



The Markley Division

MBA 628: Managerial Accounting Instructor: Dr. Juan J. Segovia

March 18, 2014

THE NUMBER CRUNCHERS

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**Problem Definition**

The Markley Division of Rosette Industries has an ineffective budgeting system that results in inaccurate standard costs of production.

**Quantitative Analysis**

* Exhibit 1 examines the causes of the $32,600 unfavorable income variance (Q1).
* Exhibit 2 shows
* Exhibit 3 shows

**Qualitative Analysis**

* The major causes of Markley’s unfavorable profit performance include (Q2a):
* Markley’s management attempted to correct the abovementioned problems by (Q2b):
* Markley’s management should have taken the following steps to improve the division’s operating income include (Q2c):

**Recommendation**

## Adjust the standard costs for purchasing direct material to bring them into closer alignment with actual costs.

* Modify sales commissions plans so that they are based on contribution margin as opposed to profit margin.
* Increase/decrease the sales prices of both plastic and metal chairs to:

## Exhibits