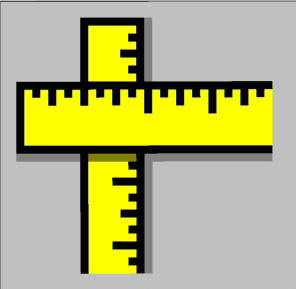


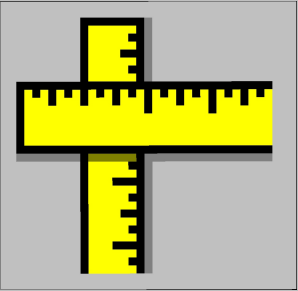
Standards

Standard Costs



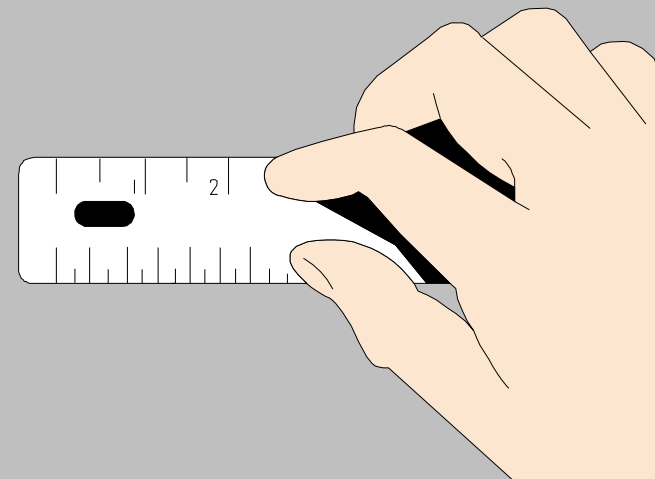
Highlights

Standard Costs

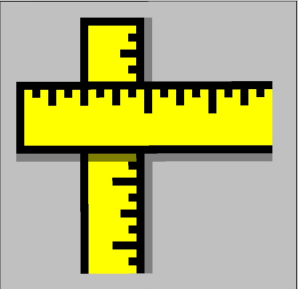


Highlights

1. Importance of Standards

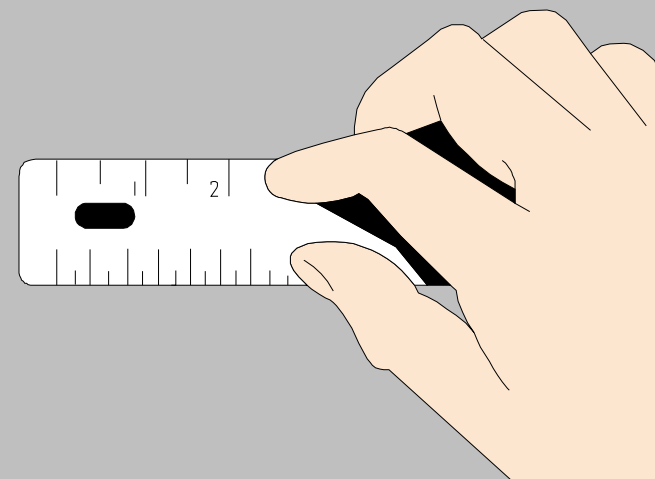


Standard Costs

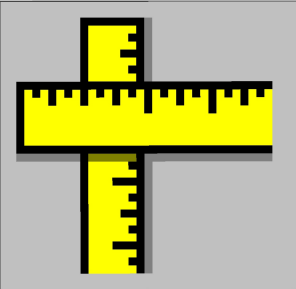


Highlights

1. **Importance of Standards**
2. **Variances from Standards**

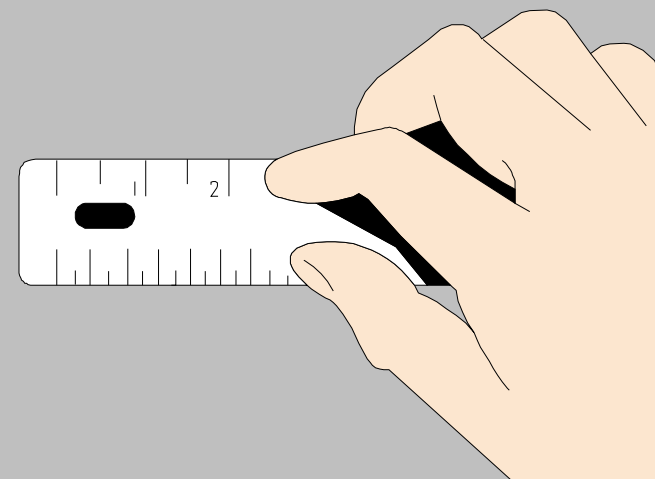


Standard Costs

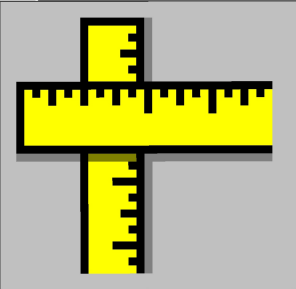


Highlights

1. **Importance of Standards**
2. **Variances from Standards**
3. **Standards in the Accounts**

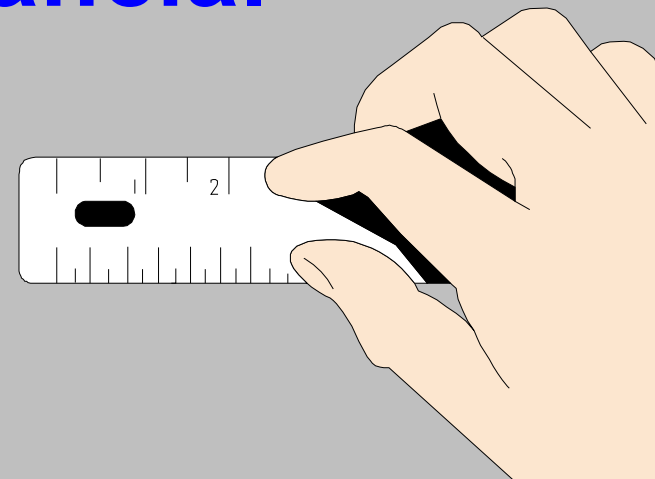


Standard Costs

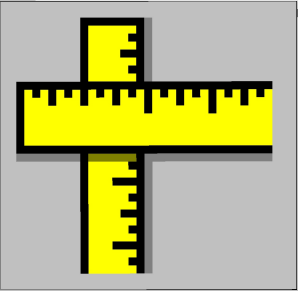


Highlights

1. **Importance of Standards**
2. **Variances from Standards**
3. **Standards in the Accounts**
4. **Variances on the Financial Statements**

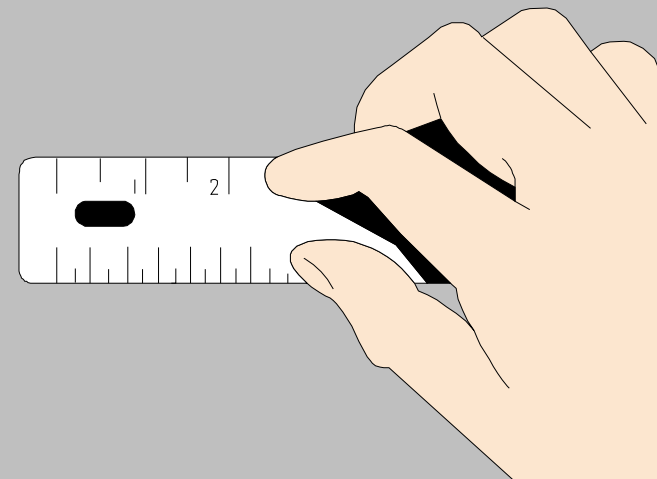


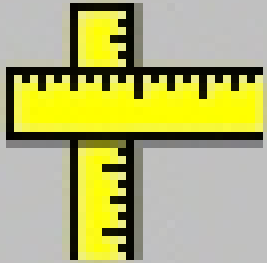
Standard Costs



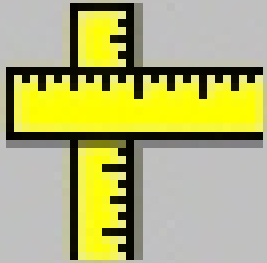
Highlights

1. Importance of Standards

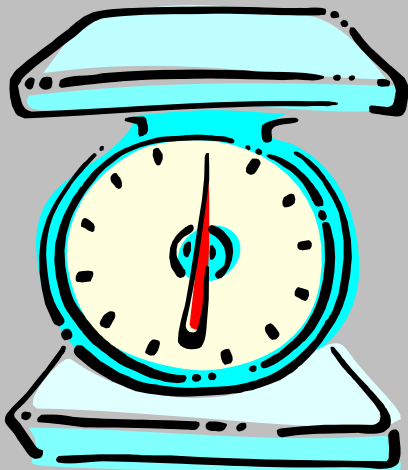


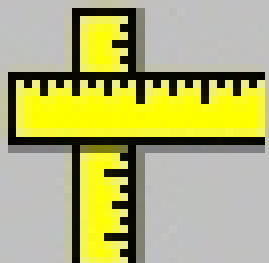


Standards

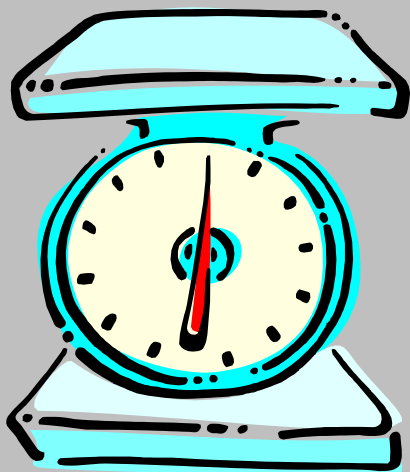


Standards

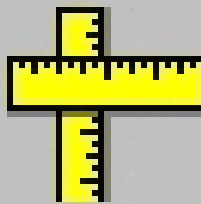
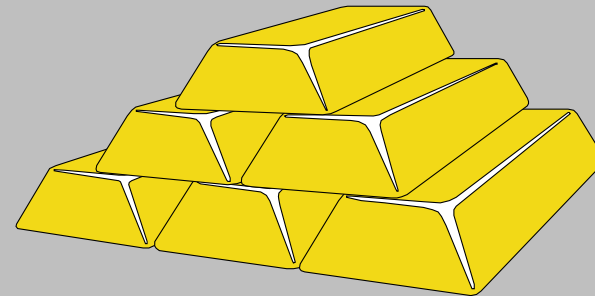


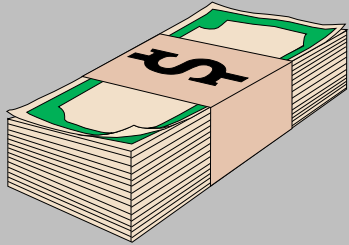


Standards

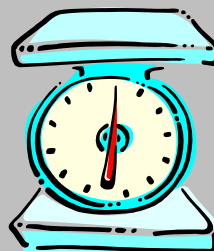
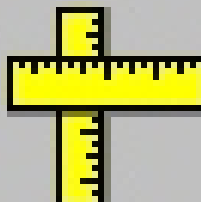
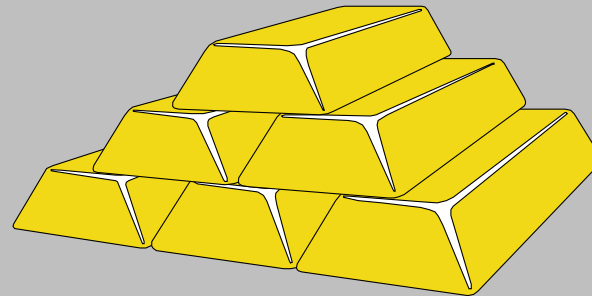


Standard Costs





Standard Costs



Advantages of Standard Costs

From Textbook Page 1065

Advantages of Standard Costs

From Textbook Page 1065



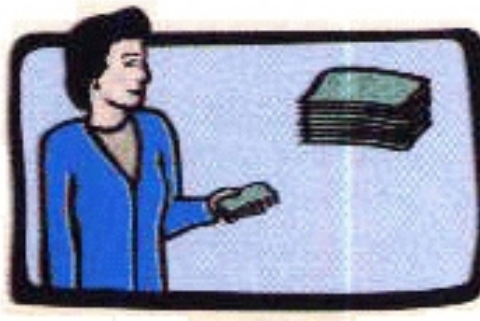
Helps Management Plan

Advantages of Standard Costs

From Textbook Page 1065



Helps Management Plan



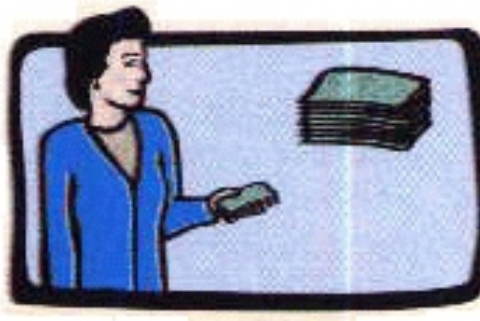
Employees Become More “cost-conscious”

Advantages of Standard Costs

From Textbook Page 1065



Helps Management Plan



Employees Become More "cost-conscious"



Helps Set Selling Prices

Advantages of Standard Costs

From Textbook Page 1065



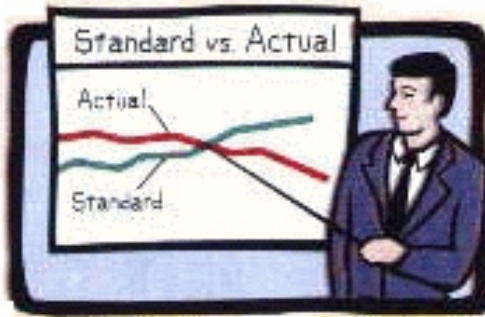
Helps Management Plan



Employees Become More "cost-conscious"



Helps Set Selling Prices



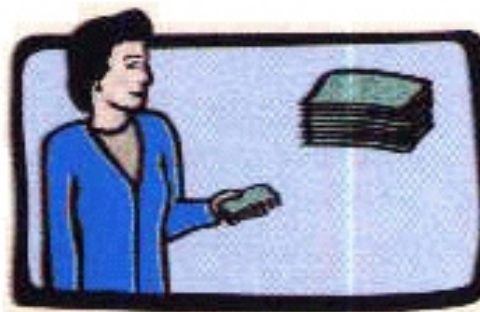
Management More Able to Control Costs

Advantages of Standard Costs

From Textbook Page 1065



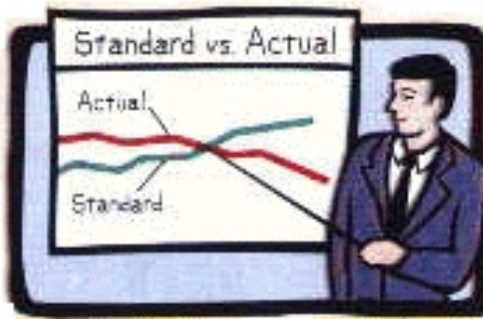
Helps Management Plan



Employees Become More "cost-conscious"



Helps Set Selling Prices



Management More Able to Control Costs



Management Deals With Exceptions

Advantages of Standard Costs

From Textbook Page 1065



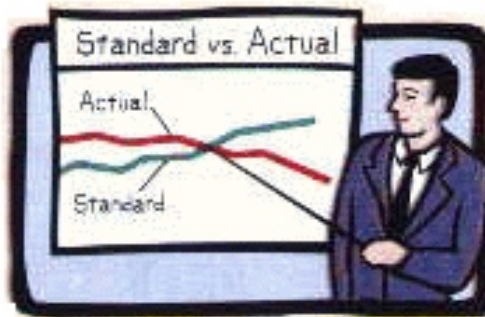
Helps Management Plan



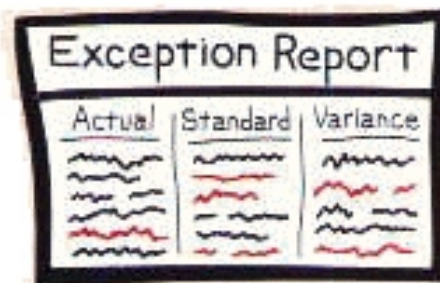
Employees Become More "cost-conscious"



Helps Set Selling Prices



Management More Able to Control Costs

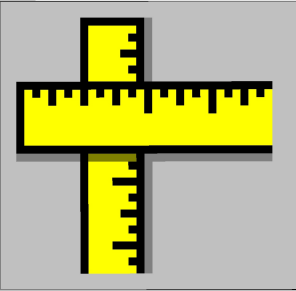


Management Deals With Exceptions



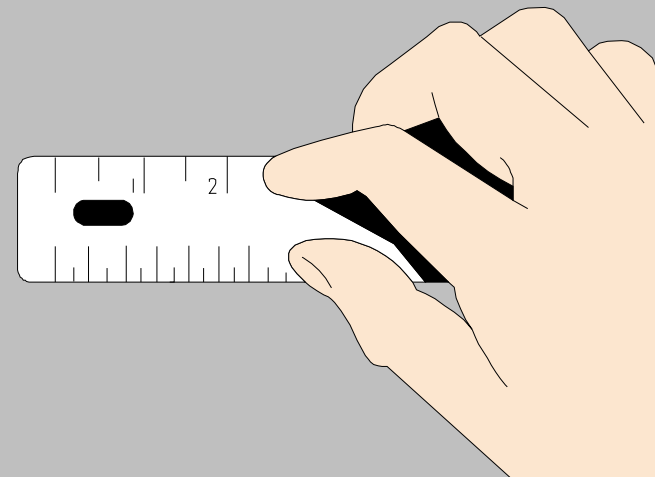
Simplify Inventory Costing and Reduce Clerical Costs

Standard Costs



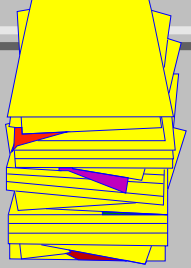
Highlights

- ✓ 1. Importance of Standards
2. Variances from Standards



Variances from Standard Costs

Variances from Standard Costs



Materials

Variiances from Standard Costs

Materials



Labor

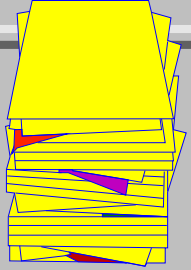
Variiances from Standard Costs

Materials

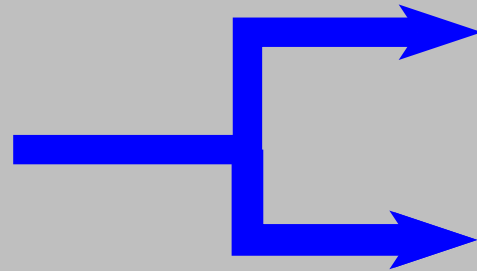
Labor



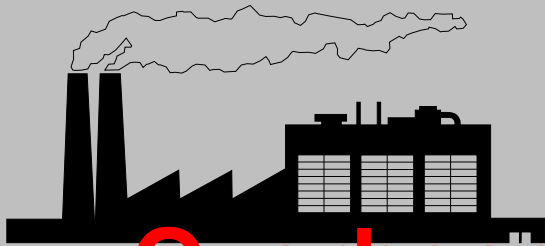
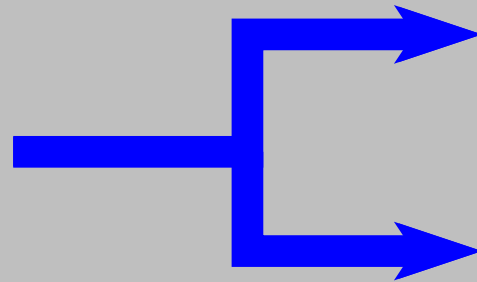
Variiances from Standard Costs



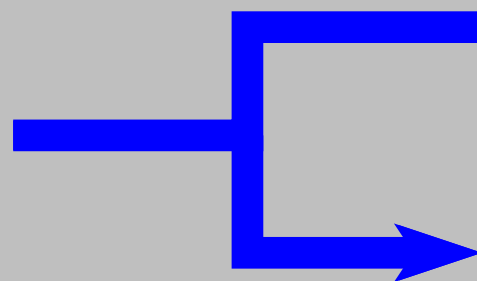
Materials



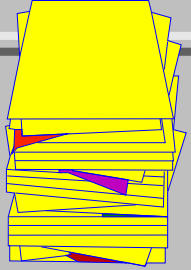
Labor



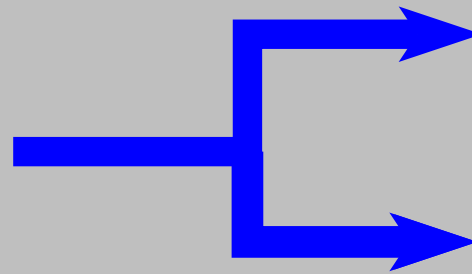
Overhead



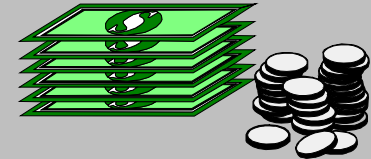
Variiances from Standard Costs



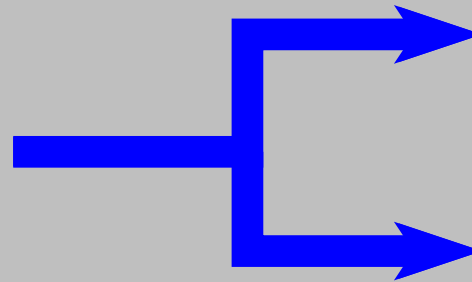
Materials



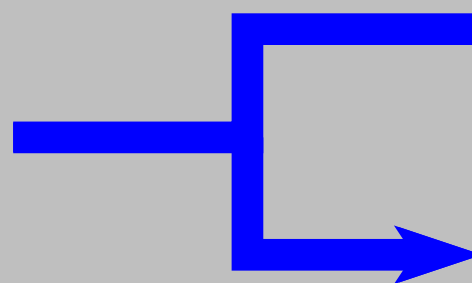
Price



Labor

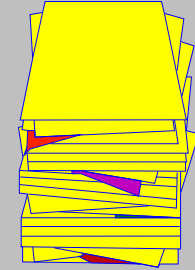
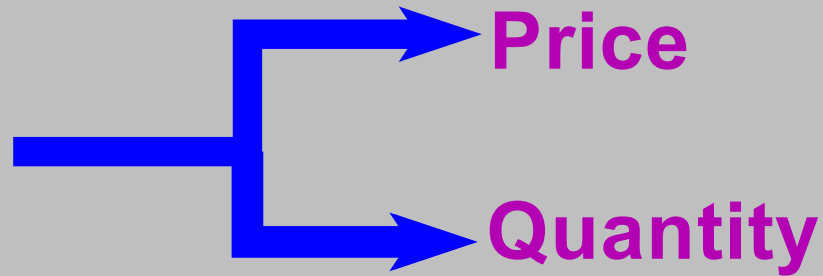


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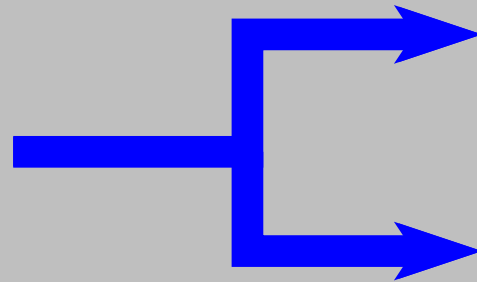


Variiances from Standard Costs

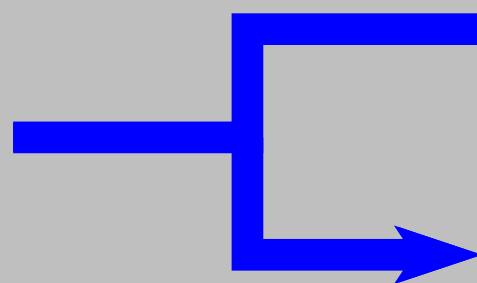
Materials



Labor

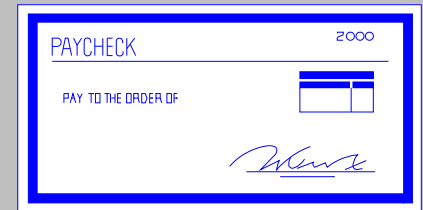
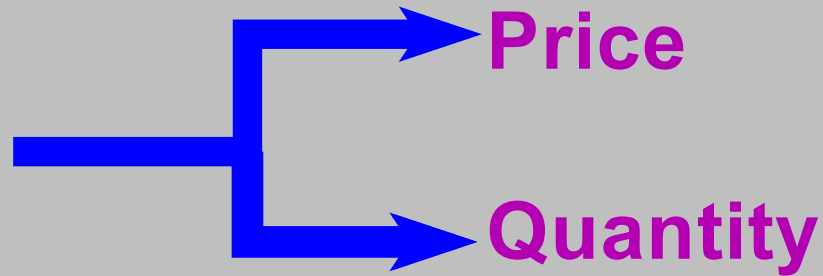


Overhead



Variiances from Standard Costs

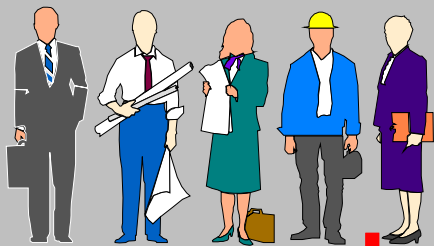
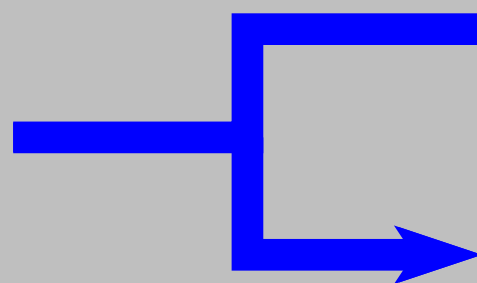
Materials



Labor

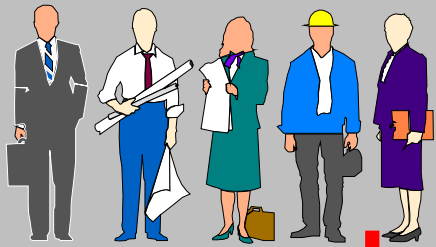
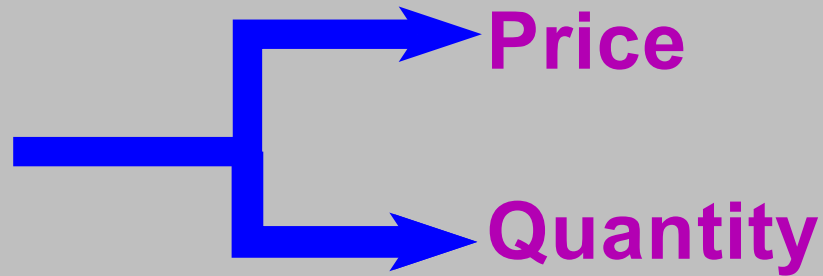


Overhead



Variiances from Standard Costs

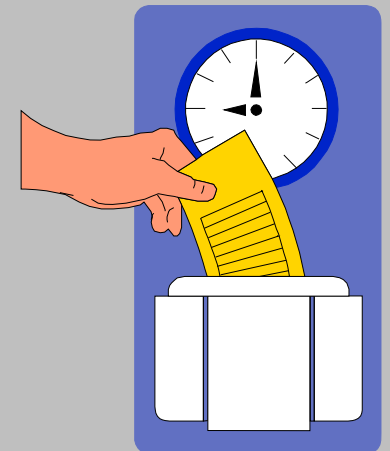
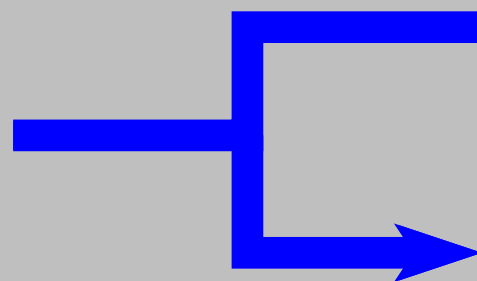
Materials



Labor

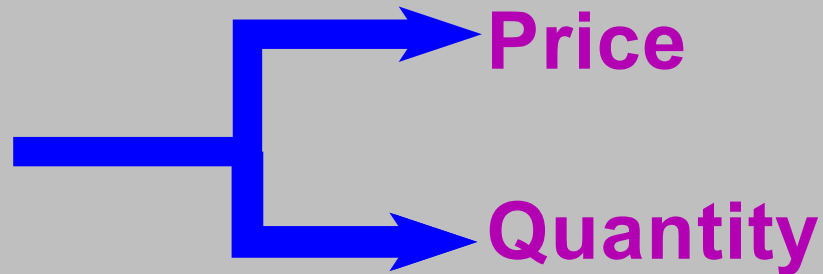


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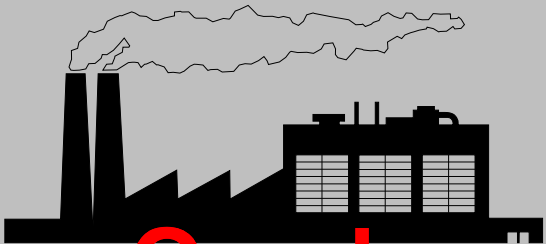
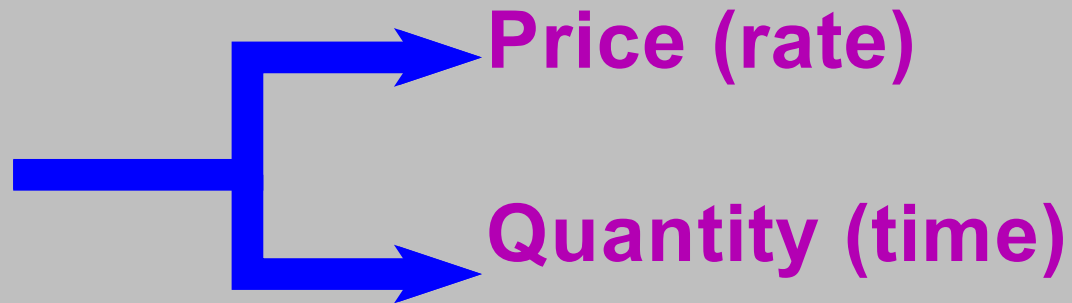


Variiances from Standard Costs

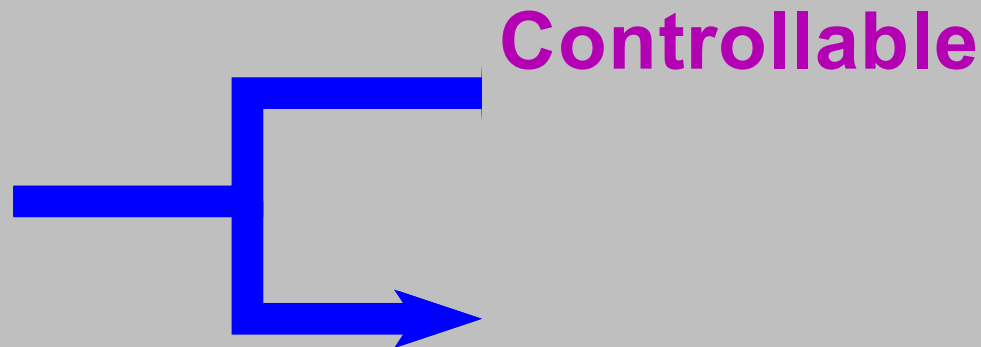
Materials



Labor

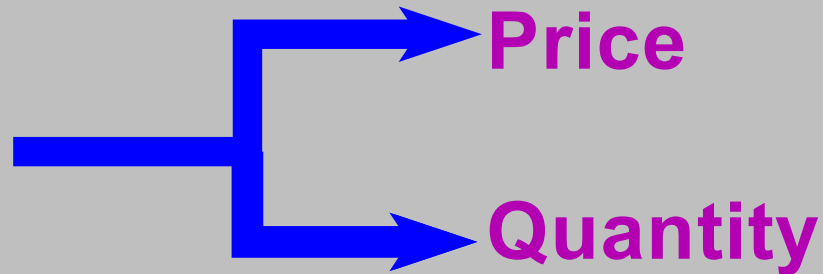


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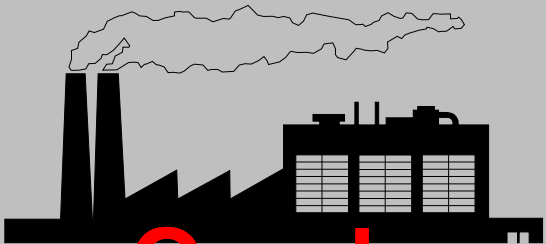
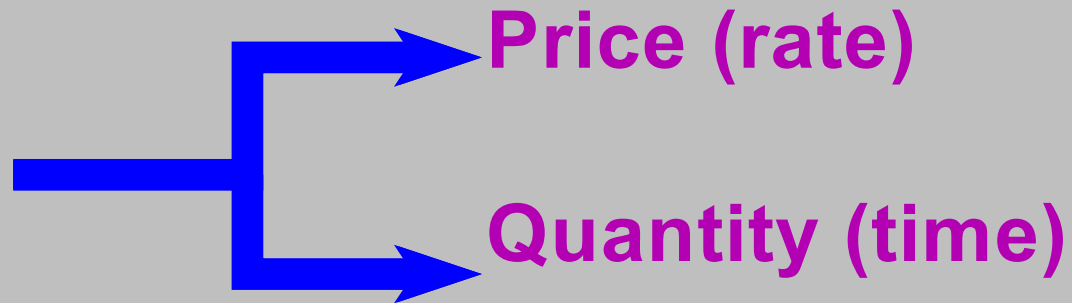


Variances from Standard Costs

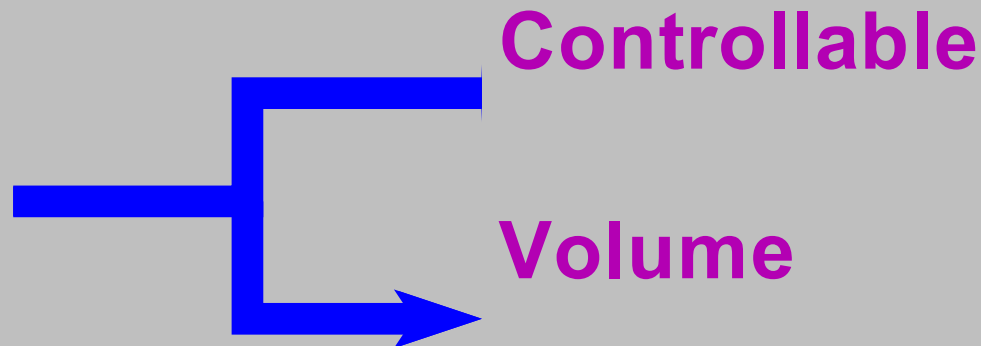
Materials



Labor



Overhead



Example of Standard Costs

Standard costs and actual costs for direct materials, direct labor, and factory overhead incurred for Titan Company in the manufacture of 5,000 units of product during February were as follows:

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50
Mfg. Overhead	Rates per direct labor, based on 100% of capacity of 2,500 labor hours:	
	Variable costs. \$13.20	\$28,000 variable cost
	Fixed cost. \$ 8.00	\$20,000 fixed costs

Instructions: Determine (a) the total direct materials cost variance, the price variance, and the quantity variance; (b) the total direct labor cost variance, the price (rate) variance, and the quantity (time) variance; and (c) the total factory overhead cost variance, the controllable variance, and the volume variance.

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Direct Materials Cost Variance

Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Total Materials Variance

Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Total Materials Variance

Standard:

Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Total Materials Variance

Standard: 7,000 lbs.



Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Total Materials Variance

Standard: 7,000 lbs. x \$12.00



Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Total Materials Variance


$$\text{Standard: } 7,000 \text{ lbs.} \quad \times \quad \$12.00 \quad = \quad \$84,000$$

Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Total Materials Variance

Standard: 7,000 lbs. x \$12.00 = \$84,000
Actual: 7,200 lbs.



Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000
Actual:	7,200 lbs.	x	\$11.50	=	



Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000
Actual:	7,200 lbs.	x	\$11.50	=	82,800

Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>

Direct Materials Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard: \$12.00



Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00
Actual:	11.50



Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00
Actual:	<u>11.50</u>
	\$.50

Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00				
Actual:	<u>11.50</u>				
	\$.50	x	7,200 lbs. (A)	=	



Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00				
Actual:	<u>11.50</u>				
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600

Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F



Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Standard:

Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Standard: 7,000 lbs.



Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Standard:	7,000 lbs.
Actual:	7,200 lbs.

Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Standard:	7,000 lbs.	
Actual:	<u>7,200 lbs.</u>	
	—	200 lbs.

Direct Materials Cost Variance

Total Materials Variance

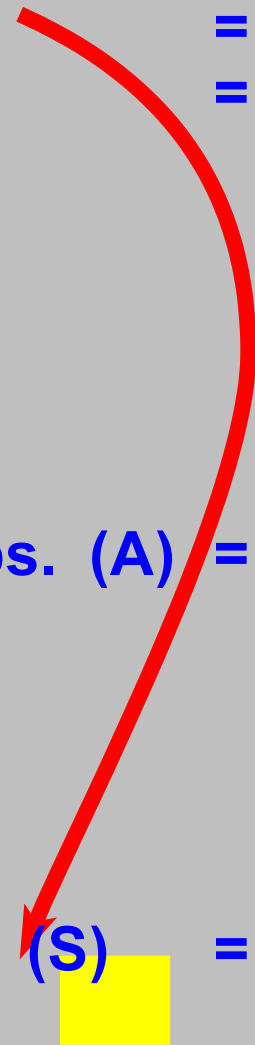
Standard:	7,000 lbs.	x	\$12.00	=	\$84,000
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u> F

Materials Price Variance

Standard:	\$12.00				
Actual:	<u>11.50</u>				
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600 F

Materials Quantity Variance

Standard:	7,000 lbs.				
Actual:	<u>7,200 lbs.</u>				
	—	200 lbs. x	\$12.00	(S)	=



Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Standard:	7,000 lbs.					
Actual:	<u>7,200 lbs.</u>					
	—	200 lbs. x	\$12.00 (S)	=	2,400	U

Direct Materials Cost Variance

Total Materials Variance

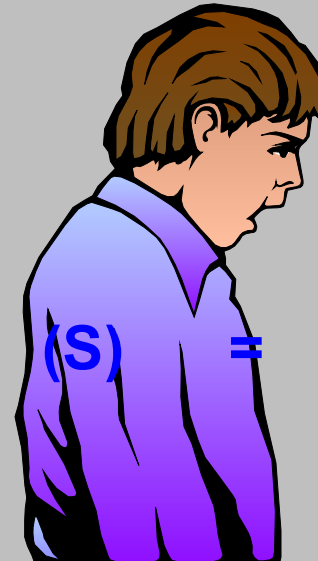
Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Standard:	7,000 lbs.					
Actual:	<u>7,200 lbs.</u>					
	—	200 lbs. x	\$12.00	(S)	=	2,400 U



Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Standard:	7,000 lbs.					
Actual:	<u>7,200 lbs.</u>					
	—	200 lbs. x	\$12.00 (S)	=	2,400	U

Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Standard:	7,000 lbs.					
Actual:	<u>7,200 lbs.</u>					
	—	200 lbs. x	\$12.00 (S)	=	<u>2,400</u>	U
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Direct Materials Cost Variance

Total Materials Variance

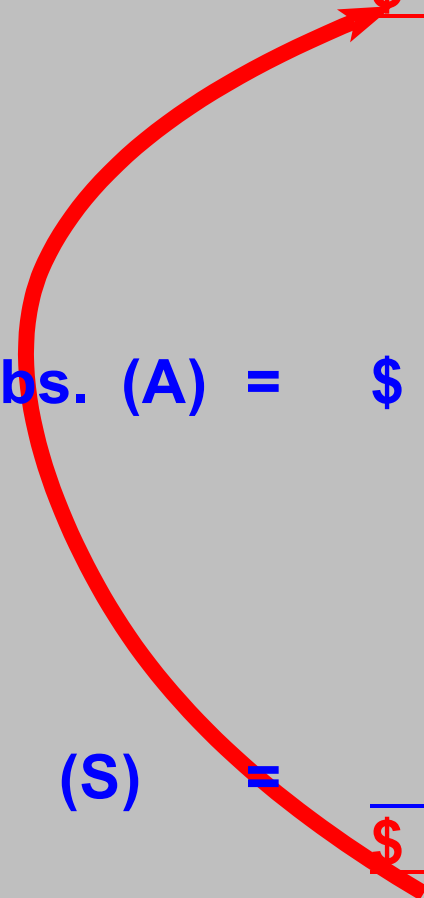
Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Standard:	7,000 lbs.					
Actual:	<u>7,200 lbs.</u>					
	—	200 lbs. x	\$12.00 (S)	=	<u>2,400</u>	U
TOTAL MATERIALS VARIANCE					<u>\$ 1,200</u>	F



Direct Materials Cost Variance

Total Materials Variance

Standard:	7,000 lbs.	x	\$12.00	=	\$84,000	
Actual:	7,200 lbs.	x	\$11.50	=	<u>82,800</u>	
TOTAL MATERIALS VARIANCE					\$ 1,200	F

Materials Price Variance

Standard:	\$12.00					
Actual:	<u>11.50</u>					
	\$.50	x	7,200 lbs. (A)	=	\$ 3,600	F

Materials Quantity Variance

Standard:	7,000 lbs.					
Actual:	<u>7,200 lbs.</u>					
	—	200 lbs. x	\$12.00 (S)	=	<u>2,400</u>	U
TOTAL MATERIALS VARIANCE					\$ 1,200	F

Direct Labor Cost Variance

Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50

Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50
<u>Total Labor Variance</u>		


Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50
<u>Total Labor Variance</u>		

Standard:

Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50
<u>Total Labor Variance</u>		
Standard:	2,000 hrs.	



Direct Labor Cost Variance

	<u>Standard Costs</u>		<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12		7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15		1,850 hours at \$15.50
<u>Total Labor Variance</u>			
Standard:	2,000 hrs.	x	\$15.00 =



Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50

Total Labor Variance

$$\text{Standard: } 2,000 \text{ hrs.} \times \$15.00 = \text{\$30,000}$$

Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50

Total Labor Variance

Standard: 2,000 hrs. x \$15.00 = \$30,000

Actual:

Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50

Total Labor Variance

Standard: 2,000 hrs. x \$15.00 = \$30,000
Actual: 1,850 hrs.



Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	



Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	28,675

Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50


Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>
TOTAL LABOR VARIANCE					<u>\$ 1,325</u>

Direct Labor Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000	
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>	
TOTAL LABOR VARIANCE					<u>\$ 1,325</u>	F 

Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000	
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>	
TOTAL LABOR VARIANCE					<u>\$ 1,325</u>	F

Labor Price (Rate) Variance

Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>
TOTAL LABOR VARIANCE					<u>\$ 1,325</u> F

Labor Price (Rate) Variance

Standard: **\$15.00**



Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>
TOTAL LABOR VARIANCE					<u>\$ 1,325</u> F

Labor Price (Rate) Variance

Standard:	\$15.00
Actual:	15.50



Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000	
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>	
TOTAL LABOR VARIANCE					<u>\$ 1,325</u>	F

Labor Price (Rate) Variance

Standard:	\$15.00
Actual:	<u>15.50</u>
	<u>\$.50</u>

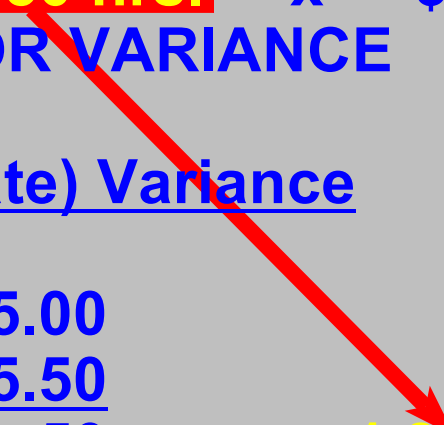
Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>
TOTAL LABOR VARIANCE					<u>\$ 1,325</u> F

Labor Price (Rate) Variance

Standard:	\$15.00			
Actual:	<u>15.50</u>			
	—	\$.50	x 1,850 hrs. (A)	=



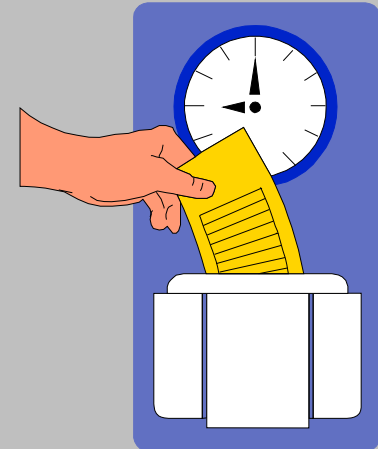
Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>
TOTAL LABOR VARIANCE					<u>\$ 1,325</u> F

Labor Price (Rate) Variance

Standard:	\$15.00		
Actual:	<u>15.50</u>		
	\$.50	x	1,850 hrs. (A) =



Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000	
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>	
TOTAL LABOR VARIANCE					<u>\$ 1,325</u>	F

Labor Price (Rate) Variance



Standard:	\$15.00				
Actual:	<u>15.50</u>				
	—	\$.50	x 1,850 hrs. (A)	=	\$ 925

Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000	
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>	
TOTAL LABOR VARIANCE					<u>\$ 1,325</u>	F

Labor Price (Rate) Variance

Standard:	\$15.00					
Actual:	<u>15.50</u>					
	 \$.50	x	1,850 hrs. (A)	=	\$ 925	 U

Direct Labor Cost Variance

Total Labor Variance

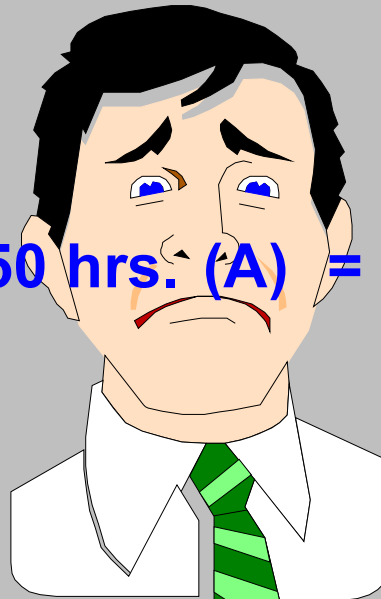
Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>
TOTAL LABOR VARIANCE					<u>\$ 1,325</u> F

Labor Price (Rate) Variance

Standard:	\$15.00
Actual:	<u>15.50</u>
—	\$.50

x 1,850 hrs. (A) =

\$ **925** **U**



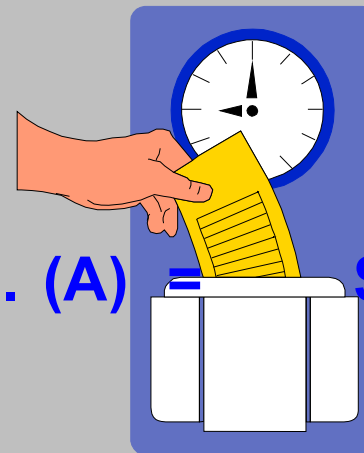
Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000	
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>	
TOTAL LABOR VARIANCE					<u>\$ 1,325</u>	F

Labor Price (Rate) Variance

Standard:	\$15.00					
Actual:	<u>15.50</u>					
	— \$.50	x	1,850 hrs. (A)	=	\$ 925	U



Labor Quantity (Time) Variance

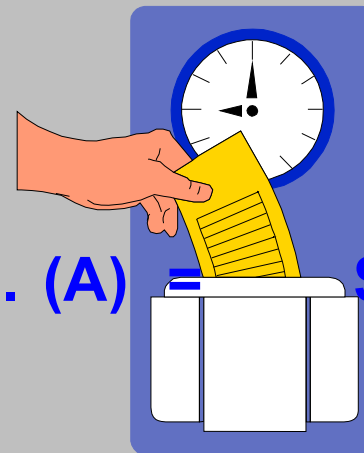
Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>
TOTAL LABOR VARIANCE					<u>\$ 1,325</u> F

Labor Price (Rate) Variance

Standard:	\$15.00				
Actual:	<u>15.50</u>				
	— \$.50	x 1,850 hrs. (A)	=	\$ 925	U



Labor Quantity (Time) Variance

Standard: **2,000 hrs.**

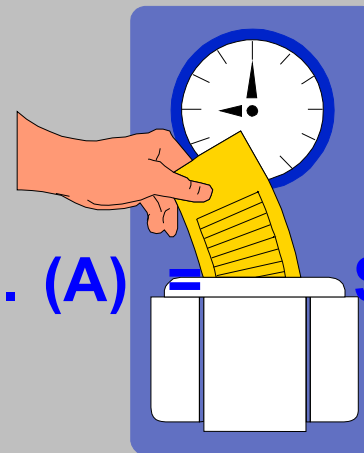
Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>
TOTAL LABOR VARIANCE					<u>\$ 1,325</u> F

Labor Price (Rate) Variance

Standard:	\$15.00				
Actual:	<u>15.50</u>				
	— \$.50	x	1,850 hrs. (A)	=	\$ 925 U



Labor Quantity (Time) Variance

Standard:	2,000 hrs.
Actual:	1,850 hrs.

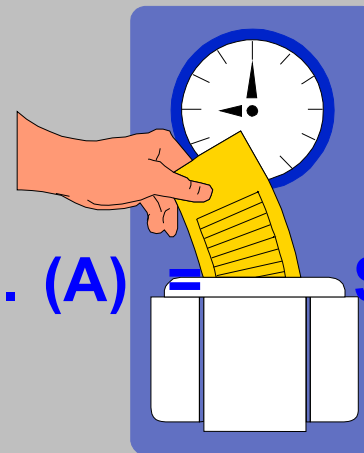
Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000	
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>	
TOTAL LABOR VARIANCE					<u>\$ 1,325</u>	F

Labor Price (Rate) Variance

Standard:	\$15.00					
Actual:	<u>15.50</u>					
	—	\$.50	x 1,850 hrs. (A)	=	\$ 925	U



Labor Quantity (Time) Variance

Standard:	2,000 hrs.
Actual:	<u>1,850 hrs.</u>
	150 hrs.



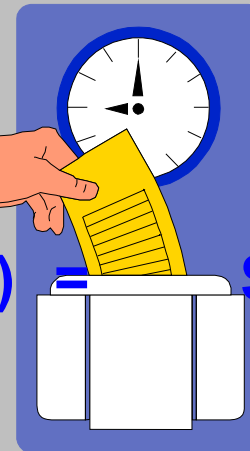
Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000
Actual:	1,850 hrs.	x	\$15.50	=	<u>28,675</u>
TOTAL LABOR VARIANCE					<u>\$ 1,325</u> F

Labor Price (Rate) Variance

Standard:	\$15.00				
Actual:	<u>15.50</u>				
	—	\$.50	x 1,850 hrs. (A)	=	\$ 925 U



Labor Quantity (Time) Variance

Standard:	2,000 hrs.				
Actual:	<u>1,850 hrs.</u>				
	150 hrs.	x	\$15.00 (S)	=	



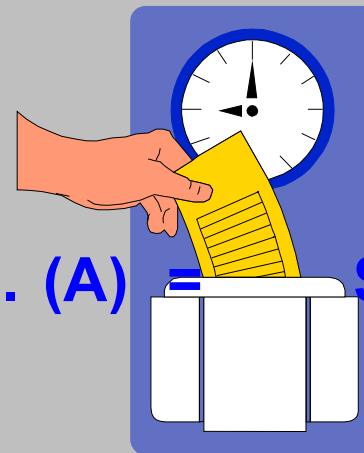
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	—	\$.50	x 1,850 hrs. (A)	=	\$ 925	U



Labor Quantity (Time) Variance

Standard:	2,000 hrs.					
Actual:	<u>1,850 hrs.</u>					
		150 hrs.	x \$15.00 (S)	=	2,250	



Direct Labor Cost Variance

Total Labor Variance

Standard:	2,000 hrs.	x	\$15.00	=	\$30,000	
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Labor Quantity (Time) Variance

Standard:	2,000 hrs.					
Actual:	<u>1,850 hrs.</u>					
	150 hrs.	x \$15.00	(S)	=	2,250	F




Direct Labor Cost Variance

Total Labor Variance

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Total Labor Variance

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TOTAL LABOR VARIANCE					<u>\$ 1,325</u>	F



Direct Labor Cost Variance

Total Labor Variance

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Direct Labor Cost Variance

Total Labor Variance

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Labor Quantity (Time) Variance

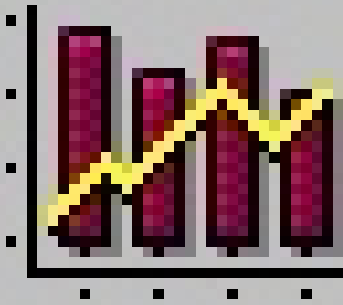
Standard:	2,000 hrs.				
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	150 hrs.	x	\$15.00 (S)	=	<u>2,250 F</u>
TOTAL LABOR VARIANCE					\$ 1,325 F

Overhead Cost Variance

Overhead Cost Variance

	<u>Standard Costs</u>	<u>Actual Costs</u>
Direct Materials	7,000 pounds at \$12	7,200 pounds at \$11.50
Direct Labor	2,000 hours at \$15	1,850 hours at \$15.50
Factory overhead		
Rates per direct labor, based on 100% of capacity of 2,500 labor hours:		
Variable costs,	\$13.20	\$28,000 variable cost
Fixed cost,	\$ 8.00	\$20,000 fixed costs

How Costs Behave

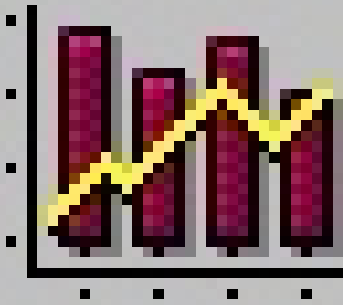


In Total

Variable Costs

Fixed Costs

How Costs Behave



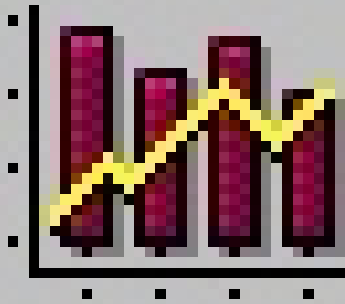
In Total

Variable Costs

vary

Fixed Costs

How Costs Behave



In Total

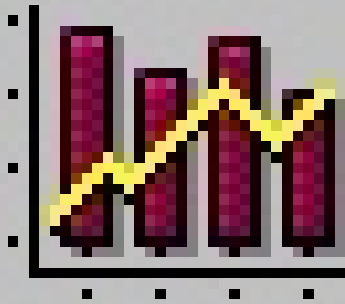
Variable Costs

vary

Fixed Costs

fixed

How Costs Behave



In Total

Per Unit

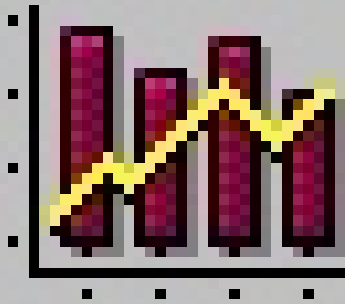
Variable Costs

vary

Fixed Costs

fixed

How Costs Behave



In Total

Per Unit

Variable Costs

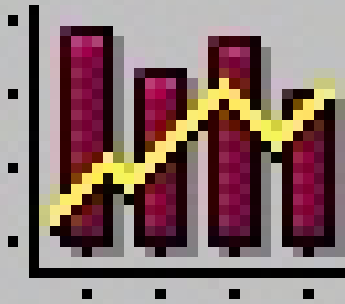
vary

fixed

Fixed Costs

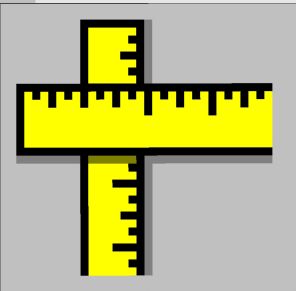
fixed

How Costs Behave



	<u>In Total</u>	<u>Per Unit</u>
Variable Costs	vary	fixed
Fixed Costs	fixed	vary

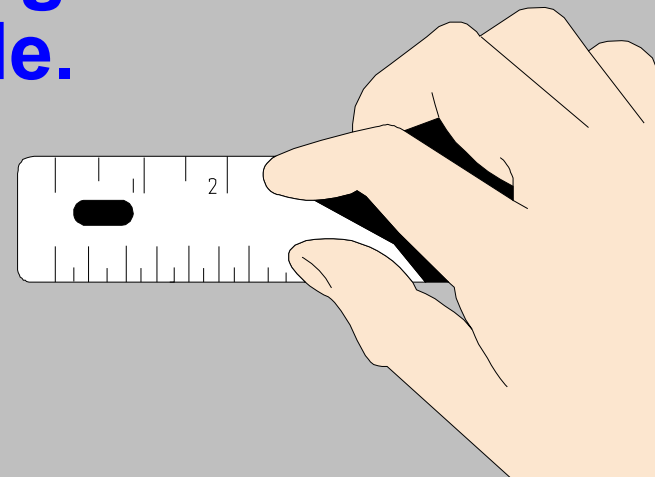
Standard Costs



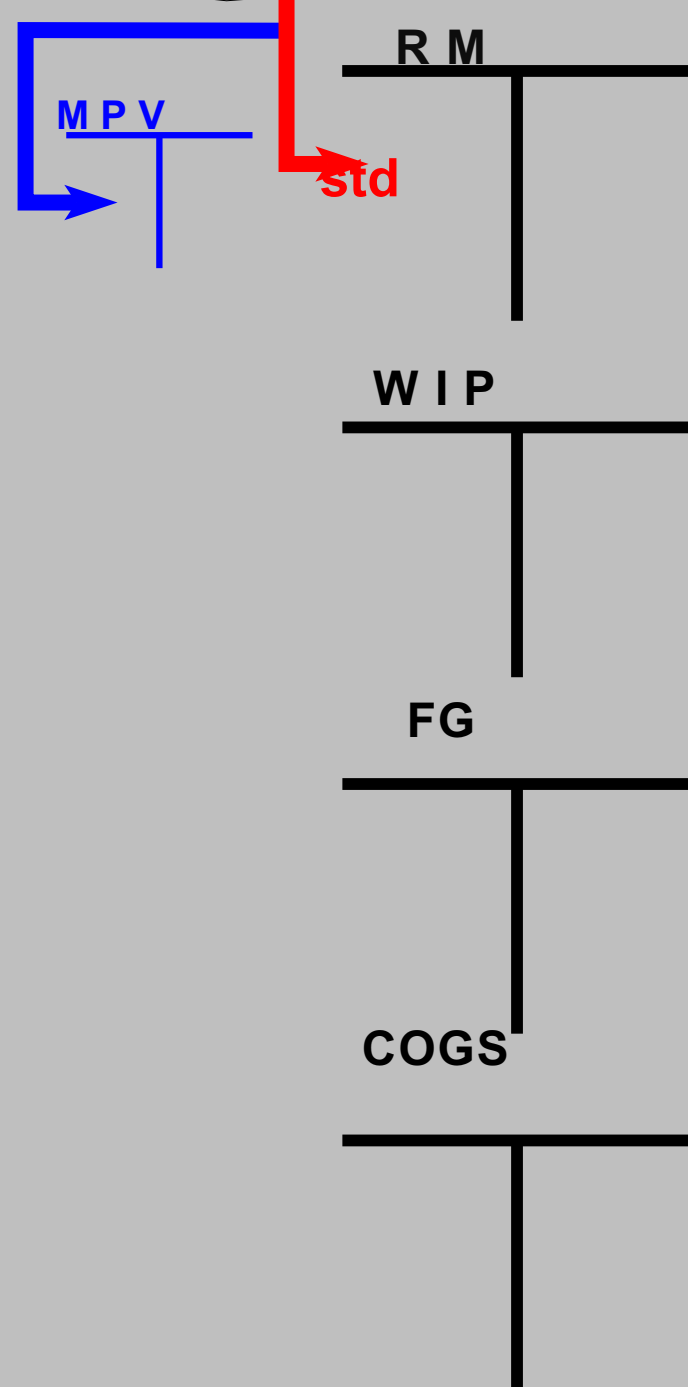
Highlights

- ✓ 1. Importance of Standards
- ✓ 2. Variances from Standards
3. Standards in the Accounts

Experience lesson on class web page.
Follow handout in note-taking guide.
Best to do it **BEFORE** homework
for second discussion.



Standard Costs in the Accounts



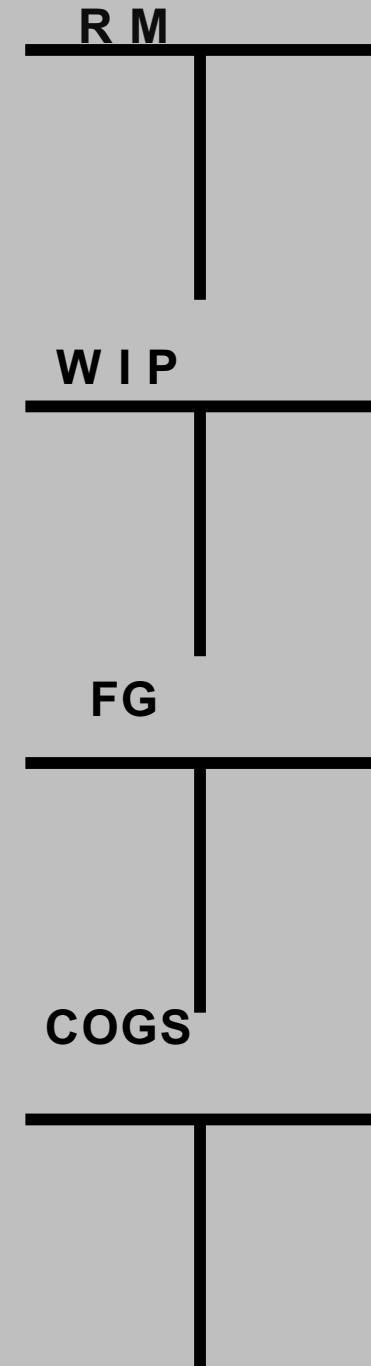
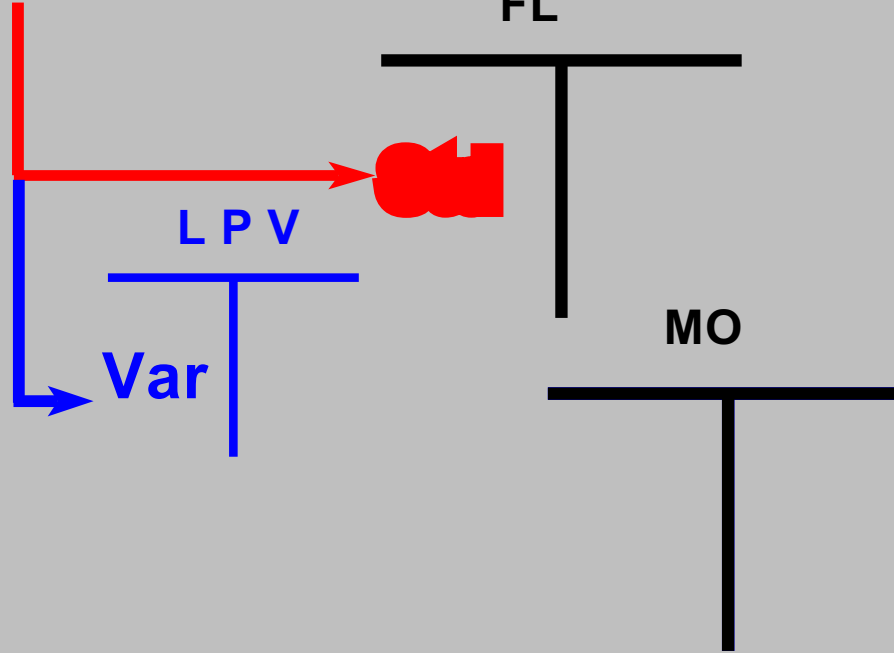
Materials Variances

Standard Costs in the Accounts



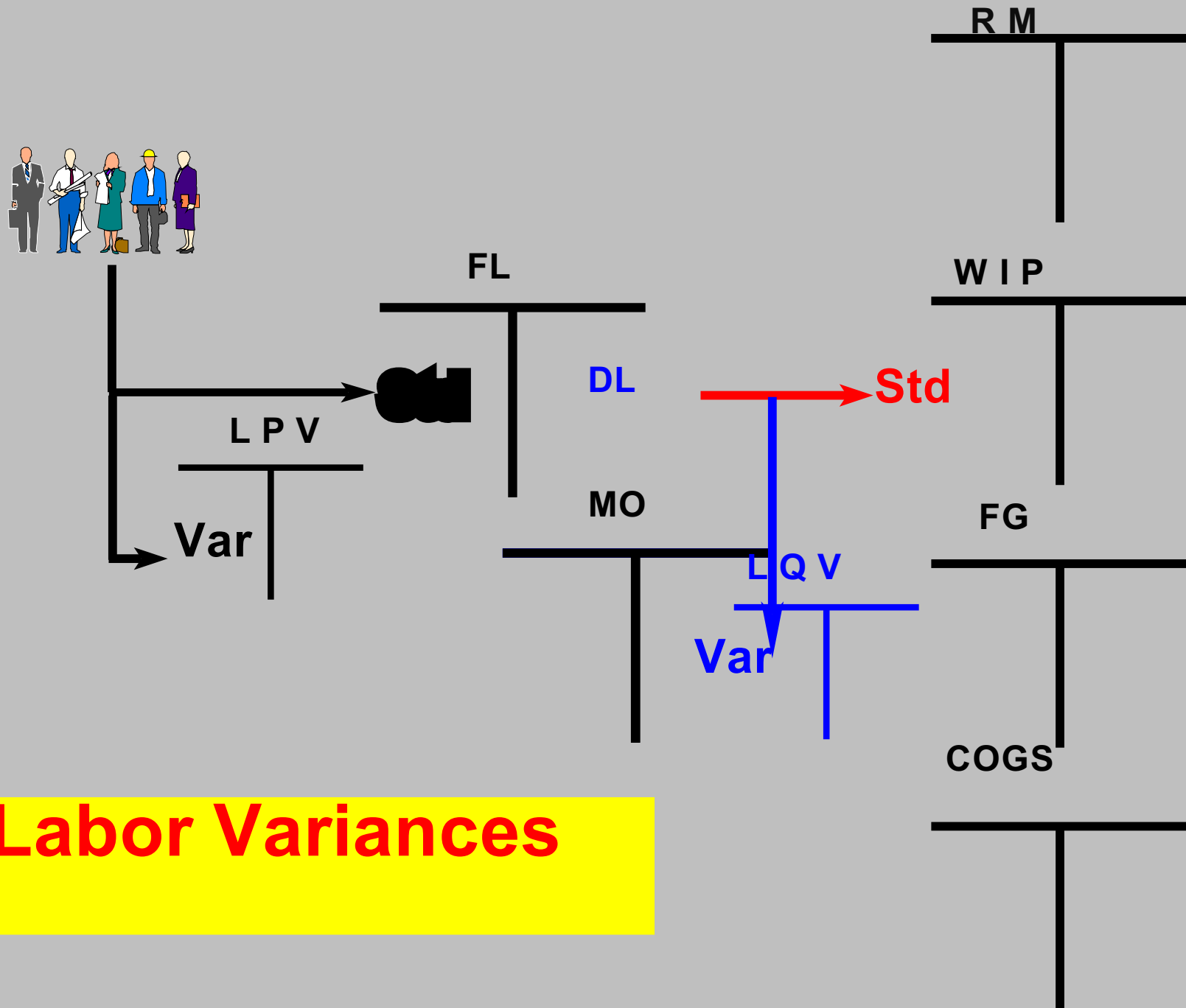
Materials Variances

Standard Costs in the Accounts

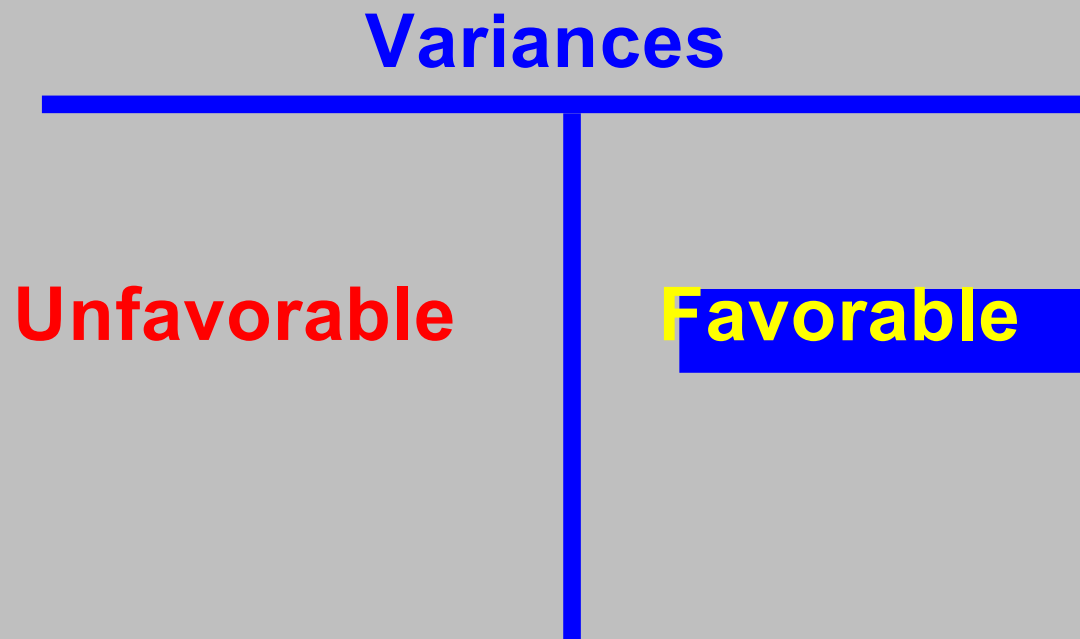


Labor Variances

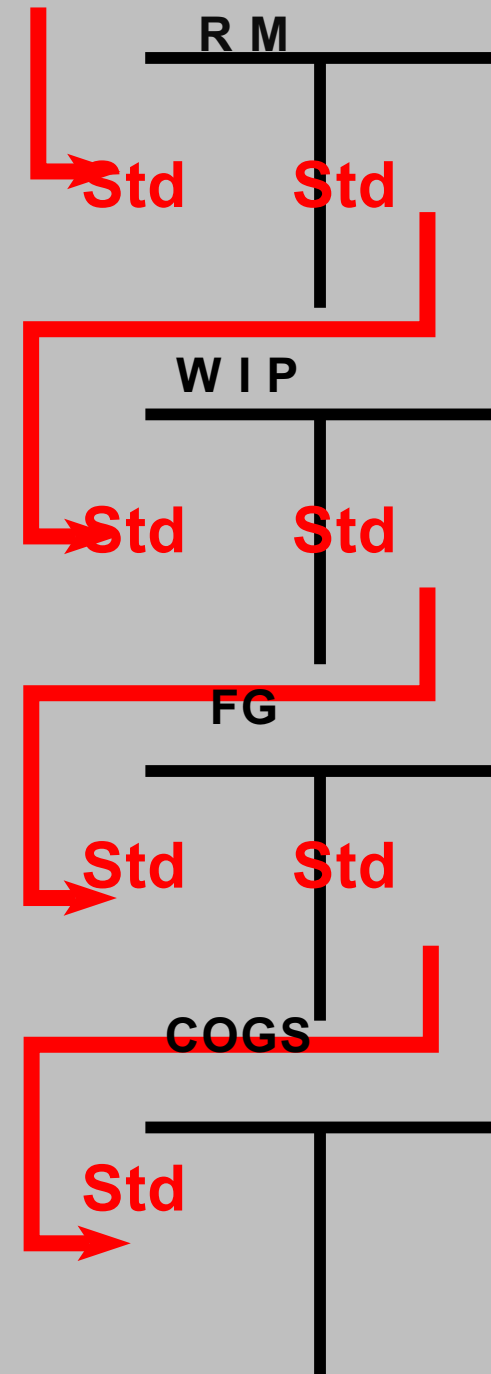
Standard Costs in the Accounts



Standard Costs in the Accounts

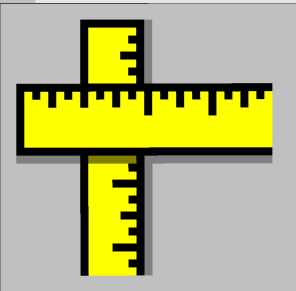


Standard Costs in the Accounts



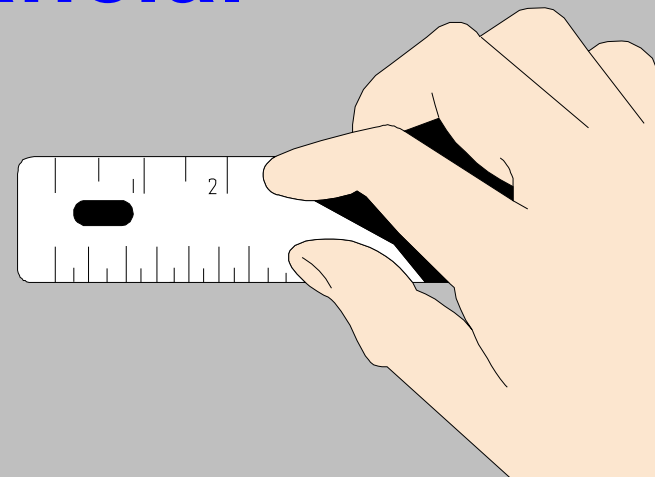
Summary — Recap

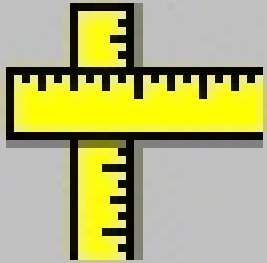
Standard Costs



Highlights

- ✓ 1. Importance of Standards
- ✓ 2. Variances from Standards
- ✓ 3. Standards in the Accounts
4. Variances on the Financial Statements





Standard Costs

