

Variance Analysis Operating Profit Statement

Particulars	Budgeted Amount	Actual Amount	Variance	Favourable / Adverse
Sales Revenue	500,000	510,000	+10,000	Favourable
Less: Cost of Goods Sold	300,000	320,000	-20,000	Adverse
Gross Profit	200,000	190,000	-10,000	Adverse
Less: Operating Expenses	70,000	60,000	+10,000	Favourable
Operating Profit	130,000	130,000	0	-

Analysis of Variances

Item	Variance	Comments
Sales Revenue	+10,000	Higher sales achieved
Cost of Goods Sold	-20,000	Increase in material cost
Operating Expenses	+10,000	Cost control measures effective

Important Notes:

- Variances help in identifying areas for operational improvement.
- 'Favourable' means the actual result is better than budgeted; 'Adverse' means worse.
- Regular variance analysis supports better decision-making and accountability.
- Explanations for significant variances should be provided for clarity.