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

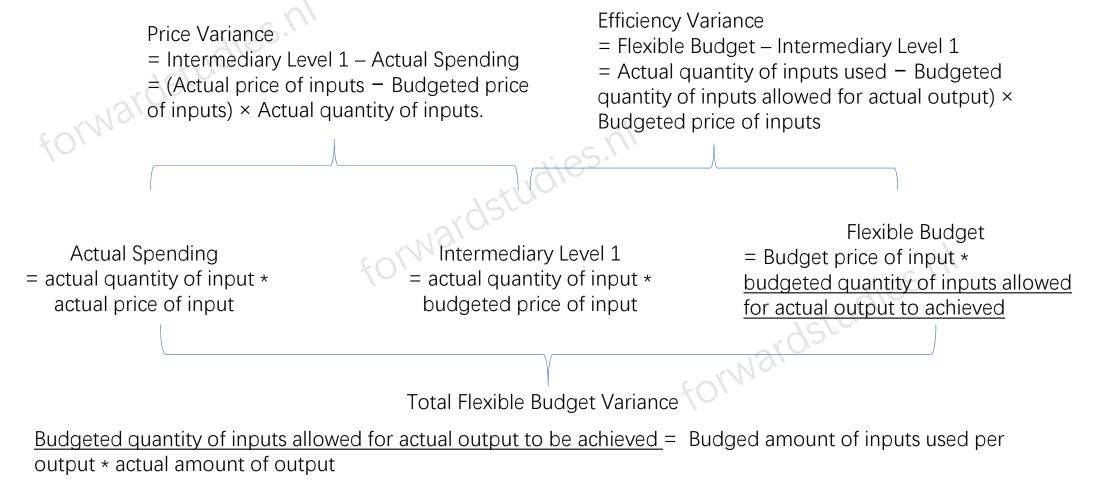
Variance Analysis for <u>Revenue</u>

Total Flexible Budget Variance Total Sales Volume Variance (also sales-price variance for revenue) =Static Budget – Flexible Budget = Flexible Budget – Actual Revenue = Budgeted rate *(Budgeted quantity =(Budget rate – actual rate) * actual of output – actual quantity of output) quantity of output Static Budget **Actual Revenue** Flexible Budget (Budgeted rate * budgeted quantitity (actual quantity * acutal (Budget rate * of output) actual quantity of output) rate)

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

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Price and efficiency variance for direct labour/ material



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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 quantity 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 shareactual market share) * budgeted average
product price

Market Size Variance

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

Mix Variance

 Intermediary level 1 – flexible budget
 Sum of actual total quantity * (actual sales mix – budgeted sales mix) * budgeted price Intermediary Level 2 = actual market size * budgeted market share * budgeted price

Sales Quantity Variance

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

Static Budget

= sum of each product's budgeted
sales quantity * budgeted price
= sum of 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

Sales Volume Variance

= Static budget – Flexible Budget