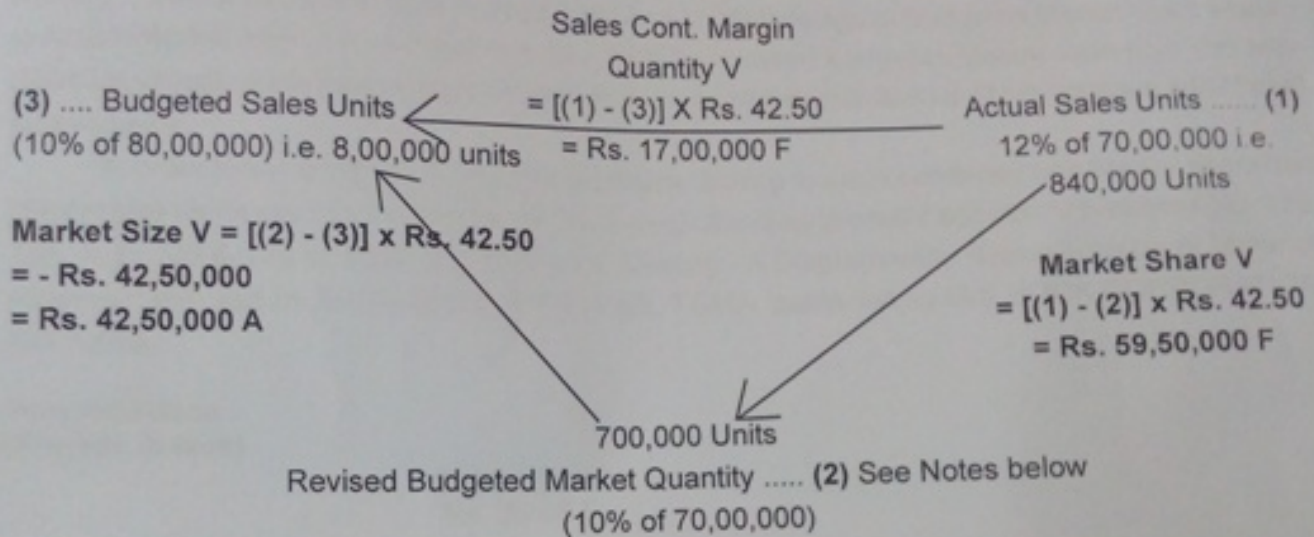


Market Analysis		
	Budget	Actual
Sales Units	800,000	840,000
Market Size	80,00,000	70,00,000
Market Share	10%	12%
(Sales Unit / Market Size)		



Basic computations :

(i) Budgeted Average Sales Contribution Margin per unit = Rs. 340,00,000 / 800,000 units = Rs. 42.50

(ii) Budgeted or Standard Contribution Margin per unit of Rolls

(a) Industrial : Rs. 1,00,00,000 / 2,00,000 Units = Rs. 50

(b) Domestic : Rs. 2,40,00,000 / 600,000 Units = Rs. 40

(iii) Budgeted or Standard Contribution Margin on Actual Quantity of Sales

(a) Industrial : 252,000 Units x Rs. 50 = Rs. 126,00,000

(b) Domestic : 588,000 Units x Rs. 40 = Rs. 235,20,000

Total Rs. 361,20,000

(iv) Budgeted or Standard Sales Contribution Margin on Revised Standard Quantity (RSQ)

	AQ in std proportion	RSQ units	Std Margin	Amount
(a) Industrial :	8,40,000 x 2/8	210,000	Rs. 50	Rs. 105,00,000
(b) Domestic :	8,40,000 x 6/8	630,000	Rs. 40	Rs. 252,00,000
		<u>840,000</u>		<u>Rs. 357,00,000</u>

Answer :

(i) Sales Mix V

= Std Sales Cont. Margin on AQ - Std Sales Cont. Margin on RSQ.

(a) Industrial : Rs. 126,00,000 - Rs. 105,00,000 = Rs. 21,00,000 F

(b) Domestic : Rs. 235,20,000 - Rs. 252,00,000 = Rs. 16,80,000 A

Rs. 4,20,000 F

Attention : CA / CMA finalists and MBA Students / CA CLUB / CMA CLUB.

Diagrammatic solution of problem No. 3 (a) that appeared in CA Final Examination, Nov. 2016.

PROBLEM :

Zed company manufactures two types of flooring rolls. Budgeted and actual data for 2015 are -

	Static Budget			Actual Result		
	Industrial	Domestic	Total	Industrial	Domestic	Total
Unit Sales in Rolls ('000)	200	600	800	252	588	840
Contribution Margin (₹ in lacs)	100.00	240.00	340.00	119.70	246.96	366.66

In late 2014, a marketing research estimated industrial volume for industrial and domestic flooring at 80 Lacs Rolls. Actual industry volume for 2015 was 70 Lacs Rolls.

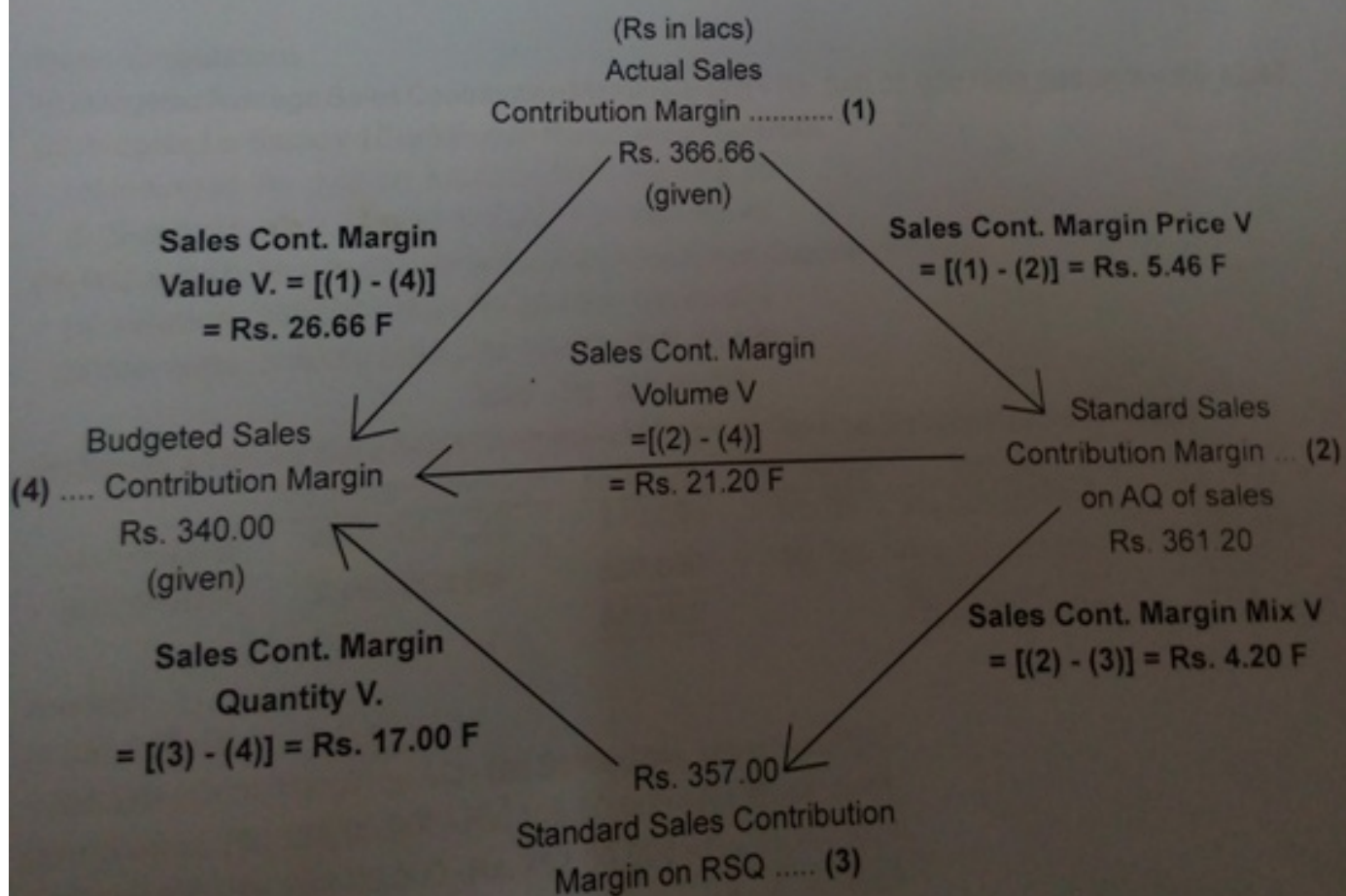
Compute :

- Sales Mix Variance and Sales Quantity Variance by type of flooring rolls and in total.
- Market Share Variance and Market Size Variance.

Author's Notes :

Diagrams in Variance Analysis pave the way for a quick solution in the examination hall. The method is easy to understand and convenient to apply. These are quite in harmony with the original and established formulae

SOLUTION:



Sales Quantity V

= Std Sales Cont. Margin on RSQ - Budgeted Sales Cont. Margin

(a) Industrial : Rs. 105,00,000 - Rs. 100,00,000 = Rs. 5,00,000 F

(b) Domestic : Rs. 252,00,000 - Rs. 240,00,000 = Rs. 12,00,000 F

Rs. 17,00,000 F

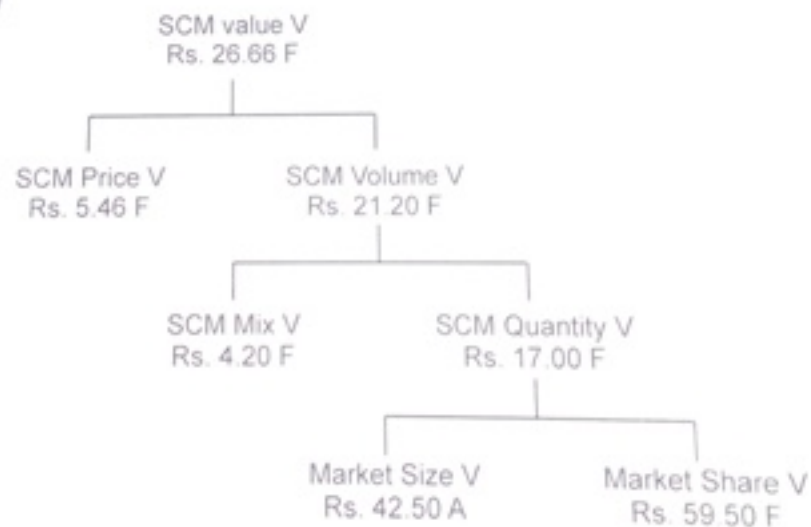
(ii) Market Share V = Rs. 59,50,000 F

Market Size V = Rs. 42,50,000 A

NOTES : In order to bring simplicity into the product of "Percentage of Budgeted Market share applied to Actual Market size", I have used the term RBMQ (Revised Budgeted Market Quantity). The term RBMQ is virtually a transient one which stands as a bridge between Market share variance and Market size variance.

In order to solve Variance Analysis problems relating to sales combined with Market share and Market size variance, you are advised to go through the diagrammatic solution of problems No. 126, 127, 128 & 129 embodied in "Standard Costing - A Diagrammatic Representation of Variance Analysis" authored by BIMALENDU BANERJEE, FCMA, published by M/S BOOK CORPORATION KOLKATA.

Reconciliation :
(Rupees in lacs)



You are most welcome to Contact No. 9432071668 for your feed back / comments / queries, if any.