Management Accounting II – GBi:

Exercise Book 3 – Standard (Budgeted) Control
- Variance Analysis

1 – Manufacturing Variance
  = AQ x (AMCFPu – SMCFPu)

   AQ – Quantities Produced

 A – Productivity
     Variance (RM)
  M1 = AQ x S Unit Cost x (A Unit Consumption – S Unit Consumption)
  M2 = AQ x S Unit Cost x (A Unit Consumption – S Unit Consumption)
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 B – Efficiency Variance (Sections)
   S1 = AQ x S Unit Cost x (A Unit Consumption – S Unit Consumption)
   S2 = AQ x S Unit Cost x (A Unit Consumption – S Unit Consumption)

2 – Sections Variance

$$= AA \times (\text{A Unit Cost} - \text{S Unit Cost})$$
$$\qquad\qquad\qquad (A) \qquad\qquad\qquad (B)$$

Sections Variance = Standard (Budget) Variance + Activity Variance

A – Standard (Budget) Variance = Actual Expenses* - FSE

         FSE – Flexible Standard (Budget) Expenses

->Actual Expenses* = Actual Activity x A (Standard c system) Unit Cost

->FSE = Actual Activity x $\left(\dfrac{\text{Variable Direct Costs (incl.Reallocations}}{\text{Budgeted Activity}} \right)$

$+ \dfrac{\text{Fixed Direct Costs (incl.Reallocations)}}{12}$

B1 - <u>Activity Variance</u> = FSE – Allocated Expenses

   ->FSE (See above)

   ->Allocated Expenses = Actual Activity x S Unit Cost

                                    $\downarrow$

                     Budgeted WU

or

 B2 – <u>Activity Variance</u>

   = Standard Average Fixed Costs x (Standard Activity – Actual Activity)

Recall

     <u>Sections Variance</u> = Actual Expenses* – FSE + FSE – Allocations Expenses