



2nd Year Management

Management Accounting II

CASE VIVA (3)

Case 3

STANDARD (BUDGETED) CONTROL SOLUTION

SOLUTION**A – Accounting Variances****1. Analysis of the Purchases Variance of the MAT X:**

$$3\,000 \times [(23+1.8) - (20+1.8)] = 9\,000 \text{ (Unfavourable)}$$

Variance of purchase costs

2. Analysis of the Section SI Variance

Total variance = Standard (Budget) Variance + Activity Variance

Standard (Budget) Variance = Actual Expenses* – Flexible Standard (Budget) Expenses (FSE)

Activity Variance = FSE – Allocated Expenses (AE)

Actual Expenses* = 69 222.2 €

$$\text{FSE} = 7\,500 \times (59\,580 + 198\,600 + 117\,793.36) / 99\,300 + (144\,000 + 86\,400 + 240\,000 + 54\,643.52) / 12 \\ = 72\,150.41 \text{ €}$$

Standard (Budget) Variance = 69 222.2 – 72 150.41 = - 2 928.21 (Favourable)

Activity Variance = 72 150.41 – 9. 0736844 x 7 500 = 4 097.78 € (Unfavourable)

Total Variance = - 2 928.21 + 4 097.78 = 1 169.57 € (Unfavourable)

or Activity Variance = (144 000 + 86 400 + 240 000 + 54 643.5) / 99 300 x (99 300/12 – 7 500) =
= 4 097.77 € (Unfavourable)

Budget Variance of electricity:

Total Variance = 4 950 – 59 580/99 300 x 7 500 = 450 (Unfavourable)

Quantities Variance = 0.1 x (41 250 – 595 800/99 300 x 7 500) = - 375 (Favourable)

Prices Variance = 41 250 x (0.12 – 0.1) = 825 (Unfavourable)

Total Variance = - 375 + 825 = 450 (Unfavourable)

3. Analysis of the Manufacturing Variance – Product BProductivity Variance

Material Y $\Rightarrow 1\,500 \times 31.8 \times (1\,125/1\,500 - 10\,400/13\,000) = 1\,500 \times 31.8 (0.75 - 0.8) = -2\,385 \text{ €}$ (Favourable)

Product A $\Rightarrow 1\,500 \times 53.38105 \times (750/1\,500 - 0.4) = 8\,007.16 \text{ €}$ (Unfavourable)

Total productivity variance $= -2\,385 + 8\,007.16 = 5\,622.16 \text{ €}$ (Unfavourable)

Efficiency Variance

Section SII $\Rightarrow 1\,500 \times 25.65036 \times (2\,400/1\,500 - 2) = -15\,362 \text{ €}$ (Favourable)

By-product Variance $\Rightarrow 1\,500 \times 20 \times (120/1\,500 - 0.1) = -600 \text{ €}$ (Unfavourable)

Total Variance $= 5\,622 - 15\,362 - (-600) = -9\,140 \text{ €}$ (Favourable)

B. Non-accounting Variances**Sales Variance**

Total Variance $= 2\,000 \times 75 - 2\,000 \times 70 = 10\,000 \text{ €}$ (Favourable)

Prices Variance $= 2\,000 \times (75 - 70) = 10\,000 \text{ €}$ (Favourable)

Quantities Variance $= 70 \times (2\,000 - 12\,000/6) = 0$

Variances of the variable non-manufacturing costs

Total Variance $= 150\,000 \times 0.0425 - 140\,000 \times 0.04 = 775 \text{ €}$ (Unfavourable)

Quantities Variance $= 70 \times 0.04 \times (2\,000 - 2\,000) = 0$

Prices Variance $= 2\,000 \times (75 \times 0.0425 - 70 \times 0.04) = 2\,000 \times (3.1875 - 2.8) = 775 \text{ €}$ (Unfavourable)

Variance of the sales cost

$53.381053 \times (2\,000 - 2\,000) = 0$