Standard Costing & Variance Analysis Master Cheat Sheet

Direct Materials, Direct Labor & Overhead Variance Formulas, Rules & Journal Entries

1. DIRECT MATERIALS & DIRECT LABOR FORMULA MATRIX

Variance Name	Calculation Formula	Favorable (F) vs. Unfavorable (U)	Primary Managerial Responsibility
Materials Price Variance (DMPV)	**AQ Purchased × (AP – SP)**	F if AP < SP U if AP > SP	Purchasing Department (bulk discounts, shipping)
Materials Quantity Variance (DMQV)	**SP × (AQ Used – SQ Allowed)**	F if AQ < SQ U if AQ > SQ	Production Supervisor (scrap, machine errors)
Labor Rate Variance (DLRV)	**AH Worked × (AR – SR)**	F if AR < SR U if AR > SR	HR / Plant Manager (overtime pay, skill tier)
Labor Efficiency Variance (DLEV)	**SR × (AH Worked – SH Allowed)**	F if AH < SH U if AH > SH	Production Floor (worker training, downtime)

2. MANUFACTURING OVERHEAD VARIANCES

• **Variable Overhead Spending:** AH × (Actual Rate – Standard Rate) | **VOH Efficiency:** Standard Rate × (AH – SH Allowed)
• **Fixed Overhead Volume:** Budgeted Fixed Overhead – (SH Allowed × Standard FOH Rate) *(measures factory capacity utilization)*

3. RECORDING VARIANCES IN GENERAL JOURNAL

Standard Rule: Unfavorable variances are recorded as **DEBITS** (act like expenses). Favorable variances are recorded as **CREDITS** (act like income). WIP inventory is ALWAYS debited at Standard Quantity × Standard Price!

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