

BUSI 523 Management Accounting

Assignment Three:



Consultants' Report prepared for:

Boston Creamery

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BOSTON CREAMERY INC

JIM PETERSON

PRESIDENT OF THE ICE CREAM DIVISION

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Tuesday 12th June 2007

Dear Mr. Peterson,

We are pleased to present to you the results of our analysis of the budgeting process at Boston Creamery. We followed your proposed approach to first investigate your current way of planning and conducting the budget and variance report, second to show you the weaknesses of this approach and finally to provide some ideas on how to improve the quality of the budgeting processes and overall division performance in the coming year.

Please do not hesitate to contact us should you have any further questions.

Yours sincerely

Syndicate C

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Executive Summary

The current variance analysis schedule, proposed by Frank Roberts, has created unease in that the information presented in the schedule is misleading and not a fair representation of various division's performance in the manufacturing and selling of Boston Creamery's ice cream products. The following report highlights various issues and suggests remedies for taking corrective actions and correcting the immediate concerns of the schedule. It is important in any forecasting, budgeting and analysis of performance to identify factors which are in the control of managers, to enable improved performance in the following year. Recommendations for the alteration of the intended report are supplied and elaborated on.

Introduction (Report Objectives)

The budgeting and forecasting for the Ice Cream Division of Boston Creamery is a necessary part of assessing the actual annual performance of the division relative to the planned and forecasted figures. Unfortunately there are considerable difficulties in undertaking such forecasts, especially due to the changes in operations and unforeseen events that can skew the picture the resulting figures create. In this case, the manufacturing and operations side of the Division are portrayed in quite a bad light in the current variance analysis proposed by Frank Roberts. Enclosed are recommendations for the issues presented, and corrective actions to resolve the problems in the current analysis of the Division's performance in controlling costs.

The report will cover the current variance analysis and suggest changes to the proposed schedule to remove ambiguity and start delving into the drivers of costs and how to control them, and which are uncontrollable. Secondly, the report will suggest means for interpreting the manufacturing variance analysis in a more accurate and fair manner, particularly in the allocation of costs and how they are presented in the schedule to avoid ambiguity. Thirdly, the report will cover a number of issues in the variance report and identify means for adapting these figures, such as the fluctuations in the dairy and sugar prices and how to pass them on to the consumer instead of absorbing the costs. And finally numerous recommendations in how this report should be redesigned will remove ambiguity and susceptibility to criticism.