

I-22.01

Top Brass Corporation sells decorative vases out of its three stores located around the world. Below is "per store" sales and cost data (all reported in dollars) for March.

Form a three-person team. Each team member should assume the role of store manager for one of the following three locations, and prepare a "budget v. actual" performance report for that location.

Next, combine the individual actual performance reports, assuming that additional common fixed costs are \$300,000. Evaluate the actual results of operations, and assess whether closing any location would have improved overall results. In performing the evaluation, assume that traceable fixed costs could be eliminated for any closed location. However, the common fixed costs cannot be avoided. Discuss the importance of accurate budgeting as it relates to planning and performance evaluation.

	<u>Budget</u>	<u>Actual</u>
Houston		
Sales	\$ 750,000	\$ 775,000
Variable expenses	47%	53%
Traceable fixed costs	\$ 300,000	\$ 380,000
Dubai		
Sales	\$ 1,200,000	\$ 1,350,000
Variable expenses	42%	43%
Traceable fixed costs	\$ 575,000	\$ 585,000
Beijing		
Sales	\$ 690,000	\$ 660,000
Variable expenses	48%	45%
Traceable fixed costs	\$ 240,000	\$ 245,000