## Review Classmates: Module 3 Mini-Project

Review by August 19, 09:59 PM PDT

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FLATLAND & XTRA VARIANCES



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### Part 1: Cost Variances

Using the information provided in the Assignment Details section of the **Instructions** tab, respond to the following:

1. For both direct material and direct labor costs, calculate the spending, efficiency, and activity variances. Please provide supporting calculations, label your variances by name, and designate them as favorable or unfavorable. Note: If the given information is insufficient for answering any part of the above question, please denote that clearly, and identify the piece of information you are missing.
2. Provide a brief statement demonstrating your knowledge of the difference between a favorable and an unfavorable variance.
3. Provide at least two potential explanations for each of the variances (i.e., six) that you calculate. If you were to investigate these variances, who would you speak to in order to collect information relevant to your investigation?

FLATLAND MATERIALVARIANCES

ACTUAL STANDARD FLEXIBLE STATIC

Price 2.84 2.6 2.6 2.6

Input (8250/5500) (8250/5500) 1.5 1.5

Output 5500 5500 5500 6000

Amount 23,430 21,450 21,450 23,400

1,980 (UF) 0 1,950 (F)

Spending Efficiency Activity

FLATLAND LABOUR VARIANCES

ACTUAL STANDARD FLEXIBLE STATIC

Price (20805/2850) 7.3 7 7 7

Input (2850/5500) (2850/5500) 0.5 0.5

Output 5500 5500 5500 6000

Amount 20,805 19,950 19,250 21,000

855 (UF) 700 (UF) 1,750 (F)

Spending Efficiency Activity

2)

* An unfavourable variance will occur when the actual net cost is higher than the budgeted, while favourable variance will occur when actual net cost is lower than the budgeted.
* A deeper analysis is required to bring out the reasons for the variances and it at such that management can effectively know why such occur and how to remedy the situation.

3) The persons I would talk to:

* Material variance: Purchasing Manager, Production Manager and Factory workers
* Labour variance: Human Resource Manager, Production Manager and Factory workers
* Activity level between Static and Flexible budget for material was favourable as the cost to achieve 5500 unit was lesser than the budgeted cost and this might be as a result of quality materials and experience work force used.
* Efficiency between the Flexible and Standard budget was nil and it implies that all things were equal and well
* Spending between Actual cost incurred and Standard budget was unfavourable as more cost (1,980) was actually incurred in producing 5500 unit and this might be as a result of higher price for material purchased, lower quality of material or due to inexperienced work force.
* Activity level between Static and Flexible budget for labour was favourable as the cost to achieve 5500 unit was lesser than the budgeted cost and this might be as a result of experience work force used and quality materials used as well .
* Efficiency between the Flexible and Standard budget was unfavourable and it implies that higher cost was used in producing5500 units
* Spending between Actual cost incurred and Standard budget was unfavourable as more cost (855) was actually incurred in producing 5500 unit and this might be as a result of higher price for material purchased, lower quality of material or due to inexperienced work force.

Read the response to Part 1 and assign points below. Be sure to see the detailed rubric on the Instructions tab before assigning points

* 0 pts - 0 points: No answer, completely irrelevant answer.
* 5 pts - 5 points: Insufficient answer, incomplete, lacks supporting evidence.
* 7 pts - 7 points: Passing, meets expectations.
* 9 pts - 9 points: Well above average, exceeds expectations.
* **10 pts - 10 points: Superior performance, excellent.**

### Part 2: Revenue Variances

Using the information provided in the Assignment Details section of the **Instructions** tab, respond to the following:

1. Calculate the revenue variances (sales price, sales mix, and sales activity) for both the Standard and Super models. Please provide supporting calculations, label your variances by name, and designate them as favorable or unfavorable. Note: If the given information is insufficient for answering any part of the above question, please denote that clearly, and identify the piece of information you are missing.
2. Provide at least two potential explanations for each of the variances (i.e., six) that you calculate. If you were to investigate these variances, who would you speak to in order to collect information relevant to your investigation?

XTRA STANDARDVARIANCES

ACTUAL STANDARD FLEXIBLE STATIC

Price 325 300 300 300

Mix (3500/5000) (3500/5000) (3200/4000) (3200/4000)

Output 5000 5000 5000 4000

Amount 1,421,875 1,312,500 1,200,000 960,000

109,375 (F) 112,500 (F) 240,000 (F)

Spending Efficiency Activity

XTRA SUPER VARIANCES

ACTUAL STANDARD FLEXIBLE STATIC

Price 840 850 850 850

Mix (1500/5000) (1500/5000) (800/4000) (800/4000)

Output 5000 5000 5000 4000

Amount 1,260,000 1,275,000 850,000 680,000

15,000 (U) 425,000 (F) 170,000 (F)

Spending Efficiency Activity

2)

* A favourable variance will occur when the actual net income is higher than the budgeted, while unfavourable variance will occur when actual net income is lower than the budgeted.
* A deeper analysis is required to bring out the reasons for the variances and it at such that management can effectively know why such occur and how to remedy the situation.

3)

* Activity variance under Standard shows a favourable position in the sense that Xtra corporation was able to sell more standard vacuum cleaner and this might be attributed to quality of product and good sales team
* Persons to talk to for more information: Production manager, Sales Manager and Sale Representatives
* Efficiency is also favourable, this shows the standard against a flexible budget. it also revealed how efficient the system is.
* Persons to talk to for more information: Logistics manager, Sales Manager and Sale Representatives
* Spending is also favourable as it shows actual sales against the standard estimation. The actual revealed the true position about the product, it acceptability by the people etc. We actually have higher revenue as income.
* Persons to talk to for more information: Production manager, Sales Manager , logistics Manager and Sale Representatives
* Activity variance under Super shows a favourable position in the sense that Xtra corporation was able to sell more super vacuum cleaner and this might be attributed to quality of product and good sales team
* Persons to talk to for more information: Production manager, Sales Manager and Sale Representatives
* Efficiency is also favourable, this shows the standard against a flexible budget. it also revealed how efficient the system is.
* Persons to talk to for more information: Logistics manager, Sales Manager and Sale Representatives
* Spending is unfavourable as it shows actual sales against the standard estimation. The actual revealed the true position about the product, it acceptability by the people etc. We actually have lower revenue (15,000) as income against standard estimation.
* Persons to talk to for more information: Production manager, Sales Manager , logistics Manager and Sale Representatives

Read the response to Part 2 and assign points below. Be sure to see the detailed rubric on the Instructions tab before assigning points.

* 0 pts - 0 points: No answer, completely irrelevant answer.
* 5 pts - 5 points: Insufficient answer, incomplete, lacks supporting evidence.
* 7 pts - 7 points: Passing, meets expectations.
* **9 pts - 9 points: Well above average, exceeds expectations.**
* 10 pts - 10 points: Superior performance, excellent.

Please provide any overall feedback that you have for the author of this assignment. What is one strength of the submission? What is one area of improvement that you would like to suggest?

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good job!

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