

Wall Street Playbook.

FREE FIELDNOTES / FP&A

FP&A case: explain the revenue miss

Linden Office Supply missed its quarterly revenue budget. Your task is to separate what the arithmetic explains from what the commercial team still needs to investigate. The company, data and management notes are fictional.

THE TASK

Reconcile a revenue variance and write a useful next-step recommendation.

Analyst interview practice | Suggested session: 30 minutes

Updated 2 October 2026. Original exercises with stated assumptions and source notes.

How to use this resource

Work through the prompts before checking the answers. Keep a record of the assumption or step that caused difficulty, then repeat that part without notes. The suggested timing is a study aid, not an employer assessment standard.

The brief and your deliverables

The CFO wants a short explanation of revenue versus budget, a check on whether gross profit deteriorated by the same amount, and two questions for the sales team. Use thousands of units and dollars per unit, so calculated revenue is in \$000. There are no returns, rebates, currency movements or accounting-policy changes in this exercise.

Product	Budget units (000)	Budget price	Actual units (000)	Actual price
Standard	10	\$20	9	\$19
Premium	5	\$40	6	\$38

- Calculate budget and actual revenue by product and in total.
- Build a volume-then-price bridge for each product.
- Explain how a favorable change in product volume can coexist with a revenue miss.
- Calculate gross profit using variable unit costs of \$12 for Standard and \$24 for Premium in both periods. There are no other cost-of-sales items.

Choose a bridge convention

Use volume effect = (actual units - budget units) x budget price. Then use price effect = actual units x (actual price - budget price). This convention allocates the interaction between price and volume to the price effect. A different consistent convention can allocate that interaction differently while still reconciling to the same total variance.

For multiple products, show product-level effects before combining them. This exercise's volume effect includes the change in product mix; it does not separately decompose aggregate volume and mix.

Standard: budget / actual revenue / volume effect / price effect

Premium: budget / actual revenue / volume effect / price effect

Total revenue bridge / reconciliation difference

Worked solution: the bridge closes

Revenue is \$1,000 below budget, or 0.25%. Standard loses \$20,000 from lower units at budget price and \$9,000 from the lower realized price on 9,000 actual units. Premium gains \$40,000 from volume and loses \$12,000 from price. The favorable \$20,000 combined volume effect is slightly more than offset by the \$21,000 price effect.

Budget variable cost is \$120,000 + \$120,000 = \$240,000; budget gross profit is \$160,000, a 40.0% margin. Actual variable cost is \$108,000 + \$144,000 = \$252,000; actual gross profit is \$147,000, approximately 36.84% of revenue. Gross profit is down \$13,000 even though revenue is down only \$1,000.

At budget prices, the changed product volumes add \$8,000 of gross profit: -1,000 x \$8 Standard unit margin + 1,000 x \$16 Premium unit margin. Price reductions then remove \$21,000. The gross-profit bridge is \$160,000 + \$8,000 - \$21,000 = \$147,000.

\$000	Budget revenue	Volume effect	Price effect	Actual revenue
Standard	200	-20	-9	171
Premium	200	+40	-12	228
Total	400	+20	-21	399

Turn the calculation into a management note

- Ask sales for discount and customer-level detail. The bridge alone does not establish why price changed.
- Check whether unit costs are genuinely unchanged in the forecast; this case holds them constant only to isolate the exercise.
- Separate actual results from a proposed forecast. Do not mechanically annualize one quarter's variance.
- Request evidence that a price change affects demand before recommending a price increase.

Example note

Quarterly revenue was \$399k, \$1k below budget. Higher Premium volume added enough revenue to offset most of the Standard volume decline, but lower realized prices removed \$21k. Gross profit fell \$13k to \$147k because the price reductions reduced margin while the higher Premium volume increased cost of sales. Before changing the forecast, we need to establish whether lower prices reflect temporary discounts, customer mix or a persistent change in contracted pricing.

An extension: hold units constant and restore prices

Assume next quarter repeats actual units, unit costs remain fixed, and both prices return to budget with no demand response. Calculate revenue and gross profit. Then write why management should not treat that scenario as a forecast.

Scenario revenue / gross profit / margin

Evidence needed to support the no-demand-response assumption

WORKED ANSWER

Extension answer

Revenue is $9,000 \times \$20 + 6,000 \times \$40 = \$420,000$. Cost remains \$252,000, so gross profit is \$168,000 and margin is 40.0%. This is a mechanical scenario. Contract terms, customer behavior, discounts and competitive responses determine whether it is achievable.

Source notes and next steps

SEC: income-statement fundamentals

Background on revenue, costs and profit. The dataset, bridge convention and management exercise are original.

<https://www.sec.gov/about/reports-publications/investorpubsbegfinstmtguide>

Continue when you have identified a gap

The workbook extends this practice into forecasts, headcount, cash timing and longer cases.

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