Accounts assignment

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I also certify that this assignment has not previously been submitted for assessment in any other course or at any other time in the same course. Have read the University's Academic and Scientific Misconduct Policy and understand its implications. * Student Signature: Office use only Assessor use only Date Received: Please place grade here Date Sent to Lecturer: Comments: Table of Contents 1. Operation Budget Sales Budget Production Budget Direct Materials Purchases Budget Direct labor Budget Manufacturing Overhead Budget Ending Finished Goods Inventory Budget

Cost Of Goods Sold Budget Budgeted Income Statement Cash Budget 2. Report on the impact of Cost Structures 3. Report on Budget versus Actual Outcomes 4. Discussion on Participative Budgeting A Participative Budgetary Approach An Imposed Budgetary Approach PART A ANSWER A ANSWER B ANSWER C ANSWER D ANSWER E ANSWER F ANSWER G ANSWER H ANSWER I 2. PART B Rite's concerns: Her primary concern is that the current market for alternative power generation equipment is already volatile and subject to significant uncertainty: a) BREAKABLE POINT ASSUMPTIONS/CALCULATIOWEXPLAINATION

TOTAL FIXED COSTS From part H budgeted income statement TOTAL CONTRIBUTION $ 396, 539, 779 TOTAL UNITS $ 170, 800 From part B Production Budget as sum of units of Jan, Feb. and March UNIT CONTRIBUTION $ 2, 321 Total contribution divided by Total units BEEP (UNITS) 159, 909 Total Fixed Costs divided by Unit contribution BEEP (S) $ 927, 472, 200 BEEP (Units) * $5800 To break even the company has to sell 126, 901 units for the quarter. Based on the data provided the budgeted sales for the quarter is 200, 480 units (74250+59400+ 66830) and the actual sales for the quarter are 178, 400.

Budgeted sales 200, 480 Actual sales 178, 400 BEEP sales 1 59, 909 b) Target Costing As per the budgeted income statement the net profit for the first 3 months is as follows: January February $ – 37, 254, 258 March $ – 28, 994, 538 Rite would be concerned that the net profit is declining and would wish that she understands the reason behind this. The decline in the net profit could be attributed to two main reasons: a) An increase in variable cost $ 309, 325, 478 b) A decline in sales $ 430, 650, 000 Rite would like to understand what sales revenue should be for the profit to be minimal to the month of January.

Variance Variable cost $65, 197, 171 Fixed cost $ 123, 713, 760 $ 123, 696, 035 $ – 5, 363, 725 $ 59, 833, 446 JANUARY SALES FEBRUARY SALES IMPACT OF PAULO’S INTENDED INVESTMENT ORIGINAL BUDGETED INCOME STATEMENT: Sales Less variable cost $ 31 $ 90, 063, 344 Mann OCHS $ 116, 970, 508 $ 154, 773, 264 Total Variable Cost $ 231, 154, 999 Contribution $ 264, 673, 912 Less fixed costs $ 121 Net profit $ 140, 960, 152 Revised Budgeted Income Statement Assumption $ 344, 520, 000 $ 387, 614, 000 No

Change $ 52, 144, 512 $ 67, 547, 508 Reduced by 25 % 24, 058, 350 $ 153, 724, 693 $ 246, 379, 122 $ 137, 596, 180 $ 141, 234, 878 Less Fixed Costs $ 181 Manufacturing OCHS increased by 50% Net Profit $ 91 $- 40, 366, 786 % Change of Net profit – 35. 2 % 700. 9 % 289. 3% Since the profit percentage value is negative which shows that the loss is increasing, therefore it is not a good idea to invest the money for Paulo. 3. PART C REPORT ON VARIANCE ANALYSIS (DIRECT MATERIAL & DIRECT LABOR) DIRECT MATERIAL PRICE VARIANCE: (PART 714 & PART 502) Actual price / part for “ Direct Material” for Part 714 $ 75. 65 where as the tankard price was $ 89 where as for Part 502 is $ 60. 75. This was because of the various factors: Continuous and positive relationships with suppliers have led them to reduce the price, provided we keep buying from them, i. E. Loyalty.

High Australian dollar has been beneficial as it has a high exchange rate, which helps to keep the actual price very low when dealing or purchasing the products from international suppliers. The supplier had a surplus of “ Part 714 & Part 502”, as a result of which the price was discounted. Due to the Change in the raw materials used to manufacture the product, Leading to change in quality of the product, and also making the material available at lesser price. As bulk quantity of raw materials was purchased from the suppliers, therefore received a huge discount, which led to lesser cost of production of the manufactured goods, reflecting a favorable material price variance.