

Management Accounting: Budgeting

Complex Changes in Budgets

Worked Example Model Answer

A sales budget for the new financial year was £1,494,045. This was based on a 5% increase in sales volume and a 2% increase in sales price from the current financial year.

Tasks

1. You should calculate the sales budget for the current financial year.

$$\text{£1,494,045} \times 100 / 105 \times 100 / 102 = \text{£1,395,000}$$

2. You should then calculate the updated sales budget for the new financial year based on an 8% increase in sales volume and a 1% increase in sales price.

$$\text{£1,494,045} \times 108 / 105 \times 101 / 102 = \text{£1,521,666}$$

3. You should then calculate the updated sales budget for the new financial year based on a 10% increase in sales volume and a 0.6% increase in sales price.

$$\text{£1,494,045} \times 110 / 105 \times 100.6 / 102 = \text{£1,543,707}$$