

Checklist

What you should know

By the end of this subtopic, you should be able to:

- define the following terms: (AO1)
 - budget
 - profit centres
 - cost centres
 - variance analysis
 - favourable variance
 - adverse variance
- distinguish between cost centres and profit centres (AO2)
- explain the roles of cost centres and profit centres (AO2)
- explain and construct a budget (AO2, AO4)
- explain and calculate variances (AO2, AO4)
- explain the importance of budgets and variances in decision-making (AO2)

