

Profit Margin Variance Analysis Document

Overview

This document presents an analysis of the profit margin variance between the planned and actual results for the reporting period.

Summary Table

Particulars	Planned	Actual	Variance
Revenue	\$500,000	\$470,000	-\$30,000
Cost of Goods Sold	\$300,000	\$295,000	-\$5,000
Gross Profit	\$200,000	\$175,000	-\$25,000
Gross Profit Margin	40%	37.2%	-2.8%

Variance Analysis

- Revenue Shortfall:** Revenue fell below plan by \$30,000 (6%), largely due to lower-than-expected sales volume in Product Line A.
- Cost Control:** Cost of Goods Sold decreased by \$5,000, partially offsetting lower revenue. Improvement attributed to efficient procurement.
- Gross Profit Impact:** Gross profit margin declined by 2.8 percentage points, primarily due to revenue shortfall outpacing cost savings.

Important Notes

- Profit margin variance analysis helps identify root causes of margin fluctuations.
- It is crucial to use consistent and accurate data for meaningful variance calculations.
- Variance analysis can highlight operational inefficiencies or market challenges.
- Action plans should be developed based on the findings to improve future performance.
- Regular review of this document enhances financial transparency and decision-making.