

Variance Analysis Report

Report Details

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Executive Summary

This report summarizes key variances between budgeted and actual performance for the reporting period. Major differences are analyzed below to identify root causes and recommend corrective actions where necessary.

Variance Summary Table

Account/Category	Budgeted Amount	Actual Amount	Variance	Variance %	Comments
Revenue	\$100,000	\$95,000	-\$5,000	-5%	Sales volume lower than planned
Cost of Goods Sold	\$60,000	\$61,500	+\$1,500	+2.5%	Raw material prices increased
Operating Expenses	\$20,000	\$18,500	-\$1,500	-7.5%	Travel expenses reduced
Net Profit	\$20,000	\$15,000	-\$5,000	-25%	See revenue and COGS variance

Detailed Variance Analysis

Revenue

Actual revenue was 5% below budget due to decreased sales in the northeastern region. Market conditions and increased competition contributed to the shortfall.

Cost of Goods Sold

Costs exceeded budget primarily because of a price hike in key raw materials starting mid-January.

Operating Expenses

Lower travel and office supply costs contributed to overall savings, partially offsetting negative variances elsewhere.

Net Profit

Net profit was below budget as a result of the dual effect of reduced revenue and slightly higher COGS. Corrective measures have been proposed below.

Recommendations

- Focus on boosting sales through targeted promotions in underperforming regions.
- Negotiate with suppliers for better raw material rates or seek alternative vendors.
- Continue monitoring and controlling discretionary expenses.

Important Notes

- Variance analysis identifies deviations from plan and helps management make informed decisions.
- Consistent documentation improves accountability and action tracking.
- Root cause analysis is critical to avoid repeating negative variances.
- Reports should be timely and based on accurate, up-to-date data.