



# SNS College of Technology



Coimbatore - 35

23BAT605 – FINANCIAL  
STATEMENT ANALYSIS  
Unit V – BUDGETING

Topic: Guess?????



**Presented by**

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**1<sup>st</sup> Indian**  
**Institution** Design  
to **Implement** Thinking  
Curriculum

Redesigning Common Mind and  
Business Towards Excellence



Let's  
Recap





# FLEXIBLE BUDGET



## *Illustration*

Draft a flexible budget for overhead expenses on the basis of following information and determine the overhead rates at 70% 80% and 90% plant capacity.

Particulars	70% capacity	80% capacity Rs	90% capacity
<b><u>Variable Overheads</u></b>			
Indirect Labour	-----	24,000	-----
Stores including spares	-----	8,000	-----
<b><u>Semi-variable overheads</u></b>			
Power( 30% fixed ,70%)	-----	40,000	-----
Repairs and maintenance 80% fixed and 20% variable	-----	4,000	-----
<b><u>Fixed Overheads</u></b>			
Depreciation	-----	22,000	-----
Insurance	-----	6,000	-----
Salaries	-----	20,000	-----
<b>Total overheads</b>	-----	1,24,000	-----





# SOLUTION

Particulars	70% capacity	80% capacity	90% capacity
Variable overheads			
Indirect labour	21,000	24,000	27,000
Stores including spares	7,000	8,000	9,000
Semi- variable Expenses - Power*			
Fixed 30%	8,000	8,000	8,000
**Variable	28,000	32,000	36,000
Repairs and maintenance			
***Fixed 80%	3,200	3,200	3,200
****Variable 20%	700	800	900
Fixed Overheads			
Depreciation	22,000	22,000	22,000
Insurance	6,000	6,000	6,000
Salaries	20,000	20,000	20,000
Total Overheads	1,15,900	1,24,000	1,32,100





# FLEXIBLE BUDGET



The expenses for budgeted production of 10,000 units in a factory are furnished below

Particulars	Per unit
Material	70
Labour	25
Variable overheads	20
Fixed overheads (1,00,000)	10
Variable expenses (Direct)	5
Selling expenses for budgeted production	13
Distribution expenses(20% fixed)	7
Administration expenses(Rs.50,000)	5
Total cost per unit	155

Prepare a budget for production of

1. 8,000 units
2. 6,000 units
3. Calculate the cost per unit at both levels





# SOLUTION

Assume that administration expenses are fixed for all level of production

	10,000 units		8,000 units		6,000 units	
	Per Unit Rs	Amount Rs	Per Unit Rs	Amount Rs	Per Unit Rs	Amount Rs
Production Expenses:						
Material	70.00	7,00,000	70.00	5,60,000	70.00	4,20,000
Labour	25	2,50,000	25.00	2,00,000	25.00	1,50,000
Overheads	20	2,00,000	20.00	1,60,000	20.00	1,20,000
Direct Variable expenses	5	50,000	5	40,000	5	30,000
Fixed Overheads Rs.1,00,000	10	1,00,000	12.5	1,00,000	16.667	1,00,000
Selling Expenses:						
Fixed	1.3	13,000	1.625	13,000	2.167	13,000
Variable	11.7	1,17,000	11.7	93,600	11.7	70,200
Distribution Expenses:						
Fixed	1.4	14,000	1.75	14,000	2.334	14,000
Variable	5.6	56,000	5.6		5.6	30,600
Administration Expenses	5.0	50,000	6.25	50,000	8.333	50,000
Total Cost	155.00	15,50,000	159.425	12,75,400	166.801	10,00,800





# Flexible Budget

SUMMARY





# References...

- Accounting for Management, CMA.MN Arora







Thank  
you





# REACH US



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