

Variance Analysis Report

Small Business Budget – FY 2024 Q1

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1. Executive Summary

This report outlines budgeted versus actual performance for the first quarter of FY 2024. Key variances and their underlying causes are identified to enhance future budget planning and improve cost control.

2. Budget Variance Table

Category	Budgeted	Actual	Variance	% Variance	Remarks
Sales Revenue	\$50,000	\$48,200	-\$1,800	-3.6%	Lower sales due to seasonal downturn
COGS	\$20,000	\$19,750	-\$250	-1.3%	Improved supplier pricing
Payroll	\$10,000	\$10,800	+\$800	+8.0%	Overtime payments
Utilities	\$2,500	\$2,300	-\$200	-8.0%	Reduced energy consumption
Marketing	\$3,000	\$3,600	+\$600	+20.0%	Increased digital ad spend
Total Expenses	\$35,500	\$36,450	+\$950	+2.7%	
Net Income	\$14,500	\$11,750	-\$2,750	-19.0%	Lower sales and higher ad spend

3. Key Findings

- Revenue was slightly below target due to a seasonal downturn.
- Total expenses overran the budget by 2.7%, primarily because of higher marketing and payroll costs.
- Cost-saving was achieved in utilities and COGS.
- Overall net income was 19% lower than forecasted, influenced by both revenue shortfall and increased variable costs.

4. Recommendations

- Evaluate marketing ROI before increasing spend further.
- Review overtime approval processes to manage payroll costs.
- Continue to identify cost-saving opportunities in utilities and procurement.
- Enhance sales efforts during low-demand periods.

Important Notes

- Variance analysis helps identify discrepancies between planned and actual financial outcomes, supporting better business decisions.
- Consistent reporting periods improve trend analysis and forecasting accuracy.
- Thorough documentation of reasons behind variances increases transparency and accountability.
- This report should be reviewed regularly to adapt budgets and strategies as business conditions change.