

## Paul Robbins training and consultancy

### Management Accounting: Budgeting

#### Flexed Budgets and Variances

#### Exercise 2 **Model Answer**

The original budget for Summer Ltd was based on budgeted sales of 38,000 units. The actual sales were 35,000 units. The following information is available about the budgeted costs:

- Materials, labour and distribution costs are variable
- Energy costs are semi-variable. The variable element is £0.54 per unit
- Equipment hire is a stepped cost. Each step is based on up to 9,000 units
- Depreciation, marketing and administration costs behave as fixed costs

Original Budget		Flexed Budget	Actual	Variance Fav / (Adv)
38,000	Sales Volume (Units)	35,000	35,000	
£		£	£	£
492,100	Sales Revenue	453,250	460,150	6,900
	Costs:			
68,400	Materials	63,000	63,820	(820)
100,700	Labour	92,750	93,530	(780)
14,820	Distribution	13,650	13,960	(310)
23,820	Energy	22,200	22,010	190
3,950	Equipment Hire	3,160	3,270	(110)
21,750	Depreciation	21,750	21,890	(140)
24,610	Marketing	24,610	24,550	60
48,930	Administration	48,930	52,140	(3,210)
303,380	Total Costs	290,050	295,170	(5,120)
188,720	Operating Profit / (Loss)	163,200	164,980	1,780

#### Task

Complete the table showing the flexed budget and variances.