Exam 3 Plan: Budgeting and Variances

Knowledge Targets

I can define the following terms as they relate to our unit:

Budget	**Planning Budget**	**Flexible Budget**	**Cash Budget**
Master Budget	**Activity Variance**	**Revenue Variance**	**Spending Variance**
Fixed Cost	**Variable Cost**	**Standard Cost**	**Standard Hours**
Standard Price	**Variance**	**Quantity Variance**	**Efficiency Variance**
Rate Variance	**Price Variance**	**Materials**	**Labor**
Variable Overhead	**Fixed Overhead**	**Selling expense**	**Administrative expense**

Reasoning Targets

- I can understand the difference between a **planning budget** and a **flexible budget**.
- I can identify costs as **fixed cost** or **variable cost**.
- I can understand the purpose of using a **budget** for businesses.
- I can analyze differences between **budget** and actual and explain possible reasons for the variances.
- I can analyze and explain **labor rate** and **efficiency variances**.
- I can analyze and explain **material price** and **quantity variances**.
- I can understand the use of **standards (including cost, hours or price)** for budgeting and analysis.

Skill Targets

- I can prepare a sales and production **budget** (or purchases **budget** for merchandiser).
- I can prepare a **selling and administrative expense budget**.
- I can prepare a **cash budget** including schedules of receivables and payables.
- I can prepare a budgeted income statement and budgeted balance sheet.
- I can prepare a **master budget** including budgets for sales, purchases, selling and administrative expenses, cash, income statement and balance sheet.
- I can prepare a **flexible budget** based on the actual level of production.
- I can prepare a **flexible budget** performance report analyzing difference between budget and actual.
- I can calculate **variances** for **materials** and **labor**.