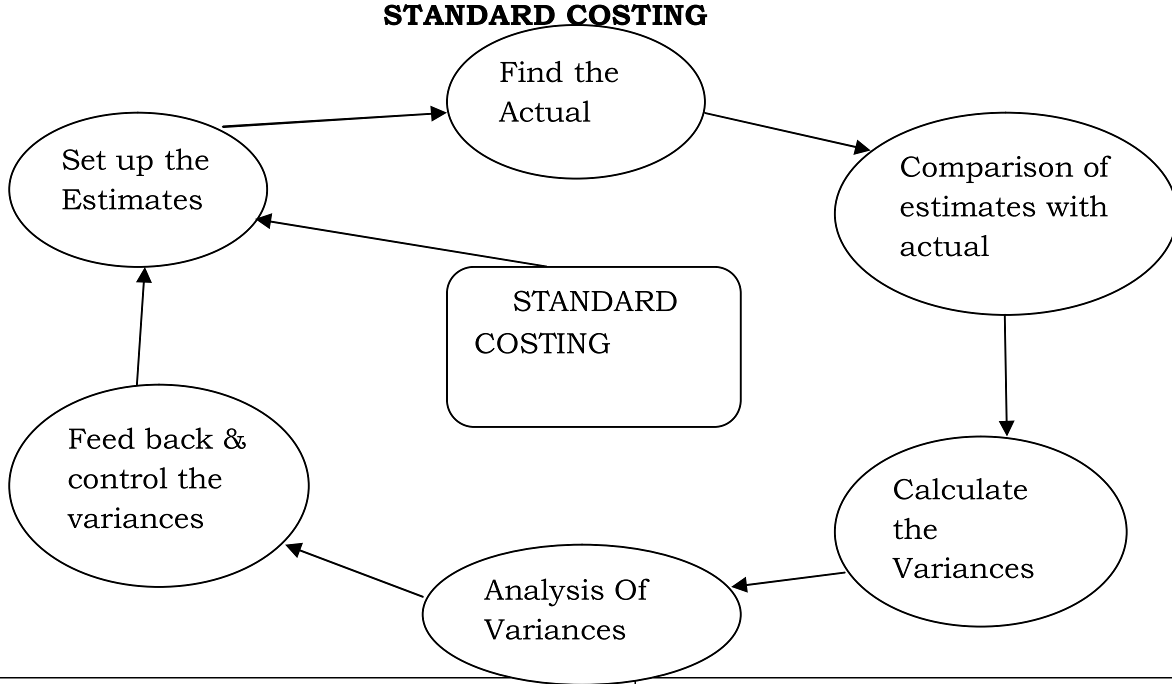
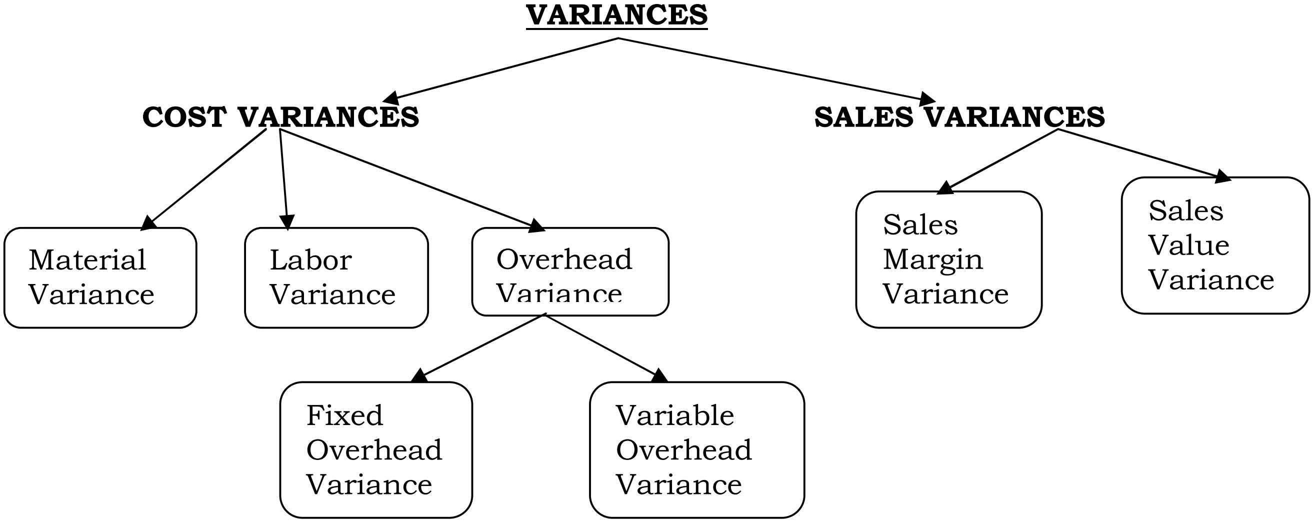
STANDARD COSTING

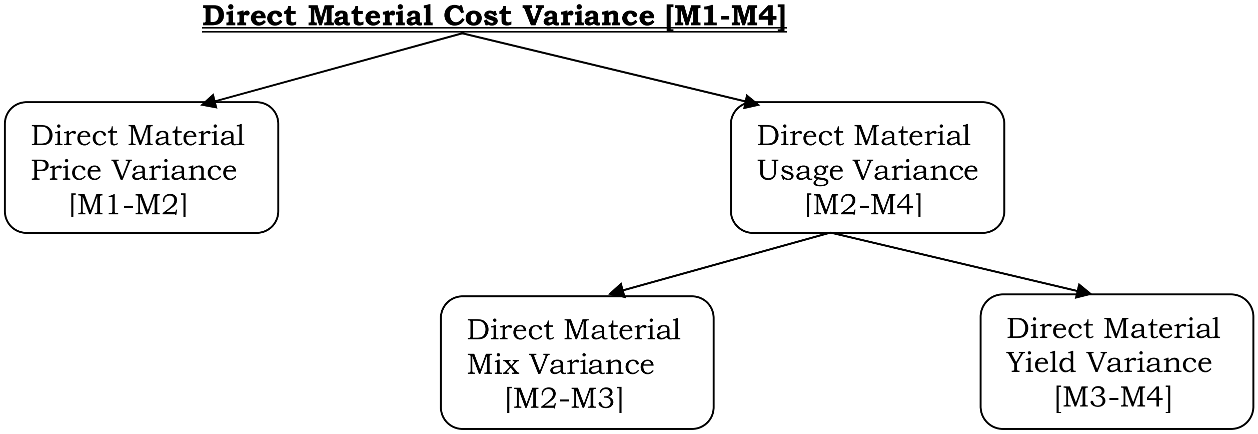


COST VARIANCES		SALES VARIANCES	
If Actual > Budgeted	If Actual < Budgeted	If Actual > Budgeted	If Actual < Budgeted
Resultant figure is +ve,(Adverse variance)	Resultant Figure is –ve , (Favorable variance)	Resultant figure is +ve , (Favorable variance)	Resultant Figure is –ve , (Adverse variance)

<u>VARIANCES</u>



<u>Direct Material Cost Variance [M1-M4]</u>



M1	Actual cost for Actual Material Used	AP x AQused)
M2	Budgeted Cost for Actual Mat. Used	(SP x AQ used)
M3	Budgeted Cost for actual Mat. Used , but if it is used in Standard Ratio.	(SP x RSQ
M4	Standard Cost for actual Production	(SP x SQ produced)
RSQ=$\frac{\text{BQ of x or y}}{\text{Total BQ}}$ x Total AQ	SQ=$\frac{\text{BQ of x or y}}{\text{Budgeted output}}$ x Actual output	

X or y is the raw mat. To be used in processing the finished units
AP=Actual Price SP=Standard Price AQ=Actual Quantity BQ= Budgeted Quantity
RSQ=Revised Standard Quantity

Direct Labour Cost Variances[L1-L5]

- Direct Labor Rate Variance [L1-L2]
- Direct Labor Total Efficiency Var. [M2-M5]
  - Direct Labor Idle Time Var. [L2-L3]
  - Direct Labor Net Efficiency Var.[L3-L5]
    - Direct Labor Mix (Gang)Var. [L3-L4]
    - Direct Labor Yield Variance [L4-L5]

Total Variable Overhead Variance[VO1-Vo3]

- Variable Overhead Exp Var.[Vo1-Vo2]
- Variable Ovh. Efficiency Var. [Vo2-Vo3]

Vo1=AR x AH =Actual Ovh Incurred
Vo2=SR x AH=Actual Hour Work at Std. rate
Vo3=SR x SH produced
SR=Std Rate & AR=Actual Rate
SH produced= $\frac{\text{BH of x or y}}{\text{Budgeted output}}$ x Actual output

L1=AR x TAH	TAH=Total Actual Hours for which payment is made. (NAH+IH)	
L2=SR x TAH	NAH=Net Actual Hours , Hours actually worked (TAH-IH)	
L3=SR x NAH	IH=Idle Hours BH=Budgeted Hours RSH=Revised Std Hours	
L4=SR x RSH	SR=Standard Rate AR=Actual Rate AH=Actual Hours	
L5=SR p.u. x SH produced	RSH= $\frac{\text{BH of x or y}}{\text{Total BH}}$ x Total NAH	SH produced=$\frac{\text{BH of x or y}}{\text{Budgeted output}}$ x Actual output

Total Fixed Overhead Variance[Fo1-Fo5]

- Fixed Ovh. Expenditure. Var. [Fo1-Fo2]
- Fixed Ovh. Volume Var. [Fo2-Fo5]
  - Fixed Ovh. Calander (Idle Time) Var. [Fo2-Fo3]
  - Fixed Ovh. Capacity Var. [Fo3-Fo4]
  - Fixed Ovh. Efficiency. Var. [Fo4-Fo5]

Fo1	Actual Fixed Ovh.(AFO)	AFO per hour x AH	AH= Actual Hours
Fo2	Budgeted Fixed Ovh.(BFO)	BFO per Hour x BH	
Fo3	Total Fixed Ovh(TFO)	BFO per Day x Actual Days	
Fo4	Net Fixed Ovh,(NFO)	BFO Per Hour x AH worked	
Fo5	Std. fixed Ovh.(SFO)	BFO Per hour x SH Produced BFO per Unit x Actual Output	

Sales Margin Variance[SM1-SM4]

- Sales Margin Price Variance [SM1-SM2]
- Sales Margin Volume Var. [SM2-SM4]
  - Sales Margin Mix Variance [SM2-SM3]
  - Sales Margin Quantity Var. [SM3-SM4]

Total sales Value Variance[SV1-SV4]

- Sales Value Price Variance [SV1-SV2]
- Sales Value Volume Var. [SV2-SV4]
  - Sales Value Mix Variance [SV2-SV3]
  - Sales Value Quantity Var. [SV3-SV4]

SM1	Actual sales x Actual Sales Margin	SV1	AQ x ASP	ASP=Actual Sales Price
SM2	Actual sales x Standard Sales Margin	SV2	AQ x SSP	SSP=Std. sales price
SM3	RSQ of sales x Standard Sales Margin	SV3	RSQ x SSP	RSQ=Revised Sales qty. $\frac{\text{BQ of x or y}}{\text{Total Budgeted sales}}$ x AQ of x y
SM4	SQ x standard sales margin	SV4	SQ x SSP	AQ=Actual Quantity SQ=Standard Quantity

Brief Anlaysis

M1	L1	Vo1	Fo1	SM1	SV1	First step is relating to actual everywhere
M2	L2	Vo2	Fo2	SM2	SV2	2ndStep is relating to actual at standard except Fo2
M3	L3	-	Fo3	SM3	SV3	3rdstep everywhere is relating to Mix except Fo3
-	L4	-	Fo4	-	-	4thStep is relating to output, everywhere
M4	L5	Vo5	Fo5	SM4	SV4	