**Activity 2 - Variance analysis – Answers**

**Your task is to calculate the variances using the example below:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Budgeted**  | **Actual**  | **Variance**  |
| Sales revenue  | £199,000 | £189,000 | £10,000 (A) |
| Raw materials  | £103,000 | £87,000 | 16,000 (F) |
| Labour  | £49,500 | £32,500 | 17,000 (F)  |
| Total variance  |  |  | 23,000 (F)  |

**Formulas**

Budgeted – Actual = Variance

Total variance = Add all variances together

**Note:**

(A) – Adverse – Negative figure (When actual is more than budgeted)

(F) - Favourable – Positive figure (When actual is less than budgeted)

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