Cheat Sheet Collection for Variance

Extremely forbidden for circulation

Favourable or Unfavorable

- The more towards the left, the more towards reality
- When the reality has higher operating income than budget, it will be favourable
- In other words, it is favourable when the revenue is higher / cost is lower in reality than budget
- It will be the opposite for unfavorable

Variance Analysis for Revenue

Total Flexible Budget Variance
(also sales-price variance for revenue)
= Flexible Budget – Actual Revenue
=(Budget rate – actual rate) * actual quantity of output

Total Sales Volume Variance
=Static Budget – Flexible Budget
= Budgeted rate *(Budgeted quantity of output – actual quantity of output)

Actual Revenue
(actual quantity * acutal rate)

Flexible Budget
(Budget rate *
actual quantity of output)

Static Budget
(Budgeted rate * budgeted quantitity of output)

Total Static-budget variance
(Static Budget – Actual Spending)

Price and efficiency variance for direct labour/ material

Price Variance
= Intermediary Level 1 – Actual Spending
= (Actual price of inputs − Budgeted price of inputs) × Actual quantity of inputs.

Efficiency Variance
= Flexible Budget – Intermediary Level 1
= Actual quantity of inputs used − Budgeted quantity of inputs allowed for actual output) × Budgeted price of inputs

Actual Spending
= actual quantity of input * actual price of input

Intermediary Level 1
= actual quantity of input * budgeted price of input

Flexible Budget
= Budget price of input * budgeted quantity of inputs allowed for actual output to achieved

Total Flexible Budget Variance

Budgeted quantity of inputs allowed for actual output to be achieved = Budged amount of inputs used per output * actual amount of output

Mix/Yield Variance for Direct Material/Labour

Mix Variance
= Intermediary level 1 – intermediary level 2
= Sum of actual total quantity ∗ (actual input mix – budgeted input mix) ∗ budgeted price

Yield Variance
= Flexible Budget – Intermediary Level 2
= Sum of (Actual total quantity – budgeted total quantity) ∗ budgeted input mix ∗ budgeted price

Intermediary Level 1
= sum of each input’s actual quantity ∗ budgeted input price
= sum of actual total quantity of inputs ∗ actual input mix ∗ budgeted price

Intermediary Level 2
= sum of actual total quantity of inputs ∗ budgeted input mix ∗ budgeted price

Flexible Budget
= sum of each input’s budgeted quantit
allowed for actual output to be achieved∗ budgeted price
= sum of budgeted total inputs ∗ budgeted mix∗ budgeted price

Efficiency Variance for Direct Material/ Labour
= Flexible Budget – Intermediary Level 1

Mix/Yield Variance for Revenue

Budgeted average product price = total budgeted sales revenue/ total budgeted number of sales

Market Share Variance
= intermediary level 1 – level 2
= actual size * (budgeted market share- actual market share) * **budgeted average product price**

Market Size Variance
=Intermediary level 1 – static budget
= (budget size – actual size) * budgeted share * **budgeted average product price**

Intermediary Level 2
= actual market size * budgeted market share * budgeted price

Mix Variance
= Intermediary level 1 – flexible budget
= Sum of actual total quantity * (actual sales mix – budgeted sales mix) * budgeted price

Sales Quantity Variance
= Static budget – Intermediary Level 1
= Sum of (Actual total quantity – budgeted total quantity) * budgeted mix * budgeted price

Flexible Budget
= sum of each product's actual sales quantity * budgeted price
= sum of actual total quantity * actual sale mix * budgeted price

Intermediary Level 1
= sum of actual total quantity * budgeted sale mix * budgeted price

Static Budget
= sum of each product's budgeted sales quantity * budgeted price
= sum of budgeted total quantity * budgeted mix * budgeted price

Sales Volume Variance
= Static budget – Flexible Budget