

Profit Reconciliation Statement with Variance Analysis

For the Year Ended 31st March 2024

Description	Budgeted Amount (\$)	Actual Amount (\$)	Variance (\$)	Variance Remark
Sales Revenue	500,000	480,000	-20,000	Lower sales than expected
Less: Cost of Goods Sold	300,000	295,000	-5,000	Cost control improvement
Gross Profit	200,000	185,000	-15,000	
Less: Operating Expenses	50,000	60,000	+10,000	Increase in administrative costs
Operating Profit	150,000	125,000	-25,000	
Add: Non-operating Income	5,000	7,000	+2,000	Higher interest income
Less: Non-operating Expenses	2,000	3,000	+1,000	Unexpected expenses
Profit Before Tax	153,000	129,000	-24,000	
Less: Income Tax	45,000	40,000	-5,000	Lower taxable profit
Net Profit After Tax	108,000	89,000	-19,000	

Important Notes

- Profit Reconciliation helps identify reasons for deviations between budgeted and actual profits.
- Variance analysis highlights specific areas where performance differed from expectations.
- A negative variance indicates adverse performance, while a positive variance shows favorable results.
- This document supports effective decision-making for corrective and strategic actions.
- Accuracy in both data entry and variance explanations is essential for meaningful analysis.