## Variance Analysis

Required:

Assume the role of Carl Holitzner and <u>Drovide an explanation</u> for FFL's lower than budgeted profit for the fiscal year ended May 31, 2002. Support your explanation with a <u>detailed variance analysis</u>.

Reconcile the Budget / Forecast to the Actual results.

Ohng

Sales Volume Variance		
Sales Price Variance		
Variable Cost Variances		
Materials Variance		
Materials Price		
Materials Usage		
Labor Variance		
Labor Rate		
Labor Efficiency		
Variable O/H Variance		
Variable OH Rate		
Variable OH Efficiency		
Fixed Cost Spending Variance		
Total Variance		
	O imp	arano

1

























## **Standard Cost Systems:**

- ★ Represent per unit budgets, targets &/or engineered amounts
- \* Determine unit costs in advance (usually annual)
- \* Used to measure income / financial performance

## **Standard Cost Card**

\$ 30.00
40.00
20.00
<u>15.00</u>
\$ 105.00



























































jet	atic Budge	Sta		kible Budget	Flex	5	tual Result	Ac
1000	Deluxe	Basic	12000	Deluxe	Basic	appeal F	Deluxe	Basic
1000	3500	4500	12000	4800	7200	12000	4800	7200
	800	300		500	300		700	325
154.5	590	220		590	220	-	583	238.5
151.5	210	80		210	80	-	11/	86.5
575000	4400000	1350000	6000000	3840000	2160000	5700000	1360000	2340000
423500	3245000	990000	4416000	2832000	1584000	4515600	2798400	1717200
151500	1155000	360000	1584000	1008000	576000	1184400	561600	622800
88250	1135000	000000	000500	1000000	570000	919500	301000	011000
63250	-		701500			264900	-	
882 632	1155000	300000	701500	1008000	576000	919500 264900	561600	10



	Flexible	Stati
Actual	Budget	<u>Budge</u>
<u>Units</u>	<u>Units</u>	Unit
Sales	Sales	Sale
<u>VC</u>	<u>VC</u>	V
СМ	СМ	CM
FC		F
Profit		Prof



Va	Variance Analysis			
	Flexible	Static		
Actual	Budget	Budget		
<u>Units</u>	<u>Units</u>	<u>Units</u>		
Sales	Sales	Sales		
<u>VC</u>	<u>VC</u>	<u>VC</u>		
СМ	СМ	СМ		
<u>FC</u>	Fixed Cost Spending Variance	<u>FC</u>		
<u>Profit</u>	Change in Profit	<u>Profit</u>		
		©Imparano		







	Flexible	Statio
Actual	Budget	<u>Budge</u>
<u>Units</u>	<u>Units</u>	Unit
Sales	Sales	Sale
<u>VC</u>	VC Sales Vari	Volume <u>V(</u>
СМ	CM 🔶	CM
FC 1	Fixed Cost Spending Varianc	e <u>F(</u>
Profit	Change in Profit	Profi



















	Flexible	Statio
Actual	Budget	Budge
<u>Units</u>	<u>Units</u>	<u>Units</u>
Sales	Sales	Sales
VC Variable Cos	st Variances <u>VC</u> Sales V	olume <u>VC</u>
СМ	СМ	CM
FC I	Fixed Cost Spending Variance	FC
<u>Profit</u>	Change in Profit	Profi

















FFL – Summar	y of Level 0 and 1 Variances	
Sales Volume	\$ 69,000	
Sales Price	(300,000)	
Variable Cost	(99,600)	
Fixed Cost Spending	(37,000)	
Total	\$ (367,600)	•
		:
		© Imparano

















Now: price & efficiency	Example:	
Actual Price Usage Bandgas Matrials Price Linge Matrials Labour Efficiency Labour Variable OII + Rate Efficiency Variable OII		
	Labor (master) budget:	
	Output units:	1,000
	Hours per unit:	2.0
	Total hours:	2,000
	Cost per hour:	\$20.00
	Total Labor cost	\$ <u>40,000</u>
	Standard cost/unit	<u>\$40.00</u>
		© Imparano



Now: price & efficiency	Example:	
Actual Fire Usage Matride Matride Frice Usage Matride Labor Arabit Rav Efficiency Labor Variable Off		
	Labor actual:	
	Output units:	1,100
	Hours per unit:	2.1
	Total hours:	2,310
	Cost per hour:	\$22.00
	Total Labor cost	\$ <u>50,820</u>
	Actual cost/unit	\$46.20
		© Imparano























Absorption costing adds the denominator variance











