



FNSACC412

Prepare operational budgets.

Assessment 2 of 2

Project



Version 1.3 April 2023

Introduction

This assessment assumes a simulated workplace – Ace Finance. Required workplace documents can be downloaded from the learning platform under Module 7 Assessment 2 tab.

The assessment involves knowledge obtained in the learning platform, understanding workplace documents that have been provided, and additional research to be completed.

For this assessment, you will play the role of Patresia Florence, a trainee accountant at Ace Finance. Andrew Black will be your manager and will provide you with directions for each task in the form of an email.

As per Andrew's instruction, you are required to engage with fictitious clients of Ace Finance. For this assessment, the client is Elite Manufacturing.

Assessment Instructions

This assessment is divided into the following:

- Six (6) case study tasks.

Each task will provide instructions on where you are to provide your answer. These will include:

- The templates are provided in this assessment document.
- [FNSACC412_02_Excel Workbook](#). The Excel workbook can be downloaded from the learning platform under Module 7 Assessment 2 tab.

In this assessment, you must submit two role-play video recordings of yourself and two other participants. Your role-play video's must be recorded with all participants captured in a virtual room using a system such as Zoom, Skype or Microsoft Teams. The recording must be a video file.

Resources required for assessment

To complete the assessments, students need to have access to the following:

- A computer with Internet and email access and a working web browser
- Computer Software:
 - MS Word
 - MS Excel
 - Adobe Acrobat Reader
 - Video recording device

Submission requirements

To be eligible to be deemed competent in this assessment, you are required to submit the following documents. Please save these to your computer and upload them onto the LMS once you believe you have completed all required tasks.

Assessment checklist

Students must have completed all questions within this assessment before submitting. This includes:

| | |
|--------|---|
| Task 1 | FNSACC412_02_Project_Excel Workbook <ul style="list-style-type: none">• Sales budget (Tab 1)• Production budget (Tab 1)• Direct materials budget (Tab 1)• Direct labour budget (Tab 1)• Factory overhead budget (Tab 1) |
| Task 2 | FNSACC412_02_Project_Excel Workbook <ul style="list-style-type: none">• Budgeted Statement of financial performance for Elite Manufacturing (Tab 2)• Email Template |
| Task 3 | FNSACC412_02_Project_Excel Workbook <ul style="list-style-type: none">• Budgeted cash flow statement for Elite Manufacturing (Tab 3) |
| Task 4 | FNSACC412_02_Project_Excel Workbook <ul style="list-style-type: none">• Budgeted variances for Elite Manufacturing (Tab 4)• Email Template |
| Task 5 | Recording of Role play meeting to discuss the budgeting function |
| Task 6 | Recording of Role play meeting to discuss the budget variances |



Assessment Information

Submission

You are entitled to three (3) attempts to complete this assessment satisfactorily. Incomplete assessments will not be marked and will count as one of your three attempts.

All questions must be responded to correctly to be assessed as satisfactory for this assessment.

Answers must be typed into the space provided and submitted electronically via the LMS. Hand-written assessments will not be accepted unless previously arranged with your assessor.



Reasonable adjustment

Students may request a reasonable adjustment for assessment tasks.

Reasonable adjustment usually involves varying:

- the processes for conducting the assessment (e.g. allowing additional time)
- the evidence-gathering techniques (e.g. oral rather than written questioning, use of a scribe, modifications to equipment)



However, the evidence collected must allow the student to demonstrate all requirements of the unit.

Refer to the Student Handbook or contact your Trainer for further information.



Please consider the environment before printing this assessment.

Student Instructions

This assessment uses a simulated business called Ace Finance. To complete the assessment tasks, you must access information, documents, and templates associated with one of Ace Finance's clients, Elite Manufacturing.

The supporting documents you will need to complete the assessment can be downloaded from the learning platform under Module 7 Assessment 2 tab from the learning platform under Module 11 Assessment 2 tab.

For this assessment, you will role-play Patresia Florence, a trainee accountant with Ace Finance. Andrew Black is your manager. To be assessed as competent, you must complete all tasks in the spaces provided in this assessment document or the FNSACC412_02_ Excel Workbook.

Read each question carefully before typing your response in the space provided.

Task 1 – Prepare Budgets for Elite Manufacturing



To: Patresia Florence (p.florence@acefinance.com.au)
From: Andrew Black (a.black@acefinance.com.au)
Subject: Preparing budgets for Elite Manufacturing
Attachments: FNSACC412_02_Project_Excel Workbook

Good morning Patresia

I would like you to assist me with one of our key clients Elite Manufacturing Pty Ltd.

The business is a privately owned company with two (2) manufacturing plants that produce and sell two (2) products:

- Product A
- Product B.

They also have two (2) subsidiary companies:

- Sunrise Rice Bubbles
- Mountain Air Fruit Bran.

Elite Manufacturing is stepping into its annual budget cycle. They have decided to introduce a new comprehensive budgeting system from 1 July 2022 to 30 June 2023 and asked us to assist them in preparing their operational budgets using their complex financial data.

Elite Manufacturing has provided us with the following information.

Elite Manufacturing operational information

| | Product A | Product B |
|---|-----------|-----------|
| Sales forecast units | 600,000 | 175,000 |
| Selling price per unit | \$ 27 | \$ 42 |
| Finished goods, 1 July 2022 (units) | 26,400 | 14,400 |
| Required finished goods 30 June 2023 (units) | 32,400 | 20,400 |
| Direct materials 1 July 2022 (kg) | 54,000 | 14,400 |
| Required materials inventory, 30 June 2023 (kg) | 42,000 | 18,000 |
| Direct materials required per unit | 1.2kg | 1.8kg |
| Material cost per kg | \$4.20 | \$5.40 |
| Direct labour time required per unit (hours) | 0.6 | 0.9 |
| Direct labour cost per hour | \$12.00 | \$13.20 |
| Cost of production per unit | \$15.00 | \$25.80 |
| Budgeted selling and distribution expenses | \$840,000 | \$450,000 |
| Budgeted administration expenses | \$540,000 | \$480,000 |

Can you please prepare the following budgets for the coming financial year using the budget templates provided in the attached Excel workbook [FNSACC412_02_Project_Excel Workbook](#)

- Sales budget (Tab 1)
- Production budget (Tab 1)
- Direct materials budget (Tab 1)
- Direct labour budget (Tab 1)
- Factory overhead budget (Tab 1)



Warm regards,
Andrew | Manager andrew@ace.finance

MARKING GUIDE

Candidates must use the information provided in the email from Andrew Black and the templates provided in [FNSACC412_02_Project_Excel Workbook](#) to prepare a:

- Sales budget
- Production budget
- Direct materials budget
- Direct labour budget
- Factory overhead budget

The response must match the benchmark answer provided below.

Sales Budget

| Product | A | B |
|-------------------------|------------------|-----------------|
| Budgeted sales units | 600000 | 175000 |
| Budgeted price per unit | \$ 27.00 | \$ 42.00 |
| Budgeted Sales | \$ 16,200,000.00 | \$ 7,350,000.00 |

Production Budget

| Product | A | B | Total |
|--------------------------|---------|---------|---------|
| Forecasted sales units | 600,000 | 175,000 | 775,000 |
| Ending inventory | 32,400 | 20400 | 52,800 |
| Beginning finished goods | 26400 | 14400 | 40,800 |
| Production required | 606,000 | 181,000 | 787,000 |

Direct Materials Budget

| Product | A | B | Total |
|-------------------------------|-----------------|-----------------|-----------------|
| Production units required | 606,000 | 181,000 | 787,000 |
| Materials per unit (kg) | 1.2 | 1.8 | |
| Kg of materials required | 727,200 | 325,800 | 1,053,000 |
| Desired ending materials (kg) | 42,000 | 18,000 | 60,000 |
| Kilograms needed | 769,200 | 343,800 | 1,113,000 |
| Beginning materials (kg) | 54,000 | 14,400 | 68,400 |
| Purchased required (kg) | 715,200 | 329,400 | 1,044,600 |
| Cost per kg | \$ 4.20 | \$ 5.40 | |
| Cost of purchases | \$ 3,003,840.00 | \$ 1,778,760.00 | \$ 4,782,600.00 |

Direct Labour Budget

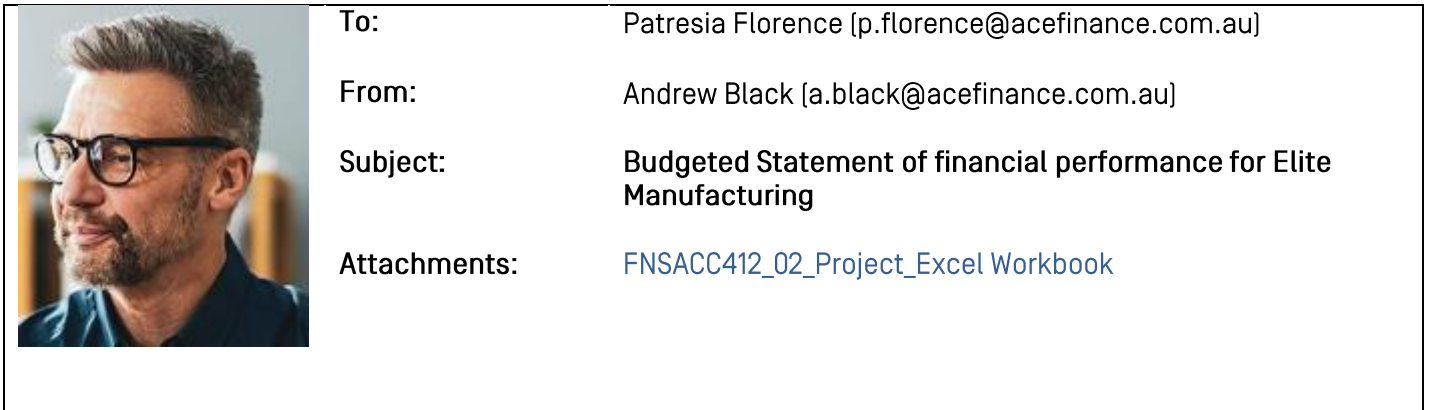
| Product | A | B | Total |
|------------------------------|-----------------|-----------------|-----------------|
| Production units required | 606,000 | 181,000 | 787,000 |
| Direct labour hours per unit | 0.6 | 0.9 | |
| Total hours required | 363,600 | 162,900 | 526,500 |
| Labour rate per hour | \$ 12.00 | \$ 13.20 | |
| Total labour cost | \$ 4,363,200.00 | \$ 2,150,280.00 | \$ 6,513,480.00 |

Factory Overhead Budget

| Product | A | B | Total |
|--|-----------------|-----------------|------------------|
| Total cost of production = Production required x Cost of production per unit | \$ 9,090,000.00 | \$ 4,669,800.00 | \$ 13,759,800.00 |
| Raw materials cost = Cost of purchase | \$ 3,003,840.00 | \$ 1,778,760.00 | \$ 4,782,600.00 |
| Direct labour costs | \$ 4,363,200.00 | \$ 2,150,280.00 | \$ 6,513,480.00 |
| Total prime costs (Direct labour costs + Raw materials cost) | \$ 7,367,040.00 | \$ 3,929,040.00 | \$ 11,296,080.00 |
| Factory overhead = Total cost of production - Total prime cost | \$ 1,722,960.00 | \$ 740,760.00 | \$ 2,463,720.00 |

Total cost of production = Production required x Cost of production per unit (A = 606,000 x \$15.00) (B = 181,000 x \$25.80)

Task 2 Budgeted Statement of financial performance



Good morning Patresia

Thank you for completing the budgets for Elite Manufacturing.

Using the information provided in Task 1 and [FNSACC412_02_Project_Excel Workbook \[Tab 2\]](#), create a budgeted statement of financial performance for the year ending 30 June 2023.

Elite Manufacturing's organisational goals and forecasts for the 2023 financial year include the following:

- Sales revenue to break even = \$23,000,000.
- Total budgeted expenses are not to exceed \$2,300,000 (10% of sales revenue).
- Net profit to be at least \$1,200,000.

Once you have developed the budgeted Statement of financial performance, analyse the data to assess whether the six budget milestones are consistent with Elite Manufacturing's organisational goals and forecasts for 2023.

Prepare an email for Sam English, the Financial Controller at Elite Manufacturing. In the email:

- a. confirm whether the six budget milestones are consistent with their organisational goals, and forecasts for 2023
- b. include a copy of the completed budgeted Statement
- c. identify the six key budget milestones to be followed in the 2023 financial years budget cycle
- d. identify two key performance indicators to measure sales and expense productivity.



Warm regards,
Andrew | Manager andrew@ace.finance

Task 2 MARKING GUIDE

Candidates must draft and email to Sam English, the Financial Controller at Elite Manufacturing. The email must contain the content in the benchmark response below.

Email Template

| | |
|--------------|--|
| To: | Sam English |
| From: | Patresia Florence (p.florence@acefinance.com.au) |
| Subject: | Budgeted Statement of financial performance |
| Attachments: | |

Email content

- a. confirm whether the six budget milestones are consistent with their organisational goals and forecasts for 2023.

The candidate's response must reflect the benchmark answer provided below.

The budgeted sales revenue meets the minimum requirement of \$23,000,000. The budgeted sales revenue is \$31,300,000.

The budgeted expenses exceed the 10% sales revenue target. The budgeted expenses are \$2,310,000, which is above \$2,300,000.

The budgeted net profit of \$1,211,520 meets the minimum requirement of \$1,200,000.

- b. Include a copy of the completed budgeted Statement.

The candidate's response must match the benchmark answer provided below.

Budgeted Statement of Financial Performance for Elite Manufacturing for the year ended 30 June 2023

| Product | A | B | Total |
|-----------------------------------|--------------|-------------|--------------|
| Sales revenue | 16,200,000 | 7,350,000 | 23,550,000 |
| Cost of goods sold | | | |
| Direct Materials | 9,000,000 | 4,515,000 | 13,515,000 |
| Direct Labour | 4,363,200 | 2,150,280 | 6,513,480 |
| Gross Profit | 2,836,800 | 684,720 | 3,521,520 |
| Selling and distribution expenses | 840,000 | 450,000 | 1,290,000 |
| administration expenses | 540,000 | 480,000 | 1,020,000 |
| Total budget expenses | 1,380,000 | 930,000 | 2,310,000 |
| Net Profit | \$ 1,456,800 | -\$ 245,280 | \$ 1,211,520 |

c. Identify the six key budget milestones to be followed in the 2023 financial year's budget cycle.

The candidate's response must include the six budgetary milestones listed below.

1. Setting objectives
2. Analysing available resources
3. negotiating to estimate budget components
4. Co-ordinating and reviewing budget components
5. Obtaining final approval
6. Distributing the approved budget

d. Identify two key performance indicators to measure sales and expense productivity.

The candidate's response must include the two key performance indicators listed below.

Gross profit margin = $\text{Gross profit} / \text{Sales}$

Net profit margin = $\text{Net profit} / \text{Sales}$

Kind regards



Patricia Florence | Trainee Accountant
p.florence@acefinance.com.au

Task 3 Budgeted statement of cash flows



To: Patresia Florence (p.florence@acefinance.com.au)
From: Andrew Black (a.black@acefinance.com.au)
Subject: Budgeted cash flow statement for Elite Manufacturing
Attachments: [FNSACC412_02_Project_Excel Workbook](#)

Good morning Patresia

Thank you for the draft budgeted Statement of financial performance for Elite Manufacturing. Could you now produce a budget cash flow statement for the first two quarters of the financial year ending 30 June 2023? Use [FNSACC412_02_Project_Excel Workbook \(Tab 3\)](#).

Please include your workings, as these will be used in our upcoming presentation to Elite Manufacturing management.

Revenue figures are in the table below.

- 60% of the revenue will be collected during the quarter in which the products are sold
- 25% will be collected in the quarter following the sale
- 10% will be collected in the second quarter following the sale
- 5% will be collected in the third quarter following the sale

Elite Manufacturing employs staff on a contract basis. They are paid according to the following contract terms:

- 70% of the salaries paid to staff are paid in the quarter in which they worked, and the balance is paid in the following quarter.

Advertising and promotion expenses are \$36,000 per quarter plus 15% of revenue. Administrative expenses are estimated to be \$96,000 per quarter, which includes \$28,800 of depreciation expense. All expenses except depreciation are paid when they are incurred.

Elite Manufacturing is planning to buy equipment during the first quarter of 2023 for \$48,000. They will pay off a \$72,000 loan, which will mature during the second quarter of 2023. The interest due at maturity will be \$8,400. The anticipated cash balance on 1 January 2023 is \$36,000.

The estimated revenue from consulting fees and costs of contracted consultants are as follows:

| Quarter | Revenue | Staff payments |
|---------|-----------|----------------|
| Q2 2022 | \$288,000 | \$168,000 |
| Q3 2022 | \$264,000 | \$144,000 |
| Q4 2022 | \$336,000 | \$192,000 |
| Q1 2023 | \$456,000 | \$120,000 |
| Q2 2023 | \$312,000 | \$144,000 |



Warm regards,
Andrew | Manager andrew@ace.finance

Task 3 MARKING GUIDE

Candidates must produce a budgeted cash flow statement for Elite Manufacturing for quarters 1 & 2. (September and December 2022). The response must include all the candidate's workings and match the benchmark answer below.

Budgeted Statement of Cash Flows for Elite Manufacturing for Q1 and Q2 2023

| | September | December | Total |
|--|---------------|---------------|--------------|
| <i>Cashflow from operating activities:</i> | | | |
| Receipts from customers | \$398,400.00 | \$348,000.00 | |
| Payments to suppliers and employees | -\$313,200.00 | -\$286,800.00 | |
| Interest paid | | -\$8,400.00 | |
| Net cash from operating activities: | \$85,200.00 | \$52,800.00 | \$138,000.00 |
| <i>Cashflow from investing activities:</i> | | | |
| Purchase of equipment | -\$48,000.00 | | |
| Net cash from investing activities | -\$48,000.00 | | -\$48,000.00 |
| <i>Cashflow from financing activities:</i> | | | |
| Repayment of borrowings | | -\$72,000.00 | |
| Net cash from financing activities | | -\$72,000.00 | -\$72,000.00 |
| Net increase/[decrease] in cash held | \$37,200.00 | -\$19,200.00 | \$18,000.00 |
| Cash at the beginning of the quarter | \$36,000.00 | \$73,200.00 | \$36,000.00 |
| Cash at the end of the quarter | \$73,200.00 | \$54,000.00 | \$54,000.00 |

WORKINGS

Receipts from Customers

| Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | Total Q1 2023 |
|--------------|--------------|--------------|--------------|---------------|
| \$288,000.00 | \$264,000.00 | \$336,000.00 | \$456,000.00 | |
| 5% | 10% | 25% | 60% | |
| \$14,400.00 | \$26,400.00 | \$84,000.00 | \$273,600.00 | \$398,400.00 |

| Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 | Total Q2 2023 |
|--------------|--------------|--------------|--------------|---------------|
| \$264,000.00 | \$336,000.00 | \$456,000.00 | \$312,000.00 | |
| 5% | 10% | 25% | 60% | |
| \$13,200.00 | \$33,600.00 | \$114,000.00 | \$187,200.00 | \$348,000.00 |

Staff Payments

| Q4 2022 | Q1 2023 | Total Q1 2023 |
|--------------------|--------------------|---------------------|
| \$192,000.00 | \$120,000.00 | |
| 30% | 70% | |
| \$57,600.00 | \$84,000.00 | \$141,600.00 |

| Q1 2023 | Q2 2023 | Total Q2 2023 |
|--------------------|---------------------|---------------------|
| \$120,000.00 | \$144,000.00 | |
| 30% | 70% | |
| \$36,000.00 | \$100,800.00 | \$136,800.00 |

Advertising and promotion expenses

| | Q1 2023 | Q2 2023 |
|-----------|---------------------|--------------------|
| Revenue | \$456,000.00 | \$312,000.00 |
| % | 15% | 15% |
| % revenue | \$68,400.00 | \$46,800.00 |
| per Qtr | \$36,000.00 | \$36,000.00 |
| Total | \$104,400.00 | \$82,800.00 |

Administrive expenses

| | Q1 2023 | Q2 2023 |
|----------|--------------------|--------------------|
| per Qtr | \$96,000.00 | \$96,000.00 |
| less Dep | \$28,800.00 | \$28,800.00 |
| Total | \$67,200.00 | \$67,200.00 |

Task 4 Budget Variances for Elite Manufacturing



To: Patresia Florence [p.florence@acefinance.com.au]
From: Andrew Black [a.black@acefinance.com.au]
Subject: Budgeted variances for Elite Manufacturing
Attachments: [FNSACC412_02_Project_Excel Workbook](#)

Hi Patresia,

Thank you for completing Elite Manufacturing's cash flow statement. Before our presentation to the Elite Manufacturing management team, could you please calculate the budget variances and analyse them to identify whether they are favourable or unfavourable?

Please use the budget variances report template in [FNSACC412_02_Project_Excel Workbook Tab 4](#) and the supporting information below to calculate the budgeted variances.

The budget variances report covers the following:

- a) Sales variance
- b) Material variance
- c) Labour variance
- d) Variable overhead variance
- e) Fixed overhead variances

Budget variances report supporting information.

Sales

| Sales Information | Product A | Product B |
|------------------------|-----------|-----------|
| Actual selling price | \$6.20 | \$7.70 |
| Budgeted selling price | \$6.00 | \$8.00 |
| Actual units sold | 8,000 | 33,000 |
| Budgeted quantity | 10,000 | 30,000 |

Material

| | |
|-------------------|--------|
| Standard quantity | 24,000 |
| Standard price | \$5.00 |
| Actual quantity | 16,000 |
| Actual price | \$7.00 |

Labour

| | |
|-------------------|--------|
| Standard quantity | 28,000 |
| Standard price | \$9.00 |
| Actual quantity | 42,000 |
| Actual price | \$8.00 |

Variable Overheads

| | |
|--------------------------|----------|
| Actual variable overhead | \$13,000 |
| Actual hours | 2,500 |
| Variable overhead rate | \$4.00 |
| Standard hours | 3,000 |

Fixed Overheads

| | |
|---|---------|
| Actual fixed overhead | 420,000 |
| Fixed overhead rate | \$20.00 |
| Budgeted production hours (2 locations) | 10,000 |
| Standard production hours (2 locations) | 9,500 |
| Actual production hours (2 locations) | 10,100 |

The management of Elite Manufacturing has implemented a plan to grow the business. They must hit their sales milestones to ensure they have the capital to fund their plan. Their objective is to achieve at least a \$2,500 favourable variance for their total sales variance.

Once you have completed the variance calculations, analyse the sales variance and confirm whether Elite Manufacturing is on track to achieve its objective. Send Sam English, the Financial Controller, an email explaining the total sales variance and provide an opinion on whether you think they will achieve the milestone. Include a copy of the budget variances in the body of the email.

If there are unfavourable variances, we will need to seek direction from the client regarding further investigation and any possible responses.

So, to clarify, the email must cover the following:

- a. the total sales variance milestone
- b. the variance reports
- c. seeking direction on unfavourable variances.

Please ensure you send the email within 48 hours of completing the variance calculations.



Warm regards,
Andrew | Manager andrew@ace.finance

Task 4 MARKING GUIDE

Candidates must draft and email to Sam English, the Financial Controller at Elite Manufacturing. The email must contain the content in the benchmark response below.

Email Template

| | |
|--------------|--|
| To: | Sam English |
| From: | Patresia Florence (p.florence@acefinance.com.au) |
| Subject: | Budgeted variances for Elite Manufacturing |
| Attachments: | |

Email content

- a. Total sales variance of \$3,700 [favourable], which is a combination of sales price variance of \$8,300 [unfavourable] and sales volume variance of \$12,000. This exceeds the goal of a \$2,500 favourable variance. Elite Manufacturing is on track to achieve its objectives.

b.

a) Sales Variance

| | | | |
|--|--------------------|---------------------|---|
| Sales price variance = (Actual selling price - Budgeted selling price) x Actual units sold | | | |
| Product A | \$1,600.00 | Favourable | Workings for Assessor (\$6.20 - \$6.00 x 8,000) |
| Product B | -\$9,900.00 | Unfavourable | (\$7.70 - \$8.00 x 33,000) |
| Sales price variance | -\$8,300.00 | Unfavourable | |
| Sales volume variance = (Actual quantity - Budgeted quantity) x Budgeted selling price | | | |
| Product A | -\$12,000.00 | Unfavourable | (8,000 vs 10,000 x \$6.00) |
| Product B | \$24,000.00 | Favourable | (33,000 vs 30,000 x \$8.00) |
| Sales volume variance | \$12,000.00 | Favourable | |

b) Materials Variance

| | | | |
|--|---------------|--------------|--|
| Total materials variance | | | |
| Standard quantity x Standard price | \$120,000.00 | | Workings for Assessor (24,000 x \$5) |
| Actual quantity x Actual price | \$112,000.00 | | (16,000 x \$7) |
| | \$8,000.00 | Favourable | |
| Material price variance | \$2.00 | | (\$7 - \$5) |
| Material quantity variance | | | |
| (Standard price - Actual price) x Actual quantity | -\$32,000.00 | Unfavourable | ((5 - \$7) x 16,000) |
| (Standard quantity - Actual quantity) x Standard price | \$40,000.00 | Favourable | ((24,000 - 16,000) x \$5) |

c) Labour Variance

| | | | |
|--|---------------|--------------|--|
| Total labour variance | | | |
| Standard quantity x Standard price | \$252,000.00 | | Workings for Assessor (28,000 x \$9) |
| Actual quantity x Actual price | \$336,000.00 | | (42,000 x \$8) |
| | -\$84,000.00 | Unfavourable | |
| Labour price variance | \$1.00 | | (\$9 - \$8) |
| Labour quantity variance | | | |
| (Standard price - Actual price) x Actual quantity | \$42,000.00 | Favourable | ((9 - \$8) X 42,000) |
| (Standard quantity - Actual quantity) x Standard price | -\$126,000.00 | Unfavourable | ((28,000 - 42,000) x \$9) |

d) Variable Overheads Variance

| Variable overheads price variance | | | <u>Workings for Assessor</u> |
|--|-------------|--------------|------------------------------|
| Actual variable overhead | \$13,000.00 | | |
| Budgeted adjusted actual hours | \$10,000.00 | | (2,500 x \$4) |
| Price variance | -\$3,000.00 | Unfavourable | |
| Variable overheads efficiency variance | | | |
| Budgeted adjusted actual hours | \$10,000.00 | | |
| Budgeted adjusted to standard hours | \$12,000.00 | | (3,000 x \$4) |
| Efficiency variance | \$2,000.00 | Favourable | |

e) Fixed Overheads Variance

| Fixed overhead budget variance | | | <u>Workings for Assessor</u> |
|---|--------------|--------------|--------------------------------------|
| Actual fixed overhead | \$420,000.00 | | |
| Budgeted fixed overhead | \$400,000.00 | | ((10,000 x 2) x \$20) |
| Budget variance | -\$20,000.00 | Unfavourable | |
| Volume variance | | | |
| Budgeted fixed overhead | \$400,000.00 | | |
| Standard fixed overhead | \$380,000.00 | | ((9,500 x 2) x \$20) |
| Volume variance | -\$20,000.00 | Unfavourable | |
| Fixed overhead efficiency variance | | | |
| (Standard hours vs Actual hours) x Standard fixed overhead rate | -\$24,000.00 | Unfavourable | ((9,500 x 2) - (10,100 x 2) X \$20) |
| Fixed overhead pure volume variance | | | |
| (Actual hours - Budgeted hours) x Standard fixed overhead rate | \$4,000.00 | Favourable | ((10,100 x 2) - (10,000 x 2) X \$20) |

c. Our variance analysis has identified the following unfavourable variances:

- Sales price variance
- Material variance
- Labour variance
- Fixed overhead variance
- Variable overhead variance.

These require further investigation to determine whether they are one-off events or trends that require a planned response.


Please provide instructions on whether you want me to look into all unfavourable variances or identify priorities for investigation.

Kind regards



Patricia Florence | Trainee Accountant
p.florence@acefinance.com.au

Task 5 Role Play

| | | |
|---|---------------------|--|
|  | To: | Patresia Florence [p.florence@acefinance.com.au] |
| | From: | Andrew Black [a.black@acefinance.com.au] |
| | Subject: | Meeting with Elite Manufacturing |
| | Attachments: | |

Hi Patresia,

Thank you for sending the Budgeted variance report through to Elite Manufacturing.

We now need to plan for our upcoming meetings with the management team.

Meeting 1

Their Finance Officer and Bookkeeper want to manage the budgeting function more in-house. They want to learn more about:

- key features of possible policies and procedures
- using MYOB to support the preparation of budgets.

This task is a role play.

Explain the following key features that should be included in Elite Manufacturing's organisational policies and procedures that cover budgeting:

1. Frequency (annual, quarterly, etc.)
2. Budget centres
3. Types of budgets reports
4. Forecasts
5. Review and sign off (who is responsible).

Explain working with budgets in MYOB Business, including:

- Three (3) considerations when defining your business goals.
- Three (3) ways to create a budget by importing data.
- How to compare performance against the budget.

[Working with budgets - MYOB Business - MYOB Help Centre](#)

During the meeting, you must address all elements of the Observation Checklist below.

| Observation Checklist | Yes | No |
|---|--------------------------|--------------------------|
| During the meeting, candidates must demonstrate they have: Followed accepted communication practices. | | |
| MARKING GUIDE Candidates must: <ul style="list-style-type: none">• Begin with a greeting and introduce themselves.• Briefly explain the reason for the meeting.• Clearly communicate what they hope to achieve from the meeting. For example, discussing the key budgeting information that needs to be included in Elite Manufacturing's budgeting and forecasting policies and procedures and using MYOB to support the preparation of budgets.• Be professional and courteous.• Practice active listening by focusing on the role-play participants' words, avoiding interruptions, and responding appropriately.• Confirm understanding. | <input type="checkbox"/> | <input type="checkbox"/> |
| Discussed each key feature that must be included in Elite Manufacturing's budgeting and forecasting policies and procedures. Key features must include: <ul style="list-style-type: none">• Frequency (annual, quarterly, etc.) | <input type="checkbox"/> | <input type="checkbox"/> |
| MARKING GUIDE The candidate's response must reflect the benchmark answer below. Budgets are usually prepared annually; however, quarterly interim budget cycles can be useful for sales forecasting and cash flow forecasting. | | |
| <ul style="list-style-type: none">• Budget centres | <input type="checkbox"/> | <input type="checkbox"/> |
| MARKING GUIDE The candidate's response must reflect the benchmark answer below. Budget centres are functional units headed by a manager responsible for that unit's activities. These can be: | | |
| <ul style="list-style-type: none">• Revenue centres• Expense centres• Profit centres• Investment centres | <input type="checkbox"/> | <input type="checkbox"/> |
| <ul style="list-style-type: none">• Types of budgets reports:<ul style="list-style-type: none">○ sales budget○ materials budget○ labour budget○ variable overheads budget○ fixed overhead budget | | |
| MARKIG GUIDE The candidate's response must reflect the benchmark answer below. <ul style="list-style-type: none">• A sales budget is a financial plan that estimates the total revenue a company makes in a specific period. Companies measure this in both dollars and units and use it as a tool to predict the future performance of their business. | | |

as a CSV file, working on it in Excel and then importing it back into MYOB.

You can import:

- the previous year's actual figures. If you have been using MYOB for more than 12 months, you can import last year's actual figures into the budget and make any adjustments for the new year.
 - a saved budget. If you have an existing budget in MYOB, you can use it as a template for the new budget.
 - a CSV file. You can use Microsoft Excel, or another spreadsheet application, to prepare your budget. You can do this by exporting the budget as a CSV file, working on it in Excel and then importing it back into MYOB.
- How to compare performance against the budget in MYOB.

MARKING GUIDE

The candidate's response must reflect the benchmark answer below.

You should compare your actual performance to your budget at least monthly. This will enable you to identify areas that aren't going as well as you were hoping or expecting. You can then take action to rein in the expenses or boost your sales.

The **Profit and loss report** enables you to compare your budget and your actual figures side by side, in a table or graph format. You can quickly identify the areas that need your attention, with the variance shown as dollar and percentage amounts.

Compare your results to a budget that's for the period you're reviewing. Just select the **Budget** option and then select the budget you want to compare from the drop-down list. The report will show the variance in both dollar and percentage terms.

Warm regards,
Andrew | Manager
andrew@ace.finance



Option 1: Peer participants

You must complete this task with two peers, playing the Finance Officer and the Bookkeeper. Explain the purpose of the role play/meeting and a copy of the Task 5 description and the observation checklist so that they can prepare for the recording.

Your peers must state their names and job titles at the start of the recording to confirm informed consent.

Option 2: Fellow students for participants

Two fellow students can participate in the recording playing the Finance Officer and the Bookkeeper. They must have reviewed the assessment activity and observation checklist so that they can prepare for the recording.

Students will need to state their name and that they are a student (as their job title) at the start of the recording to inform consent.

Questions to ask during the meeting and who should ask them:

| | |
|-----------------|--|
| Finance Officer | Does MYOB have budgeting facilities? If so, can you please explain how to create a budget by importing data? |
| Finance Officer | How do you compare performance against the budget in MYOB? |
| Bookkeeper | What are three (3) considerations when defining your business goals? |

Recording instructions

Your role play must be recorded with all participants captured in a virtual room using a system such as Zoom, Skype or Microsoft Teams. The recording must be a video file.

Consent to participate in the recording must be captured for all participants at the start of the meeting. This is achieved by the student reading the following Statement at the beginning of the recording, with all participants replying with their name and job title to inform consent.

"This session/presentation is being recorded for assessment purposes for my course with Swinburne Open Education. This session will be recorded and submitted through my course online learning platform to my Assessor for grading. All participants in this session indicate their consent to be included in this recording by stating their name and job title."

The time taken to capture consent at the start of the recording does not count towards the recording time limit.

Include this recording as part of your assessment submission.

Task 6 Role Play



To: Patresia Florence [p.florence@acefinance.com.au]
From: Andrew Black [a.black@acefinance.com.au]
Subject: Meeting with Elite Manufacturing – Meeting 2
Attachments:

Hi Patresia,

Elite Manufacturing's senior managers want to plan their response to the variance reports to ensure they achieve their financial milestones. I would like you to meet with them to discuss the unfavourable variances in the company overheads and suggest actions they can take to address them.

This task is a role play.

Instructions to students

In this task, you will participate in a role-play meeting with Elite Manufacturing's managers.

During the meeting:

- clarify the reason for the meeting
- explain each of the unfavourable variances and at least one effective response to address each one
- address all elements of the observation checklist below .

| Observation Checklist | Yes | No |
|--|--------------------------|--------------------------|
| During the meeting, students must demonstrate they have: | | |
| <p>Followed accepted communication practices by introducing themselves and explaining the reason for the meeting.</p> <p>MARKING GUIDE Candidates must:</p> <ul style="list-style-type: none"> • Begin with a greeting and introduce themselves. • Briefly explain the reason for the meeting. • Clearly communicate what they hope to achieve from the meeting. For example, discussing the key budgeting information that needs to be included in Elite Manufacturing's budgeting and forecasting policies and procedures and using MYOB to support the preparation of budgets. • Be professional and courteous. • Practice active listening by focusing on the role-play participants' words, avoiding interruptions, and responding appropriately. • Confirm understanding. | <input type="checkbox"/> | <input type="checkbox"/> |
| <p>Explain each unfavourable variance related to overheads.</p> <p>MARKING GUIDE Candidates must explain each of the following unfavourable variances.</p> <p>Variable overheads price variance Price Variance - \$3,000 unfavourable</p> <p>Fixed overhead budget variance Budget variance - \$20,000 unfavourable Volume variance - \$20,000 unfavourable</p> <p>Fixed overhead efficiency variance [Standard hours vs Actual hours] x Standard fixed overhead rate [9,500 x 2] - [10,100 x 2] X \$20 = \$24,000 unfavourable.</p> | <input type="checkbox"/> | <input type="checkbox"/> |
| <p>Discussed a response to address each unfavourable variance</p> <p>Variable overheads price variance Variable overheads are the costs of operating a business that fluctuates with the business or manufacturing activity level. As production output increases or decreases, variable overhead moves in tandem. The candidate's response must reflect examining variable costs to reduce overheads.</p> <p>Examples of effective responses include:</p> <ul style="list-style-type: none"> • Review the manufacturing workforce and allocate work more efficiently. • Find cheaper suppliers for materials. • Ensure all equipment is serviced and maintained to minimise running costs. <p>Fixed overhead budget variance Fixed overhead costs are the indirect manufacturing costs that are not expected to change when the volume of activity changes. The candidate's response must reflect examining fixed costs to reduce overheads.</p> | <input type="checkbox"/> | <input type="checkbox"/> |

Recording instructions

Your role play must be recorded with all participants captured in a virtual room using a system such as Zoom, Skype or Microsoft Teams. The recording must be a video file.

Consent to participate in the recording must be captured for all participants at the start of the meeting. This is achieved by the student reading the following Statement at the beginning of the recording, with all participants replying with their name and job title to inform consent.

"This session/presentation is being recorded for assessment purposes for my course with Swinburne Open Education. This session will be recorded and submitted through my course online learning platform to my Assessor for grading. All participants in this session indicate their consent to be included in this recording by stating their name and job title."

The time taken to capture consent at the start of the recording does not count towards the recording time limit.

Include this recording as part of your assessment submission.



Congratulations, you have reached the end of Assessment 2!

Assessment checklist

Students must have completed all questions within this assessment before submitting. This includes:

| | | |
|--------|---|--|
| Task 1 | FNSACC412_02_Project_Excel Workbook <ul style="list-style-type: none">• Sales budget (Tab 1)• Production budget (Tab 1)• Direct materials budget (Tab 1)• Direct labour budget (Tab 1)• Factory overhead budget (Tab 1) | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |
| Task 2 | FNSACC412_02_Project_Excel Workbook <ul style="list-style-type: none">• Budgeted Statement of financial performance for Elite Manufacturing (Tab 2)• Email Template | <input type="checkbox"/> <input type="checkbox"/> |
| Task 3 | FNSACC412_02_Project_Excel Workbook <ul style="list-style-type: none">• Budgeted cash flow statement for Elite Manufacturing (Tab 3) | <input type="checkbox"/> |
| Task 4 | FNSACC412_02_Project_Excel Workbook <ul style="list-style-type: none">• Budgeted variances for Elite Manufacturing (Tab 4)• Email Template | <input type="checkbox"/> <input type="checkbox"/> |
| Task 5 | Recording of Role play meeting to discuss the budgeting function | <input type="checkbox"/> |
| Task 6 | Recording of Role play meeting to discuss the budget variances | <input type="checkbox"/> |

Save all documents on your computer with the naming convention:

FNSACC412_Assessment 2_Student name

When you have completed your assessment, upload it to the platform where you downloaded this assessment from.

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