

STANDARD COSTING

SC-1

std cost: predetermned cost based on mgmt efficiency levels.

std costing process: (a) setting std cost (yard stick) → find actual cost → compare SC & AC (variance) →

take collective action for variances.

Analysis: material, labour, OH, & Fixed + var, sales, profit.

• COST VARIANCE = STANDARD - ACTUAL

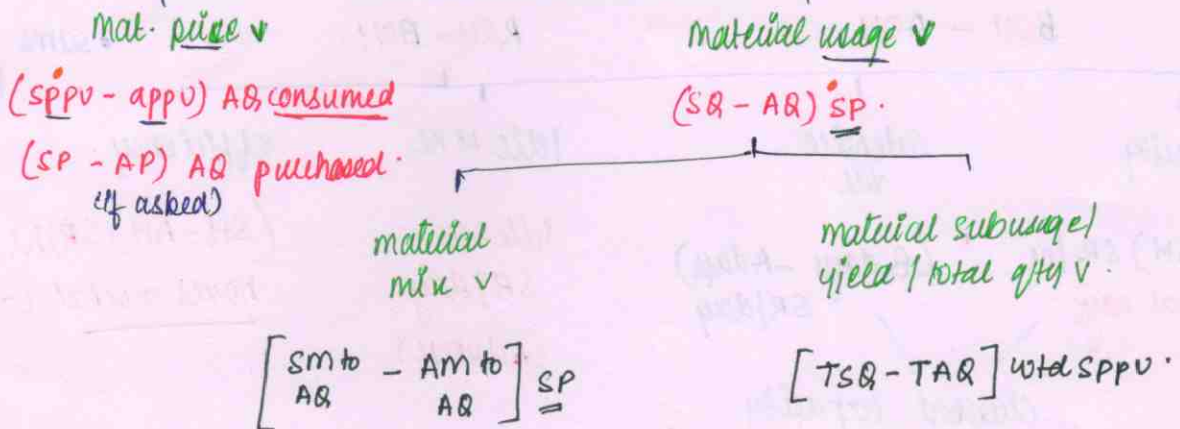
• +ve - Favorable] expect sales variance (opposite) +
 -ve - Adverse.] capacity + calendar v.

in every formula one thing is constant

• All standards for actual & for actual opt.

(a) Material Variance:

Material cost variance = Std cost - actual cost



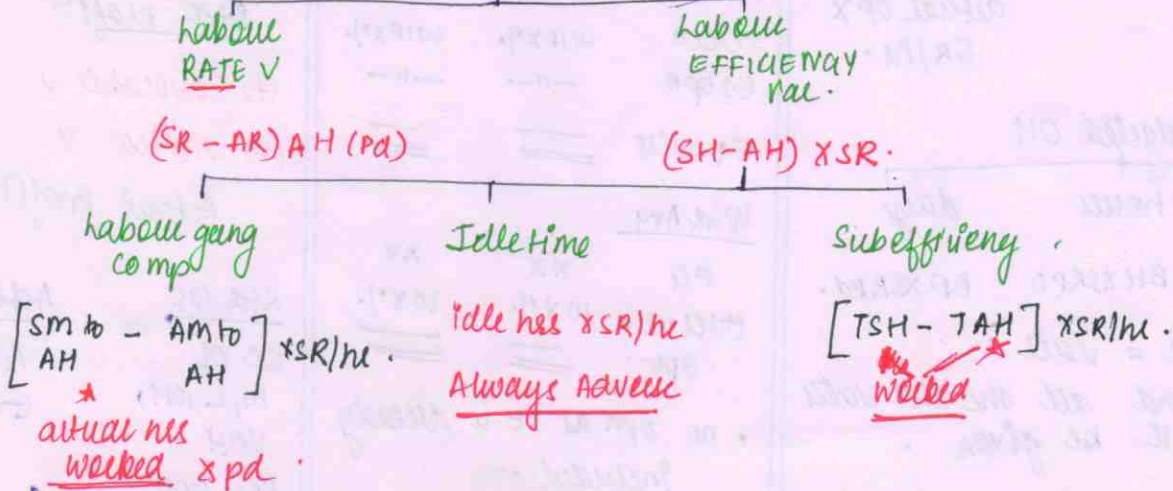
control table: SQ SP SC AQ AP AC

IP loss O/P (Prodⁿ)
 100 X 10 X 90
 ? X ? X 2

• sometime break up into Opⁿ + cy In AQ AP AC is also done.
 • actual = Opⁿ + issue - clⁿ.
 • Be very careful about mix and sm to AQ.

(b) Labour Variance

Labour cost variance = Std cost - actual cost



hrs worked = net of idle time (productive hrs)

hrs pd = worked + idle

control table: SH SR SC AH AR AC / AH (pd) - Idle time = AHW ← SHW (min)

(c) Variable OH Variance.

VOH cost val control hrs = labour hrs
 $= SC - AC$
 $R - A$

VOH Rate
 VOH Exp
 VOH expenditure
 $S - A$
 $(SR - AR) AH$

VOH efficiency
 $R - S$
 $(SH - AH) SR$

Semi-variable component

* very careful
 * segg into F & V component.
 $B(FOH) = \text{given} + \text{part of SVC}$
 $B(VOH) = \text{given} + \text{part of SVC}$
 Same for $AL(FOH) + A(VOH)$

(d) Fixed overhead variance

= Recovered - Actual OH.

"(BARB)"

Expenditure v Prodⁿ Volume v

$BOH - AOH$

$ROH - BOH$

Control table

BOH	BH
AOH	AH
ROH	SH(AOP)

• same from labour table

Capacity

Calendar val.

Idle time

efficiency.

$(BH - AH) SR/hr$
 for actual days

$(B \text{ days} - A \text{ days})$
 SR/day

Idle hrs x
 SR/day
 $(Advess)$

$(SH - AH) SR/hr$
 hours worked (-IT)

clubbed capacity val
 $(BH - AH) SR/hr$

* (-) = Fav
 (+) = Adv (ultra)

Recovered OH.

unit based

hours based **

$ROH = \text{actual units}$
 \times
 $SR pu$

Std hrs for
 actual OP x
 SR/hr

Budgeted OH

units

hours

day

$BU \times SR pu$

$BH \times SRpd$

$BD \times SRpd$

base = rate.

• used to find all the std rates as BOH will be given.

• std cost card = stmt showing std cost pu.

* Existence of WIP

FIFO		
Raw	mat	LOH
FG	xx	xx
(+) WIP	WIP x %	WIP x %
(-) WIP	---	---
Eq units	==	==
Wtd Avg		
FG	xx	xx
(+) WIP	W x %	W x %
opt.	==	==

• no opn as it is already included.

Operating Statement

• Recd stmt (Std - AC profit)

Actual sales	xx
(-) Std cost of sales	(xy)
<u>Std profit</u>	xx
(+) Favorable v	xx
(-) adverse v	(xx)
<u>Actual Profit</u>	xx

Std LOS	Actual Profit
SC of M, L, OH, VOH + Reco FOH	Actual sales (-) AC M, LOH, VOH, FOH = A.P.

Accounting for variances Three types:- Single Plan Partial Plan Dual Plan SC-2

- Single Plan
- at every point of transac
 - @ pt of purchase (Raw material p. var)
 - current control
 - var - resp head
 - std cost everything

- Partial Plan
- @ year end (normal NI entries)
 - @ pt of consump
 - post-control
 - " WIP "
 - Rm = actual cost std

Sales variance: same only var is ultra
(+) Adv (-) Fav

Profit/Margin based SV:

BB BM TBM AB AM TAB

Journal entries (Partial Plan) C → SC

- normal flow as per non integrated
- after FOH are absorbed on WIP

Adverse var To WIP OR WIP To Fav var

- transfer to costing P&L

costing PL To Adv OR Fav var To costing PL

Journal entries (Single Plan)

- normal entry
- var in each entry
- write the formula 1st prod = D_s 2nd prod = C_s

Rm purchase:

$$AB (SP - AP) ABP$$

Rm control 1
Adv var x
To GLA 2
To Fav var x

Rm consumed: $(SQ - AQ) SPPU$

labour pd: $(SR - AR) AH$

labour absorb: $(SH - AH) SR$

OH pd: $(BOH - AOH)$

OH Absorbed: $(ROH - BOH)$

- transfer all var to costing P&L

Dual Plan (Ratio's)

Capital (C) Efficiency (E) Activity (A)

$$\frac{AH}{BH} \times 100 \quad \frac{SH}{AH} \times 100 \quad \frac{SH}{BH} \times 100$$

(CAB)

- all must be more than 100%

CAB C A 1 S "ASBA"
B 2 A