3.9 Budgets (HL)

Terminology exercise

Check that you understand the terminology used in this subtopic by dragging the correct word into each space.

A can be defined as a tool to aid the planning, control, coordination and monitoring of a business's income and expenditure over a period of time.

A business may prepare two types of budget. The first is for an area of the business that generates revenue, which is called a . Areas of the business that do not generate any income are referred to as .

A is used to compare a business's budgeted income and expenditure figures with the actual figures over a period of time. The variance analysis compares the forecast with reality. When this comparison is made, there are three possible outcomes. The first possible outcome is variance, which occurs when the actual revenue and expenditure figures are beneficial for the business. The second possible outcome is variance, which occurs when the actual figures are negative for the business. And the third possible outcome is when there is , which is when the budgeted figures align with the

the budgeted figures align with the actual figures.

cost centres
an adverse
variance analysis
budget
a favourable
no variance
profit centre

Check