## Review Classmates: Module 3 Mini-Project

Review by August 19, 09:59 PM PDT

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| **Reviews** | 3 left to complete |

Module 3 Mini-Project



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Submitted on May 2, 2016

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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?

Direct Material Variances

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Actual | V3 | V2 | Budget |
| Spending | 22275/5500 | 3.9 | 3.9 | 23400/6000 (3.9) |
| Eff | 1.5 | 8250/5500 (1.5) | 1.5 | 1.5 |
| Activity | 5500 | 5500 | 5500 | 6000 |
|  | 33412.5 | 32175 | 32175 | 35100 |

**Activity Variance**: 35100 - 32175 = 2925 (Favorable)  
 This discrepancy could caused by a lower volume of sales, or by a lack of available product to sell. Low sales volume should be addressed by the CMO, as the Marketing department can increase sales if done correctly. A lack of salable inventory should be discussed by the COO, who is in charge of manufacturing activities.  
  
**Efficiency Variance**: 32175 - 32175 = 0  
 There is no variance in efficiency. Problems with this could come from tainted material supply, in which case the supplier of materials should be questioned, or from poorly maintained assembly equipment, in which case the COO must be visited.  
  
**Spending Variance**: 32175 - 33412.5 = 1237.5 (Unfavorable)  
 Spending variances would come from materials changing costs, or from a change in material usage. In either case, the COO should be interviewed.  
  
**Direct Labor Variances**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Actual | V3 | V2 | Budget |
| Labor Cost | 20805/2850 (7.3) | 7 | 7 | 7 |
| Efficiency | 2850/5500 | 2850/5500 | .5 | .5 |
| Volume | 5500 | 5500 | 5500 | 6000 |
|  | 20805 | 19950 | 19250 | 21000 |

**Activity Variance**: 21000 - 19250 = 1750 (Favorable)  
 This discrepancy could caused by a lower volume of sales, or by a lack of available product to sell. Low sales volume should be addressed by the CMO, as the Marketing department can increase sales if done correctly. A lack of salable inventory should be discussed by the COO, who is in charge of manufacturing activities.  
  
**Efficiency Variance**: 19250 - 19950 = 700 (Unfavorable)  
 This variance could come from tainted material supply (where the materials take longer to work with than expected), in which case the suppler of materials should be questioned, or from poorly maintained assembly equipment, in which case the COO must be visited.  
  
**Spending Variance**: 19950 - 20805 = 855 (Unfavorable)  
 Spending variances come from changing costs of labor. This could be due to the workers collectively bargaining for higher wages or benefits, in which case the union leadership should be met, or from governmental regulation, in which case the mayor should be met with.  
  
Finally, a variance is favorable when the amount budgeted exceeds the actual cost recorded. Unfavorable variances are the opposite.

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?

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | Standard |  | Super |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | |  |  |  |  | | --- | --- | --- | --- | |  | Actual | V2 | Budget | | Price | 325 | 300 | 300 | | Volume | 3500 | 3500 | 3200 | |  | 1137500 | 1050000 | 960000 | |  | |  |  |  |  | | --- | --- | --- | --- | |  | Actual | V2 | Budget | | Price | 840 | 850 | 850 | | Volume | 1500 | 1500 | 800 | |  | 1260000 | 1275000 | 680000 | |

The sales mix variances for these examples cannot be calculated using the knowledge covered by this course. While we were given the budgeted CM of the products, no actual CM was given. Furthermore, finding the sales mix from the CM is not something we were taught how to do. Also, since the values for the two products are given to us separately, the sales mix seems like a strange thing to have to derive considering all the costs and amounts given are specific to the product mentioned.  
  
**Standard Variances**  
  
**Sales Price**: 1137500 - 1050000 = 87500 (Favorable)  
 This variance is due to an increase of price from the budgeted one. This must be some kind of marketing choice, or the value of a standard vacuum increased. We should talk to the marketing department, or the person in charge of B2B sales to see why the price changed.  
  
**Sales Activity**: 1050000 - 960000 = 90000 (Favorable)  
 This variance is because more super vacuums were sold than expected. This could have come from a great advertisement campaign, or from an underestimation of demand. The former situation requires the attention of the CMO, the latter the COO.  
  
**Super Variances**  
  
**Sales Price**: 1260000 - 1275000 = 15000 (Unfavorable)  
 This variance is due to a decrease of price of the vacuum. We should talk to the marketing department, or the person in charge of B2B sales to see why the price changed.  
  
**Sales Activity**: 1275000 - 680000 = 595000 (Favorable)  
 This variance is because more super vacuums were sold than expected. This could have come from a great advertisement campaign, or from an underestimation of demand. The former situation requires the attention of the CMO, the latter the COO.

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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well done !

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