

Clear Co is an eye treatment specialist, founded in 20X4, which runs five clinics nationwide. It is based in Zeeland, a country in which 20% of the population is over 65 years old, compared to only 15% ten years ago.

Clear Co offers two eye treatment procedures: laser treatment and lens treatment. Laser treatment is the less complex of the two procedures. Technology changes rapidly in this industry and as a result 90% of patients now qualify for laser treatment, compared to only 80% five years ago.

The remaining 10% of patients are only able to have lens treatment, of which there are two types; 'refractive lens exchange' (RLE) and 'implantable contact lenses' (ICL). Clear Co started providing RLE, a treatment most effective for patients aged 40 or older, in 20x4 when it was founded Two years ago, it also began providing ICL. a treatment recommended for patients under the age of 40.

The market for eye treatment procedures in Zeeland is dominated by a few main suppliers, of which Clear Co is one. Until two years ago, Clear Co was the largest supplier but, following the merger of two other companies, it is now the second largest. The merged company, Eos Co, has recently released its financial statements for the year, showing profits which were 10% higher than forecast. Eos Co's press release stated that it has achieved this despite offering reduced prices for the ICL treatment. It has been able to offer reduced prices because of the economies of scale achieved by the merger.

The following information relates to the two types of lens treatments offered by Clear Co for the year just ended:

Lens treatment	RLE		ICL	
	Budget	Actual	Budget	Actual
Number of treatments	3,750	4,130	1,320	960
Selling price per treatment (\$)	3,000	2,900	3,650	3,400
Variable cost treatment (\$)	600	590	1,150	1,200

Requirements

(a) Calculate the following TOTAL variances for Clear Co's lens treatments:

- (i) the sales mix contribution variance (4 marks)
- (ii) the sales quantity contribution variance (4 marks)

(b) Explain what each of the sales mix contribution variance and sales quantity contribution variance measures. (2 marks)

(c) Using your answer from part (a) and any other relevant calculations, discuss Clear Co's SALES performance for the year just ended.

Note There are up to four marks available for additional calculations relevant to SALES performance and six marks available for discussion (10 marks)