2.1 Budgeting and Variance Analysis: Favourable and Adverse Variances: 10-minute Pack

AQA 7132 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Show your working for every calculation. Label each variance as 'Favourable' or 'Adverse' where asked. GreenLeaf Catering Ltd, used in this pack, is fictional.

1 Calculate the fixed cost variance for May, stating whether it is Favourable or Adverse. Use budgeted fixed costs £4,000 and actual fixed costs £3,900. Show your working.

(Total for Question 1 is 1 mark)

2 Harbour Bakery Ltd budgeted to sell 850 celebration cakes in October at £24 each. It actually sold 790 cakes at the budgeted price of £24. Calculate the revenue variance for October and state whether it is Favourable or Adverse. Show your working.

(Total for Question 2 is 2 marks)

3 A manager is told that the wages variance for the month was £600 adverse. Which one of the following is the most likely cause, if the business produced exactly its budgeted output?

- ☐ A) Staff were paid overtime rates to meet a deadline
- ☐ B) Two employees left and were not replaced
- ☐ C) Employees worked fewer hours than budgeted
- ☐ D) The business bought cheaper raw materials

(Total for Question 3 is 1 mark)

4 Actual variable cost per meal was £3.20 in May. Using actual sales of 1,320 meals, calculate the total actual variable cost. Show your working.

(Total for Question 4 is 2 marks)

5 Calculate the variable cost variance for May, stating whether it is Favourable or Adverse. Use budgeted variable cost £3,600 and actual variable cost £4,224. Show your working.

(Total for Question 5 is 2 marks)

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Mark scheme · 2.1 Budgeting and Variance Analysis: Favourable and Adverse Variances: 10-minute Pack

Question 1

£100 Favourable cao	**B1**

Answer: £100 Favourable.

Question 2

(850 - 790) x 24 seen, or 20,400 and 18,960 seen	**M1**
£1,440 Adverse cao	**A1**

Answer: £1,440 Adverse.

Question 3

A cao	**B1**

Answer: A

Question 4

1,320 x 3.20 seen	**M1**
£4,224 cao	**A1**

Answer: £4,224.

Question 5

4,224 - 3,600 seen	**M1**
£624 Adverse cao	**A1**

Answer: £624 Adverse.

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