

# 3

## Unit Budget and numbers

### Activity sheet 3.21.2

#### Part 1

Debs is the administrative assistant to the production manager of Cosy Homes Ltd. Cosy Homes manufactures and distributes hutches for rabbits and other pets. Its budget year starts on 1 November and ends 31 October. It is 3 October and Debs is comparing the budget for the year which is nearly over with the one which begins in just under one month's time. The sales department had forecast that sales would remain the same.

However, Cosy Homes has decided to introduce a new product from November. The sales department had suggested that additional customers could be attracted by selling dog kennels. The senior manager has decided to test this market. Debs notes that extra materials will be needed as well as an additional member of staff.

The figures which Debs is looking at are:

Item	Budget – current year (£)	Budget – next year (£)
3-ply wood	50,000	65,000
2 sq. cm wood	20,000	24,000
Wire mesh	8,000	8,000
Hinges and catches	5,000	5,000
Waterproof sheet	12,000	16,000
Nails	2,000	3,000
Wages	80,000	92,000
Tools	4,000	4,000
Electricity	2,000	2,000
<b>Total</b>	<b>183,000</b>	<b>219,000</b>

Look at the two columns of figures. What types of expenses have been increased for the new product and which figures are unchanged? Complete the chart below and give a reason for each change you identify.

Items unchanged	Items changed	Reason

# 3

## Unit Budget and numbers continued

### Activity sheet 3.21.2

#### Part 2

On 1 December, Deb's boss asks her to look at the first feedback report on the budget for the new year shown below. Complete the variance column. In the last column, suggest possible reasons for major variances.

Item	Budget	Actual for November (£)	Variance (£)	Possible reason
3-ply wood	65,000	66,000		
2 sq. cm wood	24,000	23,500		
Wire mesh	8,000	8,000		
Hinges and catches	5,000	5,000		
Waterproof sheet	12,000	16,000		
Nails	3,000	3,000		
Wages	92,000	97,000		
Tools	4,000	4,000		
Electricity	2,000	2,000		
Total	215,000	224,500		