

Variance Analysis Report

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Department: Finance

Reporting Period: Q2 2024

1. Executive Summary

This report analyzes the variances between budgeted and actual figures for the quarter, highlighting significant deviations and their underlying causes. Action items are also recommended to address the unfavorable variances.

2. Variance Summary Table

Account	Budget	Actual	Variance	% Variance	Favorable/Unfavorable
Revenue	\$500,000	\$480,000	-\$20,000	-4.0%	Unfavorable
Cost of Goods Sold	\$300,000	\$290,000	+\$10,000	+3.3%	Favorable
Operating Expenses	\$100,000	\$120,000	-\$20,000	-20.0%	Unfavorable
Net Profit	\$100,000	\$70,000	-\$30,000	-30.0%	Unfavorable

3. Key Variance Explanations

- Revenue:** Lower than budgeted due to decreased sales in the main product line.
- COGS:** Favorable variance from negotiated supplier discounts.
- Operating Expenses:** Unfavorable due to an unplanned equipment maintenance event.
- Net Profit:** Impacted by both lower revenue and higher operating expenses.

4. Action Plan

- Increase marketing efforts for the main product line in Q3.
- Review maintenance schedules to avoid unexpected expenses.
- Monitor expenses closely and implement tighter controls.

Important Notes:

- Variance analysis helps management understand budget deviations.
- Timely and accurate data collection is essential for meaningful analysis.
- Identify both positive (favorable) and negative (unfavorable) variances.
- This document should be reviewed regularly as part of financial controls.
- Always document explanations for material variances for audit and future reference.