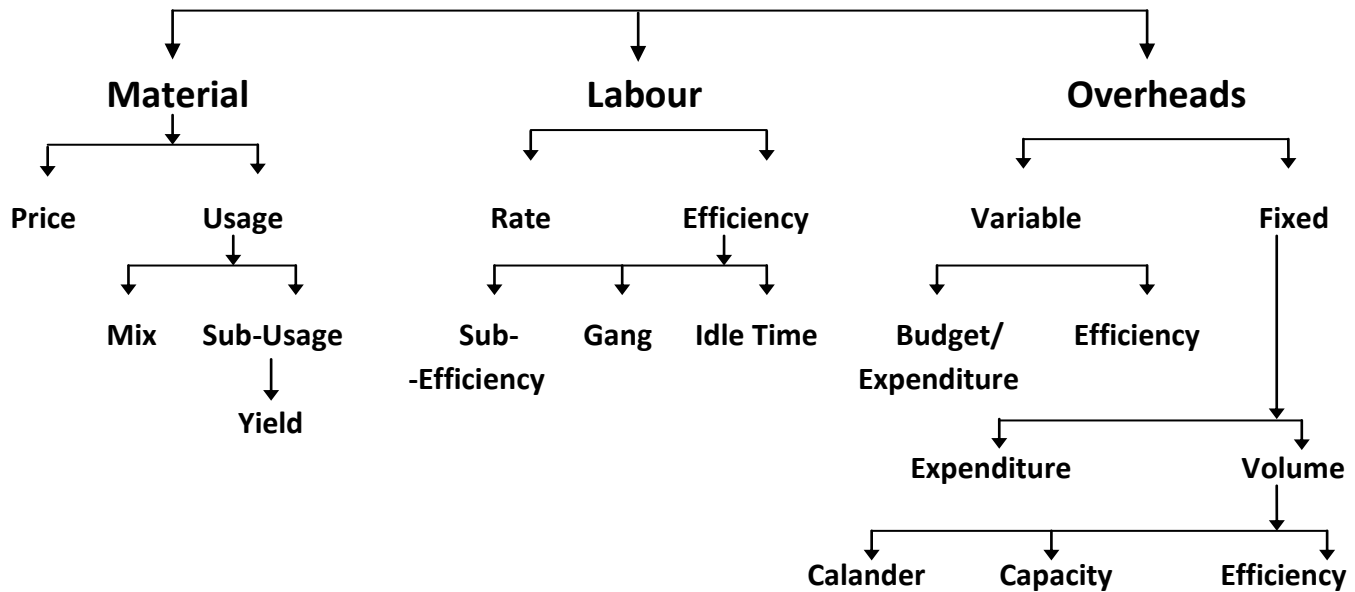


Standard Costing

Cost Variances



Material Variances:

1. Material Cost Variance = Standard Cost - Actual Cost
2. Material Price Variance = Standard Cost of Actual Qty. - Actual Cost
= Actual Qty. (Standard Price - Actual Price)
3. Material Usage Variance = Standard Cost - Standard Cost of Actual Qty.
= Standard Price (Standard Qty. - Actual Qty.)
4. Material Mix Variance = Actual Qty. (Std. Price of Std. Mix - Std. Price of Actual Mix)
= (Actual Qty. x Std. Price of Std. Mix) - Standard Cost of Actual Qty.
5. Material Sub-Usage Variance = Std. Price of Std. Mix (Total Std. Qty. - Total Actual Qty.)
= Standard Cost - (Actual Qty. x Std. Price of Std. Mix)
6. Material Yield Variance = Std. Price of Yield (Actual Yield - Standard Yield)
(When there is Std. Loss or i.e. Std. Cost per unit of O/P
I/P : O/P ratio differs) = Standard Cost - (Std. Price of Yield x Standard Yield)
7. Standard Price of Standard Mix = Total Std. Cost / Total Std. Qty.
8. Standard Price of Actual Mix = Std. Cost of Actual Qty. / Total Actual Qty.

Labour Variances:

1. Labour Cost Variance = Standard Cost - Actual Cost
2. Labour Rate Variance = Standard Cost of Actual Time - Actual Cost
= Actual Hrs. (Standard Rate - Actual Rate)
3. Labour Efficiency Variance = Standard Cost - Standard Cost of Actual Time
= Standard Rate (Standard Hrs. - Actual Hrs.)
4. Labour Gang Variance = Actual Hrs. (Std. Rate of Std. Gang - Std. Rate of Actual Gang)
= (Actual Hrs. x Std. Rate of Std. Gang) - Standard Cost of Actual Time
5. Labour Sub-Efficiency Variance = Std. Rate of Std. Gang (Total Std. Hrs. - Total Actual Hrs.)
= Standard Cost - (Actual Hrs. x Std. Rate of Std. Gang)
6. Idle Time Variance = Std. Rate x Idle Time
= Standard Rate (Actual Hrs. Worked - Actual Hrs. Paid)
7. Standard Rate of Standard Gang = Total Std. Cost / Total Std. Gang Hrs.
8. Standard Rate of Actual Gang = Std. Cost of Actual Hrs. / Total Actual Gang Hrs.

Variable Overhead Variances:

1. Variable Overhead Variance = Standard Variable Overheads - Actual Variable O/hs
2. Variable Overhead Budget/ Expenditure Variance
= Budgeted Variable Overheads - Actual Variable O/hs for actual hrs.
= Actual Hrs. (Std. Rate - Actual Rate)
3. Variable Overhead Efficiency Variance
= Std. Variable O/h Rate $\left[\frac{\text{Std. Hrs. for Actual Output} - \text{Actual Hrs.}}{\text{Output}} \right]$
= Budgeted Variable O/hs for Budgeted Hrs. - Budgeted O/hs for Actual Hrs.

Fixed Overhead Variances:

1. Total Fixed Overhead Variance = Fixed Overheads Absorbed - Actual Fixed Overheads

2. Fixed Overhead Expenditure Variance = Budgeted Overheads - Actual Overheads

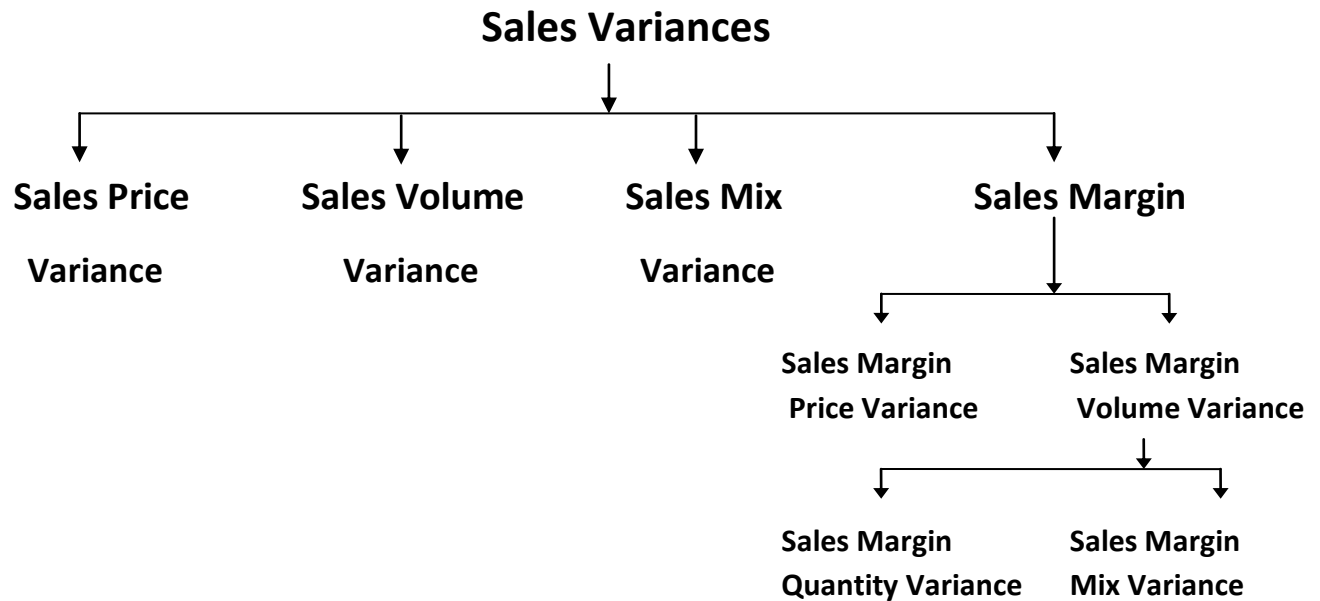
3. Fixed Overhead Volume Variance = Std. Fixed O/h Absorption Rate/ Hr./unit $\left[\begin{array}{cc} \text{Actual Hrs.} & - & \text{Budgeted} \\ \text{worked} & & \text{Hrs.} \\ \text{(units)} & & \text{(units)} \end{array} \right]$

= Fixed O/hs Absorbed - Budgeted Fixed O/hs

4. Capacity Variance = Std. Fixed O/h Absorption Rate/ Hr. $\left[\begin{array}{cc} \text{Actual Hrs.} & - & \text{Budgeted Hrs.} \\ \text{Capacity} & & \text{Capacity} \end{array} \right]$

5. Efficiency Variance = Std. Absorption Rate (Std. Hrs. Required - Actual Hrs.)

6. Calander Variance = Std. Absorption Rate (Budgeted Hrs. in Actual Period – Budgeted Hrs.)



1. Sales Price Variance = Actual Sales - Standard Sales (for Actual Qty.)
= Actual Qty. (Actual Price - Budgeted Price)
2. Sales Volume Variance = Standard Sales - Budgeted Sales
= Budgeted Price (Actual Qty. - Budgeted Qty.)
3. Total Sales Variance = Actual Sales - Budgeted Sales
4. Sales Margin Variance = Actual Margin - Budgeted Margin
5. Sales Margin Price Variance = Actual Qty. (Actual Margin - Budgeted Margin)
Per Unit Per Unit
6. Sales Margin Volume Variance = Budgeted Margin (Actual Units - Budgeted Units)
(Profit) Per Unit
7. Sales Margin Quantity Variance = Budgeted Margin (Total Actual - Total Budgeted)
per unit of Qty. Qty.
Budgeted Mix
8. Sales Margin Mix Variance = Total Actual Qty. Sold $\left[\begin{array}{cc} \text{Budgeted Margin} & - & \text{Budgeted Margin} \\ \text{per unit of} & & \text{per unit of} \\ \text{Actual Mix} & & \text{Budgeted Mix} \end{array} \right]$
9. Budgeted Margin per unit of Actual Mix = Budgeted Margin for Actual Qty./ Total Actual Qty.
10. Budgeted Margin per unit of Budgeted Mix = Total Budgeted Margin/ Total Budgeted Qty.

Market Size & Market Share Variances

$$\text{Market Size Variance} = \text{Budgeted Market Share (\%)} \times \left[\begin{array}{c} \text{Actual Industry Sales Volume} \\ \text{(Units)} \end{array} - \begin{array}{c} \text{Budgeted Industry Sales Volume} \\ \text{(Units)} \end{array} \right] \times \begin{array}{c} \text{Budgeted Avg. Contb.} \\ \text{Margin/ unit} \end{array}$$

i.e. Our Share in Margin Variance of Entire Market

$$\text{Market Share Variance} = \left[\begin{array}{c} \text{Actual Market share} \\ \text{Share (\%)} \end{array} - \begin{array}{c} \text{Budgeted Market share} \\ \text{Share (\%)} \end{array} \right] \times \begin{array}{c} \text{Actual Industry Sales Volume} \\ \text{(Units)} \end{array} \times \begin{array}{c} \text{Budgeted Avg. Contb.} \\ \text{Margin/ unit} \end{array}$$

i.e. Variance of Our Share in Overall Actual Market Margin