

ofh
variance
= Actual -
what was
changed

Mile Cycles overheads

Budgeted

Varia

$$10000 \times 50$$

$$\underline{500,000} \times$$

Fixed

700,000

Actual

V

=

566,000

($\frac{2}{3} \times 850,000$)

F

=

734,000

(13,00,000 - 566,000)

Changed/applied

to

10800 cycles

=

$$10800 \times 50$$

V

=

540,000

$$10800 \times 70$$

F

=

756,000

1296,000

Can not have Volume Variance
spending variance

Varia ofh
Varia
566,000
540,000
26,000

Total fixed of Fixed of

Charged $10500 \times 70 = 756,000$

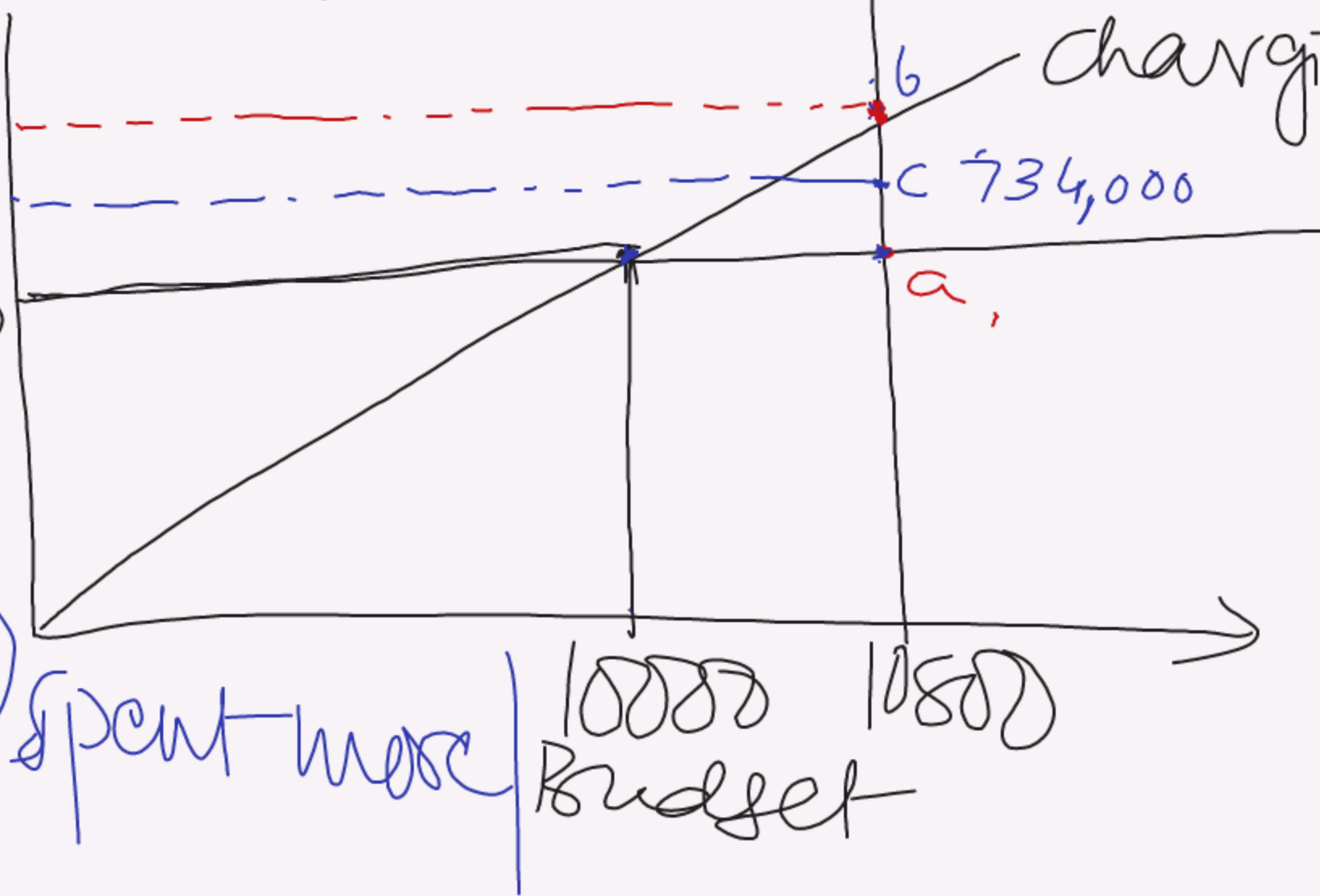
$\frac{70}{\text{bicycle}}$

Budgeted

$= 700,000$

Actual

$= 734,000$



charging/abplying line
slope = 70

Budget line

A - charged

$734,000 - 756,000$

$= 22,000 (F)$

$= 56,000 (F)$

$= 756,000$

$= 700,000$

$= 34,000 (U)$

$= 34,000 (U)$

$= 34,000 (U)$

spent more

Budget

budget
change
= 22,000 (F)
over
recovery

ab
vol. var
= actual
- budget

a Δ
spending
var
= 34,000 (U)

= 34,000 (U)

Could loss ^{with} ~~stand~~ Boston

Selling Price \downarrow
12000 (F)

Variable Costs: actual > budget
Unfavorable

$$\text{Variance} = 59100 (U) \quad 6172200 - 6113100$$

Further Investigation

Milk Price & Sugar " 80700 (U)

Flavoring + additive 51300 (F)

Others

29700 (U)

Parker

Why F?

sales mix
Price & quality

Qty used less??

Co. Policy
Mktg mgr to adjust
selling Price

Boston

Fixed
Costs

Actual > Budget
Unfavorable

$$\text{Variance} = 39900(U)$$

Where did
Co. Save?

Labor Contracting ★
— 34,400 (U)

Delivery cost = 54000 (F)

Others
— 5500 (U)

Mr. Parker

Cost 168

40% margin 112

280

Birch Paper

Northern Divi.

3 quota.

Cost to the Co???

288

Internal

Thompson

480

430

West Paper

430

Birch Paper

432

Th's profit = 30 - 25 = 5
Son's profit = 90 40% margin = 36

432 - 41 = 391

Southern

280

Purchase

own cost

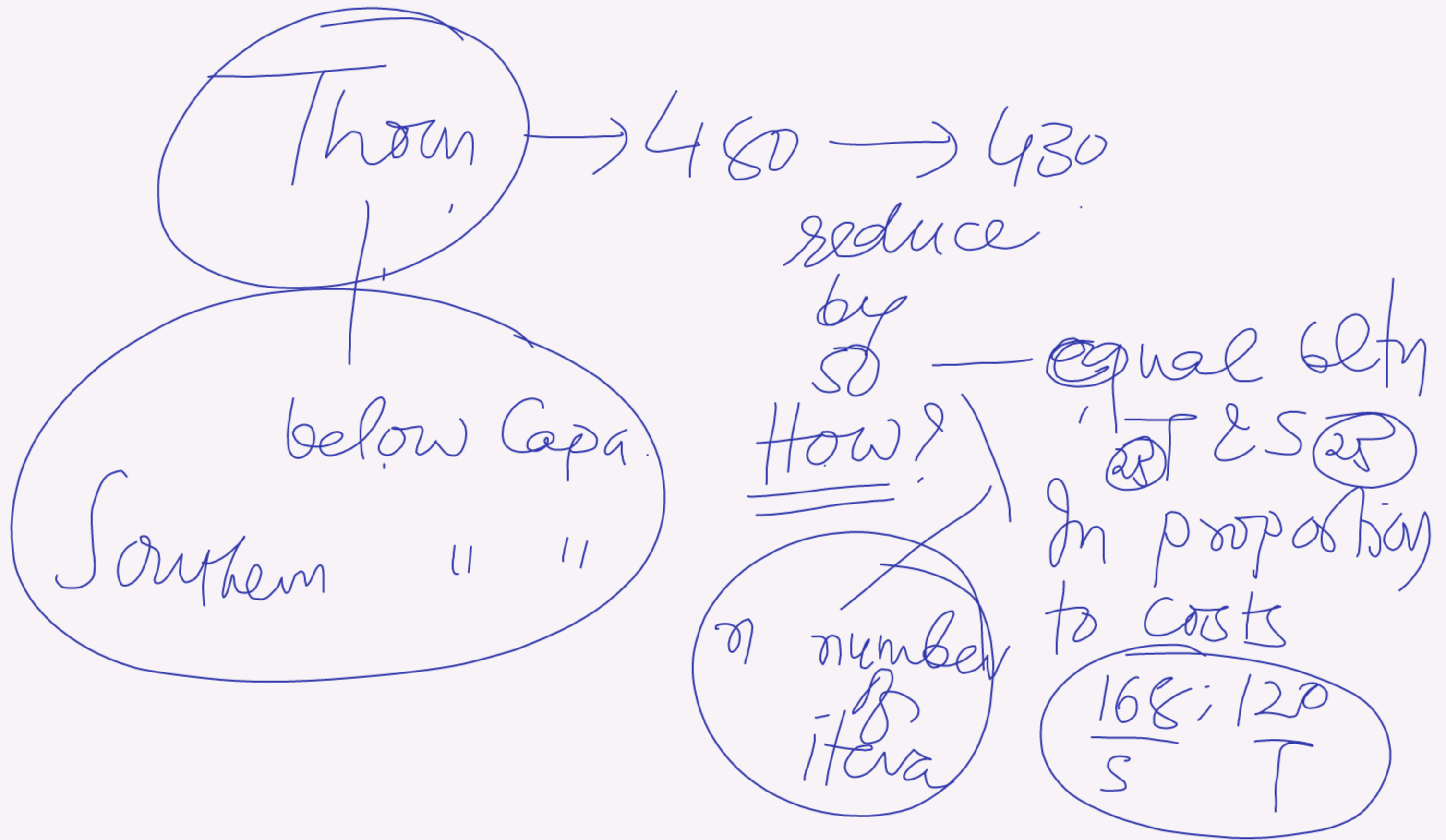
120

20% markup

400

80

480



Internal Suppliers & Customers

Transfer Pricing

Supplying div. is a cost centre

✓ MKT Price (120)
if available
best option

Cost (+)
Pre-determined cost 110
 $\Delta = 10$

✓ @ Costs
Std Costs or pre-determined
actual ??

How is it worked?

Value addi. by either division