

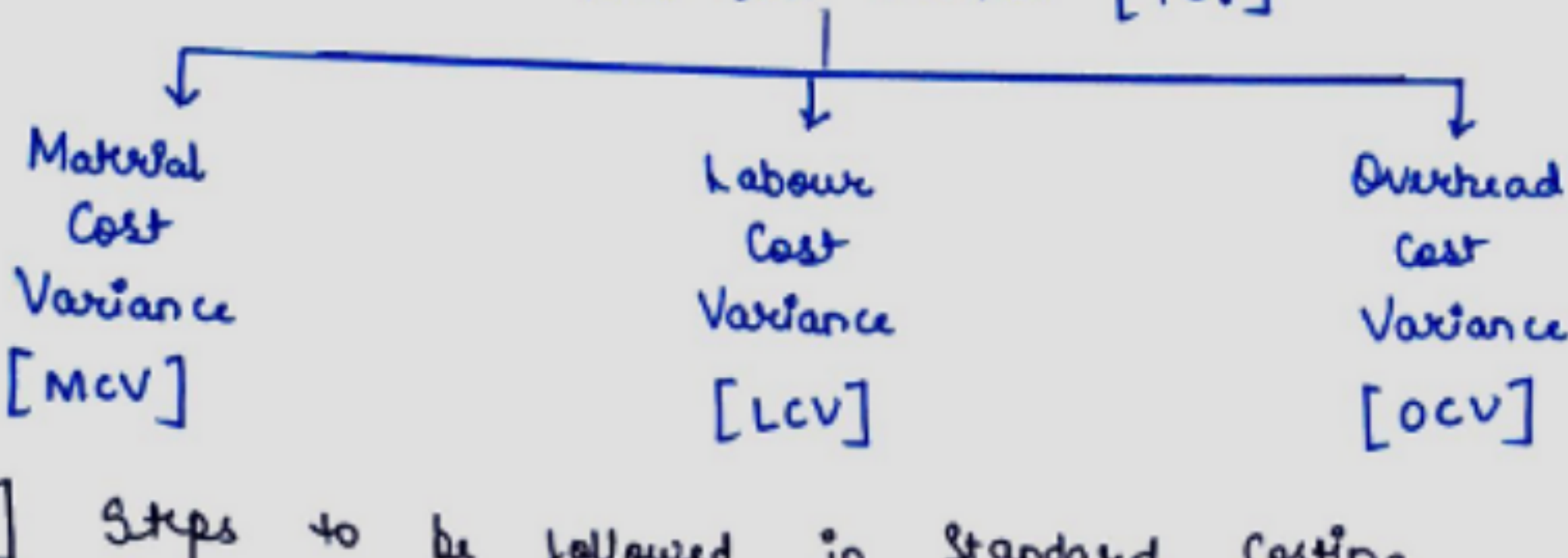
CA IPC STANDARD COSTING NOTES

Saturday, May 16, 2020

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Chapter 13 → Standard Costing

1] Total Cost Variance



2] Steps to be followed in Standard Costing

- (i) Calculate Standard Cost
- (ii) Calculate Actual Cost
- (iii) Compare Standard with actual
- (iv) Calculate Variances

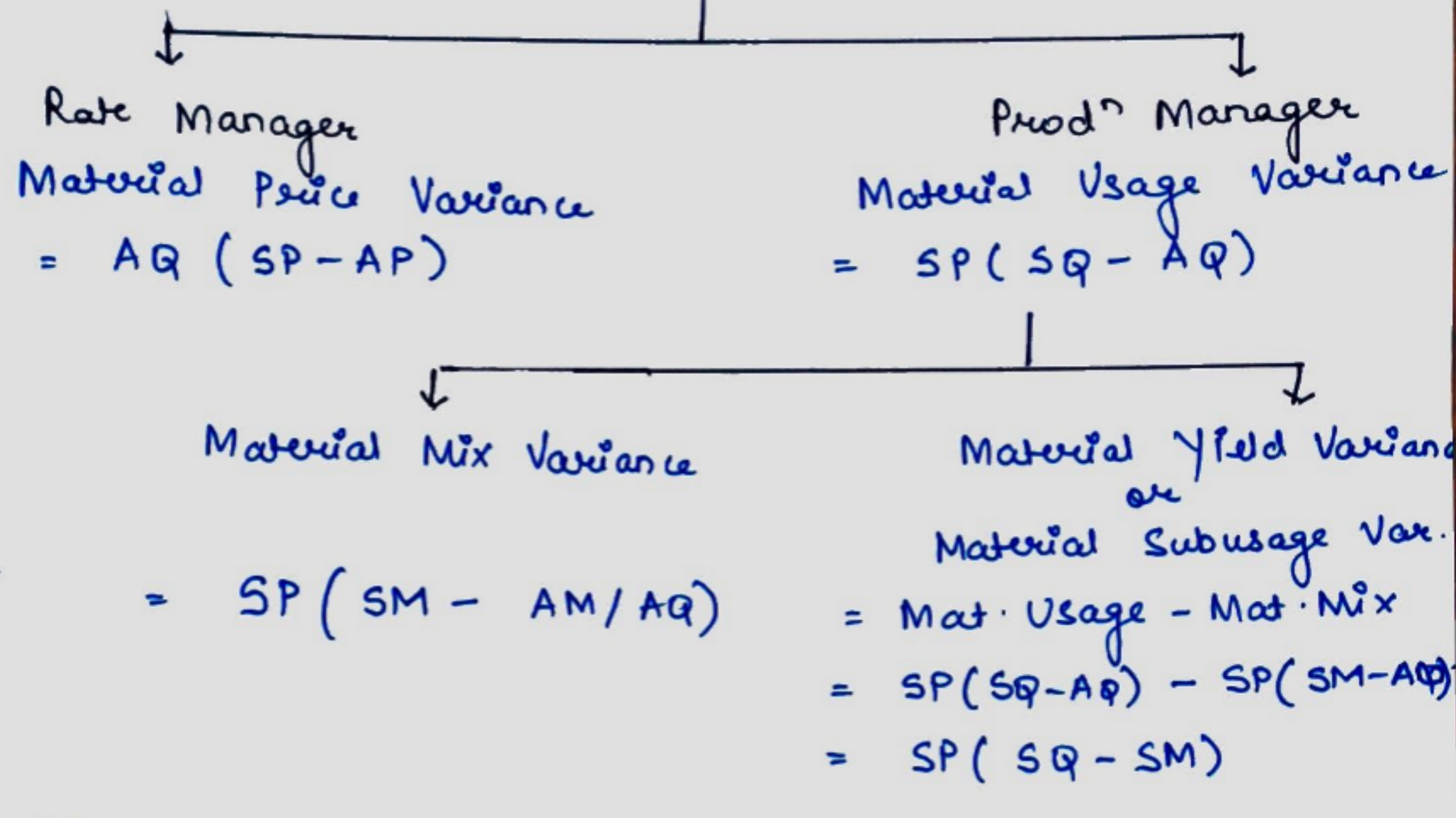


- (v) Take Managerial decision on basis of variances

3] Material Cost Variances [MCV]

$$\begin{aligned}\text{Material Cost Variance} &= \text{Std. Cost} - \text{Actual Cost} \\ &= \text{SQ} \times \text{SP} - \text{AQ} \times \text{AP}\end{aligned}$$

Always for Actual Output



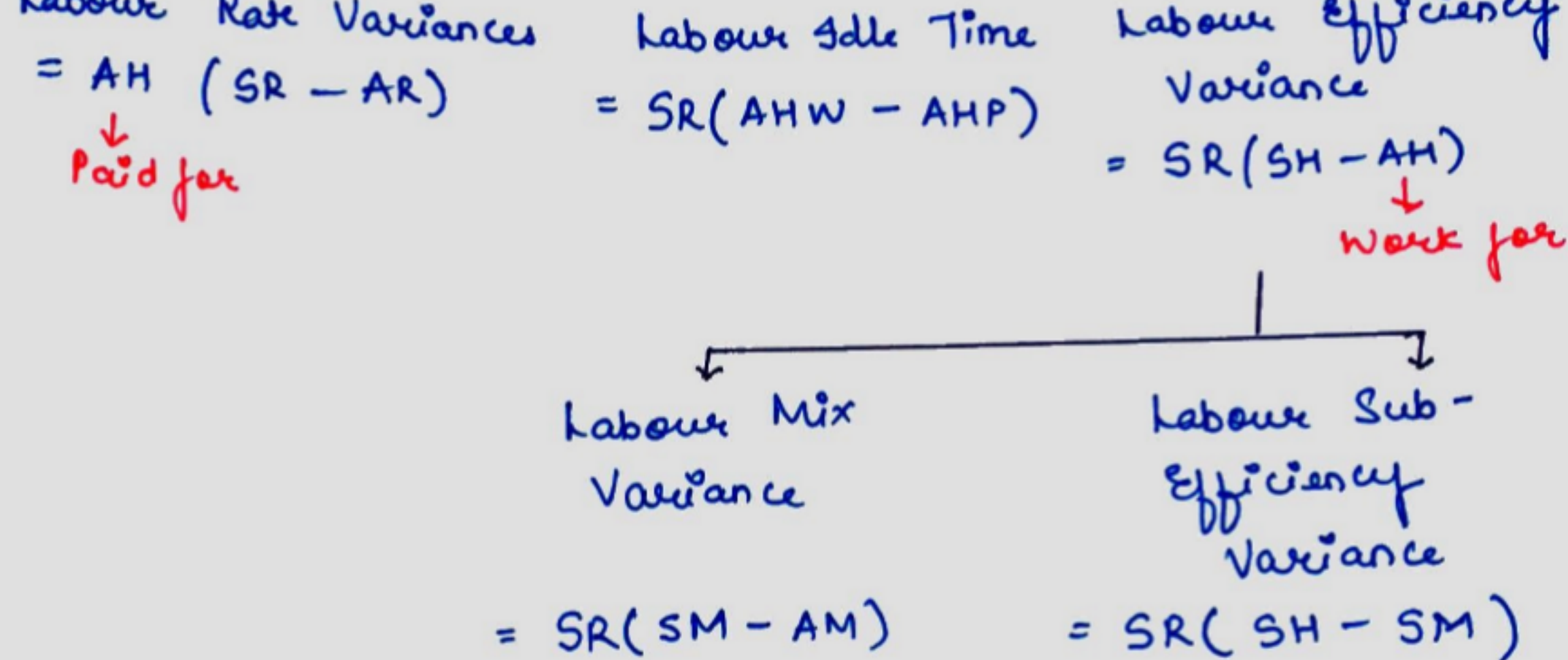
Notes:-

- * SQ is always for Actual Output
- * SM is revised actual qty i.e. Total Actual Qty revised in standard proportion
- * Std Cost p.u. = $\frac{\text{Total Std Cost}}{\text{Actual Output}}$
- * Actual Yield = Actual Output
- * Standard Yield = Std qty that should have produced in actual qty of Material. Use I/O Ratio here.

4] Labour Cost Variance [LCV]

$$\begin{aligned}\text{Labour Cost Variance} &= \text{SH} \times \text{SR} - \text{AH} \times \text{AR}\end{aligned}$$

Paid for

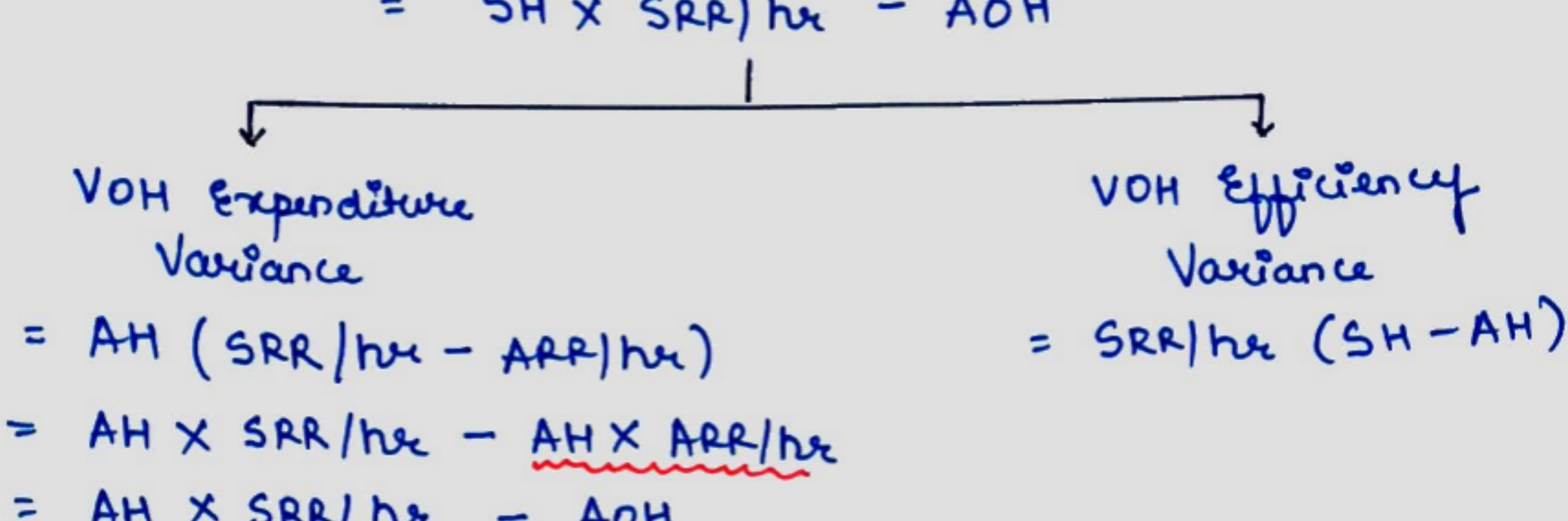


Notes:-

- * SH is always for actual output
- * SM is Total of actual hours worked for revised in standard proportion.
- * AM is nothing but AH worked for.

5] Variable Overhead Cost Variance [VOCV]

$$\begin{aligned}\text{VOH Cost Variances} &= \text{SH} \times \text{SRR/hr} - \text{AH} \times \text{ARR/hr} \\ &= \text{SH} \times \text{SRR/hr} - \text{AOH}\end{aligned}$$



Notes:-

- * $\text{SRR/hr} = \frac{\text{Budgeted O/Hs}}{\text{Budgeted hours}}$
- * $\text{SRR/unit} = \frac{\text{Budgeted O/Hs}}{\text{Budgeted output}}$
- * Budgeted data is for budgeted output. Standard data should be for actual output. And p.u. data should be same.
- * In case of actual idle time while calculating VOH variances, we will consider AHW because for idle hours we are not going to incur any VOH's.

6] Fixed Overhead Cost Variance [FOCV]

$$\begin{aligned}\text{Fixed Overhead Variance} &= \text{SH} \times \text{SRR/hr} - \text{AOH}\end{aligned}$$

