**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)

**Activity 2 - Variance analysis**

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Budgeted** | **Actual** | **Variance** |
| Sales revenue | £199,000 | £189,000 |  |
| Raw materials | £103,000 | £87,000 |  |
| Labour | £49,500 | £32,500 |  |
| Total variance |  |  |  |

**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)