

**Ex. 5 -Budget Variance analysis**

**Q1. All about costs only, so you don't use price for calculations.**

A motel had budgeted an occupancy of 8,000 rooms with a selling price of \$82 per room and a variable housekeeping cost of \$4.40 per room. Actual data indicated that a total of 8,480 rooms were sold at an average selling price of \$77 per room and the actual cost of housekeeping per room was \$4.90 per room. Answer the following about the **housekeeping COST Budget variance**

- a. **What is the budget (cost) variance? Is it favorable or unfavorable?**
- b. **What is the cost variance? Is it favorable or unfavorable?**
- c. **What is the quantity volume variance? Is it favorable or unfavorable?**

**Q2. All about revenues only, so you don't use costs for calculations.**

**Budgeted rooms 8000**

**Actual rooms 8480**

**Budgeted price 82\$**

**Actual Price 77\$**

Using the same information in Q2, answer the following about the **sales Revenue variance**:

- a. **What is the budget (revenues) variance? Is it favorable or unfavorable?**
- b. **What is the price variance? Is it favorable or unfavorable?**
- c. **What is the sales volume variance? Is it favorable or unfavorable?**

**3. Make an Income statement based on Absorption and Variable costing.**

Revenues	6000
<b>Operating Costs</b>	
Variable costs	2500
Fixed costs	300
<b>Marketing and Administrative Expenses</b>	
Variable expenses	400
Fixed expenses	300