 boarding days per year for each horse, at a fee of $30 per mare.

The variable expenses per mare per day were budgeted: feed $7, veterinary fees $4, blacksmith fees $0.55, and supplies $0.35.

All other budgeted expenses were either semifixed or fixed.

During the year, management DID NOT replace a worker who quit in June, but it did issue a new advertising brochure and did more entertaining of clients.

Jayzee hires you as a consultant and needs your help, quick, to be sure he is prepared for the meeting!!

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | BLU-Grass Acres | | | |
|  | Static Budget Income Statement | | | |
|  | For the Year Ended 12/31/2022 | | | |
|  | Actual | Master | Difference | Favorable or Unfavorable |
| Number of Mares | 45 | 68 |  |  |
| Number of Boarding Days | 16250 |  |  |  |
| Sales | $568,750 |  |  |  |
|  |  |  |  |  |
| Variable Expenses |  |  |  |  |
| Feed | $146,250 |  |  |  |
| Veterinary Fees | $97,500 |  |  |  |
| Blacksmith Fees | $5,688 |  |  |  |
| Supplies | $4,063 |  |  |  |
| Total Variable Expenses | $253,500 |  |  |  |
|  |  |  |  |  |
| Contribution Margin | $315,250 |  |  |  |
|  |  |  |  |  |
| Less: Fixed Expenses |  |  |  |  |
| Depreciation | $40,000 | $ 40,000 |  |  |
| Insurance | $25,000 | $ 11,000 |  |  |
| Utilities | $17,000 | $ 14,000 |  |  |
| Repairs and Maintenance | $30,250 | $ 11,000 |  |  |
| Labor | $88,000 | $ 95,000 |  |  |
| Advertisement | $35,000 | $ 8,000 |  |  |
| Entertainment | $50,000 | $ 5,000 |  |  |
| Total Fixed Expenses | $285,250 |  |  |  |
|  |  |  |  |  |
| Net Income | $30,000 |  |  |  |

**Instructions:**

1. In excel or google drive (sheets), complete the static budget report (use formulas and cell referencing whenever possible in your spreadsheet).
2. Based **ONLY ON** the STATIC budget report, provide your written analysis on the following:
3. What were the reasons for the decline in net income?
4. How effective was management at controlling expenses?
5. Do you think management made good management decisions?
6. In excel or google drive (sheets), complete a flexible budget report (use formulas and cell referencing whenever possible in your spreadsheet).
7. Based **ONLY ON** the FLEXIBLE budget report, provide your written analysis on the following:
8. What were the reasons for the decline in net income?
9. How effective was management at controlling expenses?
10. Do you think management made good management decisions?
11. Assuming you are hired as a consultant to help drive profitability, what course of action do you recommend for the management of BLU-Grass Acres (feel free to take reasonable assumptions and be creative with your recommendations though be sure to explain and/or support your reasonings)?

**Managerial Accounting Analysis Rubric 2Rubric (1)**

| Managerial Accounting Analysis Rubric 2Rubric (1) | | |
| --- | --- | --- |
| **Criteria** | **Ratings** | **Pts** |
| This criterion is linked to a Learning Outcome Accurate Solutions  Calculations are accurate using formulas embedded in the spreadsheet. Cell referencing | |  |  | | --- | --- | | **60 to >30.0 pts**  **Meets Expectations**  Evaluation based upon the extent to which formulas were used and the accuracy of the results. | **30 to >0 pts**  **Below Expectations**  If formulas are not used in the spreadsheet and/or calculations and results are not accurate. | | 60 pts |
| This criterion is linked to a Learning Outcome Written Analysis  This will evaluate the written solutions provided by the submission - accuracy, thoughtfulness of answers, supported conclusion, effective written communication. | |  |  |  | | --- | --- | --- | | **20 to >15.0 pts**  **Exceeds Expectations**  Submission is very well written, clear and concise thoughts/ideas. Creative solutions, Well supported and accurate answers. | **15 to >10.0 pts**  **Meets Expectations**  Submission provides; adequate answers to all questions but does not elaborate on answers, provides effective or creative thoughts/ideas that are reasonable or well supported. | **10 to >0 pts**  **Below Expectations**  Below expectations ratings would result from inaccurate answers, not complete answers, poor spelling/grammar/written communication, incomplete answers. | | 20 pts |
| This criterion is linked to a Learning Outcome Format and Presentation  This will evaluate the professionalism of the submission. Format, presentation and complete. | |  |  | | --- | --- | | **20 to >10.0 pts**  **Meets Expectations**  Format and presentation of the project meets or exceeds expectations. | **10 to >0 pts**  **Below Expectations**  Organization and presentation of the data/tables, and written answers are average or below average. | | 20 pts |
| Total Points: 100 | | |

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