**FINANCE FOR MANAGERS**

**Learning Outcome 3: ACTIVITY 3**

**INDIVIDUAL ACTIVITY**

**Variance analysis**

Nelson Engineering LTD produces a single component for use in motorised engines.

They have provided budgeted and actual sales and profit figures for the first three months of the year.

|  |  |  |  |
| --- | --- | --- | --- |
|  | January | February | March |
| Budgeted component sales | 3 700 units | 5 000 units | 3 900 units |
| Actual component sales | 3 900 units | 5 800 units | 3 000 units |
| Budgeted profit | $2 300 | $2 500 | $3 750 |
| Actual profit | $2 100 | $2 600 | $3 950 |

* Using the data provided, calculate any variances that are appropriate to allow Nelson Engineering LTD to review their budget predictions.
* Analyze the variances calculated. Identify the likely causes for the variances.
* Recommend and justify actions that Nelson Engineering LTD should take based on your calculations and analysis.