

Lecture 3: Exercises

ABC is a merchandise firm that sells two products, X and Y. Some budgeted and actual information is available:

	Product X	Product Y	Total
Budgeted sales in units	15,000	25,000	40,000
Budgeted Selling Price (€/unit)	10	12	
Actual sale units	16,800	25,200	42,000
Actual Selling Price (€/unit)	9	14	

Required: Prepare a sales variance analysis. Specifically, calculate the following variances:

1. Sales revenue variance
2. Selling price variance.
3. Sales volume variance.
4. Sales mix variance.
5. Sales quantity variance.

Solution

Preliminary calculations

	Product X	Product Y	Total
Budgeted sales mix	37.50%	62.50%	100.00%
Actual sales mix	40.00%	60.00%	100.00%

	X	Y	Total
Sales Revenues Var.	$16,800 \cdot 9 - 15,000 \cdot 10 = 1,200$	$25,200 \cdot 14 - 25,000 \cdot 12 = 52,800$	54,000
Selling Price Var.	$(9 - 10) \cdot 16,800 = -16,800$	$(14 - 12) \cdot 25,200 = 50,400$	33,600
Sales Volume Var.	$(16,800 - 15,000) \cdot 10 = 18,000$	$(25,200 - 25,000) \cdot 12 = 2,400$	20,400
			54,000
Sales Quantity Var.	$(42,000 - 40,000) \cdot 37.5\% \cdot 10 = 7,500$	$(42,000 - 40,000) \cdot 62.5\% \cdot 12 = 15,000$	22,500
Sales Mix Var.	$(40\% - 37.5\%) \cdot 42,000 \cdot 10 = 10,500$	$(60\% - 62.5\%) \cdot 42,000 \cdot 12 = -12,600$	-2,100
			20,400