Variance analysis

➢ Standard: standard is a benchmark or norm for measuring performance.
➢ Variance: the difference between standard and actual
  ❖ Favorable
  ❖ Unfavorable

➢ Types of variance:
  ❖ Material variance
    a) price variance
    b) quantity variance
  ❖ Labour variance
    a) rate variance
    b) efficiency variance
  ❖ Overhead variance
    a) spending variance
    b) efficiency variance

➢ formula:
  ❖ Material variance
    c) Price variance: $(AQ \times AP)-(AQ \times SP)$
    d) Quantity variance: $(AQ \times SP)-(SQ \times SP)$
  ❖ Labour variance
    c) Rate variance: $(AH \times AR)-(AH \times SR)$
    d) Efficiency variance: $(AH \times SR)-(SH \times SR)$
  ❖ Overhead variance
    c) Spending variance: $((AH \times AR)-(AH \times SR)$
    d) Efficiency variance: $(AH \times SR)-(SH \times SR)$

| AQ=Actual Quantity |
| --- |
| AP= Actual Price |
| SQ= Standard Quantity |
| SP=Standard price |
| AH= Actual Hour |
| AR= Actual Rate |
| SH= Standard Hour |
| SR= Standard Rate |