**Variance Commentary:**

- **Product 1** revenue variance was negative, with a **20%** decrease from the budgeted amount. This was due to a decrease in the quantity of products sold.  
- **Product 2** revenue variance was positive, with a **20% i**ncrease from the budgeted amount. This was due to an increase in the quantity of products sold.  
- **Service 1** revenue variance was positive, with a **38%** increase from the budgeted amount. This was due to an increase in the price of the service.  
- **Service 2** revenue variance was negative, with an **8%** decrease from the budgeted amount. This was due to a decrease in the quantity of services sold.  
- **Materials costs for Product 2** had a negative variance, with a 32% increase from the budgeted amount. This was due to an increase in the quantity of materials.  
- **Labor costs for Product 1** had a positive variance, with a 20% increase from the budgeted amount. This was due to an decrease  in the labor product quantity 800.  
- **Overhead** had a negative variance, with a 20% increase from the budgeted amount. This was due to an increase in overhead expenses.

**Overall, the company generated a profit of $32,43,500.00 budgeted, but actually generated $34,47,750.00, resulting in a positive variance of $2,04,250.00 or 6%**., which can be attributed to the positive revenue variances. However, the negative expense variances should be monitored to avoid any future loss.

***Favorable Variances:***

Product 2 Revenues: $800,000 (20%)

Service 1 Revenues: $8,500 (38%)

Service 2 Materials Costs: $2,000 (13%)

Product 1 Labor Costs: $20,000 (20%)

Service 2 Labor Costs: $6,250 (13%)

***Negative Variances:***

Product 1 Revenues: $(300,000) (-20%)

Product 2 Materials Costs: $(160,000) (-32%)

Service 1 Materials Costs: $(200) (-3%)

Service 2 Revenues: $(12,000) (-8%)

Product 2 Labor Costs: $(20,000) (-8%)

Service 1 Labor Costs: $(300) (-3%)

Overhead: $(200,000) (-20%)

**To improve the financial performance, the company needs to focus on increasing the sales volume for Product 1 and reducing the materials and labor costs for Product 2. They could also consider increasing the price of Service 1 and reducing the overhead costs to improve the overall profitability.**