Hi everyone,

Below is the case information and some information on how to meet the requirements. I have also attached this information as a Word document. Please read this information carefully as I believe it will save you much time in completing this assignment.

**Scenario:**Green Pastures is a 400-acre farm on the outskirts of the Kentucky Bluegrass, specializing in the boarding of broodmares and their foals. A recent economic downturn in the thoroughbred industry has led to a decline in breeding activities, and it has made the boarding business extremely competitive. To meet the competition, Green Pastures planned in 2017 to entertain clients, advertise more extensively, and absorb expenses formerly paid by clients such as veterinary and blacksmith fees.

The budget report for 2017 is presented as an attachment. As shown, the static income statement budget for the year is based on an expected 21,900 boarding days at $25 per mare. The variable expenses per mare per day were budgeted: feed $5, veterinary fees $3, blacksmith fees $0.25, and supplies $0.55.  All other budgeted expenses were either semifixed or fixed.

During the year, management decided not to replace a worker who quit in March, but it did issue a new advertising brochure and did more entertaining of clients.

**Develop** a minimum 700-word examination of the financial statements and include the following:

* Based on the static budget report:
	+ What was the primary cause(s) of the loss in net income?
	+ Did management do a good, average, or poor job of controlling expenses?
	+ Were management's decisions to stay competitive sound?
* Prepare a flexible budget report for the year.
* Based on the flexible budget report:
	+ What was the primary cause(s) of the loss in net income?
	+ Did management do a good, average, or poor job of controlling expenses?
	+ Were management's decisions to stay competitive sound?
* What course of action do you recommend for the management of Green Pastures?

**Requirement 1**: The static budget report is attached with the assignment. Using the information in the case and the budget to actual comparisons in the static budget, answer the questions above. You need to address the boarding days and price per horse variances as well.

**Requirement 2:** Flexible budget reports are discussed on page 1074 in Chapter 22 of the text. There is a good example of a format for the Fox Company on that page. A flexible budget report compares the Actual Results in the static budget provided with the case to a flexible budget adjusted to the actual quantities of boarding days. The actual boarding days are 19,000 days.

You need to prepare a flexible budget column to compare to the static budget actual column based on the 19,000 boarding days. For example, the actual feed costs in the static budget are $104,390. The budgeted fee per day is $5. The flexible budget for feed is the 19,000 days times $5 or $95,000. This means there is an unfavorable variance of $$9,390. Did management do a good job of controlling the feed costs? Why?

You are preparing an Income Statement for this case—that means you start with sales less variable costs and then less fixed costs to arrive at net income. You need to compare the actual sales revenue to a flexible sales amount based on the sales budget per horse times the 19,000 actual boarding days.

For the fixed costs, use the same numbers that are in the static budget attachment for both the budget and actual in your flexible budget report.

Remember that fixed costs do not change with volume therefore the comparison you want to make uses the same amounts that are in the static budget.

**Requirement 3:** Using the flexible budget report you prepared, review the variances and answer the questions.

**Requirement 4:** What course of action would you recommend for management? Think about this answer in terms of pricing strategy. Could management raise or lower prices in response to the competition? That could be a successful strategy with either approach?

One last tip. The heading of your flexible budget report should look like this:

