

Price variances



This course work analyses the volume, mix and price revenue variances for a medical group administering flu shots and treatments. It investigates the returns of the medical group in terms of revenues and profits. According to the literature, sales variance is the value difference between the actual volume of sales and the projected volume of sales (Elliot B. & Elliot J. 2004).

The medical group did considerably well in terms of total revenue variance. This is basically the difference between actual sales and projected sales. According to the calculations for these data, the total revenue variance was favorable as it totaled to \$ 3, 908, 000. This implied that the targeted market brought in larger revenue than had earlier been predicted. This is a common phenomenon especially in market analysis. In this case, it proved that the target group was in dire need of medical services and that targeting them in the future would not likely end up in economic losses (Farag S. M. 2009).

However, the price revenue variance and the sales mix variance were unfavorable. This is because negative values have been obtained for both cases. Ideally, this implied that the effect of lowering the selling price of flu shots was relatively more significant than the overall effect of increasing the price of treating patients. This is an accounting phenomenon that often arises from attempts to lower the price with a view to increasing the volume of sales. However, the volume increases may not usually be adequate to cover the gap left by reduced prices. Essentially, the medical group made considerable profits amounting to \$ 3, 907, 960. This was significant considering that they had spent some money hiring additional medical personnel (Poovey M. 1998).

In conclusion, the revenue collections of the medical group were generally favorable. However, their attempts to manipulate prices ended up in unfavorable price variance as well as sales mix variance. This should help them make a better analysis of this market in future (Elliot B. & Elliot J. 2004).