Variances

(-) Variances = Favorable
(+) Variances = Unfavorable

• For the total variance for each of the four types, take the difference of the two variances, and the answer will be F or U depending on which is greater.

Direct materials variances

1) Actual Quantity of Inputs at Actual Price (AQ * AP)
2) Actual Quantity of Inputs at Standard Price (AQ * SP)
3) Standard Quantity Allowed for Output at Standard Price (SQ * SP)

Price Variance (1-2)  AQ(AP-SP)
Quantity Variance (2-3)  SP(AQ-SQ)

Direct labor variances

1) Actual Hours of Input at Actual Rate (AH * AR)
2) Actual Hours of Input at Standard Rate (AH * SR)
3) Standard Hours Allowed for Output at Standard Rate (SH * SR)

Rate Variance (1-2)  AH(AR-SR)
Efficiency Variance (2-3)  SR (AH – SH)

Variable overhead variances

1) Actual Hours of Input at Actual Rate (AH * AR)
2) Actual Hours of Input at Standard Rate (AH * SR)
3) Standard Hours Allowed for Output at Standard Rate (SH * SR)

Spending Variance (1-2)  AH(AR-SR)
Efficiency Variance (2-3)  SR (AH – SH)
Fixed overhead variances

- Actual Fixed Overhead Cost
- Flexible Budget Fixed Overhead Cost
- Fixed Overhead Cost Applied to Work In Process (SH * SR)

Budget Variance (1-2) → Volume Variance (2-3)