

ACC 202 Final Project Part I Guidelines and Rubric

Overview

To be successful, all businesses must perform periodic assessments to determine the efficiency of operations. Whether you are an owner, a manager, or a front-line employee, at some time you will be affected by a budget.

Preparing a budget and analyzing the results of operations in relation to the budget will help you understand how to use financial information to evaluate the effectiveness of an organization's operations. The process will also help you determine the reasons operations do not always go as planned and make decisions on changes that might need to be made to make the organization, or just your own department, more efficient.

In Part I of the final project, you will use course-provided information to prepare an operating budget and compare actual operational results to the budgets, discussing potential reasons for any variances and areas to explore further. This variance analysis will allow you to make suggestions in Part II of the final project about potential changes to make your organization more efficient.

You will have three deliverables for Part I of the assessment: a student worksheet, a budget variance worksheet, and a budget variance report. First, you will prepare a beginning operating budget for your company, using the student worksheet provided. Your budget will include different products with different costing methods, labor, and sales projections based on a desired profit margin. You will then compare your budget to actual results to determine and analyze variances. You will calculate and record the variances on the budget variance worksheet provided. Finally, you will provide a brief written analysis of the variances and discuss additional information needed to determine their cause.

This assessment addresses the following course outcomes:

- Communicate budget planning to internal stakeholders for strategic planning
- Apply costing methods to production for supporting budget planning and decision making

Prompt

You are a manager for Peyton Approved, a pet supplies manufacturer. This responsibility requires you to create budgets, make pricing decisions, and analyze the results of operations to determine if changes need to be made to make the company more efficient.

You will be preparing a budget for the quarter July through September 2014. You are provided the following information. The budgeted balance sheet on June 30, 2014, is:

Peyton Approved
Budgeted Balance Sheet
30-Jun-15

ASSETS

Cash		\$42,000
Accounts receivable		259,900
Raw materials inventory		35,650
Finished goods inventory		<u>241,080</u>
Total current assets		578,630
Equipment	\$720,000	
Less accumulated depreciation	<u>240,000</u>	<u>480,000</u>
Total assets		<u>\$1,058,630</u>

LIABILITIES AND EQUITY

Accounts payable		\$63,400
Short-term notes payable		24,000
Taxes payable		<u>10,000</u>
Total current liabilities		97,400
Long-term note payable		300,000
Total liabilities		<u>397,400</u>
Common stock	\$600,000	
Retained earnings	<u>61,230</u>	
Total stockholders' equity		<u>661,230</u>

Total liabilities and equity

\$1,058,630

1. Sales were 20,000 units in June 2015. Forecasted sales in units are as follows: July, 18,000; August, 22,000; September, 20,000; October, 24,000. The product's selling price is \$18.00 per unit and its total product cost is \$14.35 per unit.
2. The June 30 finished goods inventory is 16,800 units.
3. Going forward, company policy calls for a given month's ending finished goods inventory to equal 70% of the next month's expected unit sales.
4. The June 30 raw materials inventory is 4,600 units. The budgeted September 30 raw materials inventory is 1,980 units. Raw materials cost \$7.75 per unit. Each finished unit requires 0.50 units of raw materials. Company policy calls for a given month's ending raw materials inventory to equal 20% of the next month's materials requirements.
5. Each finished unit requires 0.50 hours of direct labor at a rate of \$16 per hour.
6. Overhead is allocated based on direct labor hours. The predetermined variable overhead rate is \$1.35 per unit produced. Depreciation of \$20,000 per month is treated as fixed factory overhead.
7. Monthly general and administrative expenses include \$12,000 administrative salaries and 0.9% monthly interest on the long-term note payable.
8. Sales representatives' commissions are 12% of sales and are paid in the month of the sales. The sales manager's monthly salary is \$3,750 per month.

Specifically, the following **critical elements** must be addressed:

1. **Operating Budget**

Create an operating budget using the Final Project Part I Student Worksheet.

- a) Prepare a **sales budget**. Ensure accuracy of data.
- b) Prepare a **production budget**. Ensure the accuracy of your data.
- c) Prepare a **manufacturing budget**. Ensure the accuracy of your data.
- d) Prepare a **selling expense budget**. Ensure the accuracy of your data.
- e) Prepare a **general and administrative expense budget** using appropriate costing methods.

2. **Budget Variance Analysis**

The actual quantity of material used was 31,000 with an actual cost of \$7.75 per unit. The actual labor hours were 33,000 with an actual rate per hour of \$15.

- a) Develop a **variance analysis** including a budget variance performance report and appropriate variances for materials and labor. Use the budget variance student worksheet provided.
- b) In your budget variance report, **discuss** each variance. What does the variance tell you?
- c) In addition, your budget variance report should cover the following: What needs to be **investigated** to determine the reason for the variance? Why?

Final Project Part I Rubric

Guidelines for Submission: Complete the [Final Project Part I Student Worksheet](#) and the [Budget Variance Student Worksheet](#). Your budget variance report should be 1–3 pages, double-spaced, with one-inch margins, 12-point Times New Roman font, and APA format. Use the Final Project Part I Budget Variance Report Template to complete the report.

Critical Elements	Exemplary	Proficient	Needs Improvement	Not Evident	Value
Operating Budget: Sales Budget		Prepares a sales budget, and data is accurate (100%)	Prepares a sales budget, but it contains some errors (55%)	Does not prepare a sales budget (0%)	12
Operating Budget: Production Budget		Prepares a production budget, and data is accurate (100%)	Prepares a production budget, but it contains some errors (55%)	Does not prepare a production budget (0%)	12
Operating Budget: Manufacturing Budget		Prepares a manufacturing budget, and data is accurate (100%)	Prepares a manufacturing budget, but it contains some errors (55%)	Does not prepare a manufacturing budget (0%)	12
Operating Budget: Selling Expense Budget		Prepares a selling expense budget, and data is accurate (100%)	Prepares a selling expense budget, but it contains some errors (55%)	Does not prepare a selling expense budget (0%)	12
Operating Budget: General and Administrative Expense Budget		Prepares a general and administrative expense budget and utilizes appropriate costing methods (100%)	Prepares a general and administrative expense budget, but does not use appropriate costing methods (55%)	Does not prepare a general and administrative expense budget (0%)	12
Budget Variance Analysis: Variance Analysis		Develops a variance analysis that includes a budget variance performance report and appropriate variances for materials and labor (100%)	Develops a variance analysis that includes a budget variance report, but variances for materials and labor are not appropriate (55%)	Does not develop a variance analysis (0%)	12
Budget Variance Analysis: Discuss	Meets “Proficient” criteria and demonstrates awareness of the role of variances (100%)	Discusses each variance and determines what variances inform (85%)	Discusses each variance, but does not determine what variances inform (55%)	Does not discuss each variance (0%)	12

Southern New Hampshire University

Budget Variance Analysis: Investigation	Meets “Proficient” criteria, and justification is well supported with examples (100%)	Identifies what needs to be investigated to determine the reason for the variance and justifies response (85%)	Identifies what needs to be investigated to determine the reason for the variance, but response lacks justification (55%)	Does not identify what needs to be investigated to determine reason for variance (0%)	12
Articulation of Response	Submission is free of errors related to citations, grammar, spelling, syntax, and organization and is presented in a professional and easy-to-read format (100%)	Submission has no major errors related to citations, grammar, spelling, syntax, or organization (85%)	Submission has major errors related to citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas (55%)	Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent understanding of ideas (0%)	4
Earned Total					100%