Paul Robbins training and consultancy

Management Accounting: Budgeting

Percentage Decreases in Budgets

Exercise 1 Model Answer

The labour cost budget for the new financial year has been calculated as £1,587,840 based on a 4% cost decrease on the current year's budget. You have not been provided with the current year's budget figure.

Tasks

1. You should calculate the labour cost budget for the new financial year assuming no decrease in cost on the current year's budget.

£1,587,840 x 100 / 96 = £1,654,000

2. You should then calculate the labour cost budget for the new financial year assuming a 2% decrease in cost on the current year's budget.

£1,587,840 x 98 / 96 = £1,620,920

3. You should then calculate the labour cost budget for the new financial year assuming a 3% decrease in cost on the current year's budget.

£1,587,840 x 97 / 96 = £1,604,380