University Inn's most recent monthly expense analysis report revealed significant cost overruns. The manager was asked to explain the deviations. Below is the "budget v. actual" expense report for the month in question.

Spreadsheet

	A	B	C	D
1	University Inn Budget vs. Actual Expense Report For The Month Ending October 31, 20X7			
2		Actual	Budget	Variance
3	Utilities	$ 52,000	$ 45,000	$ (7,000)
4	Laundry	20,000	18,000	(2,000)
5	Food service	41,000	35,000	(6,000)
6	Rent/taxes	60,000	60,000	-
7	Staff wages	57,000	55,000	(2,000)
8	Management salaries	43,500	45,000	1,500
9	Water	13,000	10,000	(3,000)
10	Maintenance	15,200	15,000	(200)
11		$301,700	$283,000	$(18,700)

The Inn has observed that utilities, water, food service, staff wages, and laundry costs all vary with activity. The other costs are fixed.

The preceding budget was based upon an assumed 80% occupancy rate. The university's football team was on a winning streak and numerous alumni were returning to campus in October, resulting in a 96% occupancy rate during the month.

Prepare a "flexible budget" based upon a 96% occupancy rate, and identify whether the Inn is being efficiently or inefficiently run. Comment on specific costs, and note why a flexible budget can improve performance evaluations.