

## Lesson 33: Standard Costing and Variance Analysis

### Part A: Calculate Material Variances

Standard: 5 lbs @ \$8/lb = \$40 per unit | Actual: 5.2 lbs @ \$7.80/lb | 1,000 units produced

Variance	Formula	Your Calculation	Favorable / Unfavorable
Material Price Variance	$(\text{Std Price} - \text{Act Price}) \times \text{Act Qty}$	$(8.00 - 7.80) \times 5,200$	
Material Usage Variance	$(\text{Std Qty} - \text{Act Qty}) \times \text{Std Price}$	$(5,000 - 5,200) \times 8$	
Total Material Variance	Price + Usage Variance		

### Part B: Calculate Labor Variances

Standard: 2 hrs @ \$15/hr | Actual: 1.9 hrs @ \$16/hr | 1,000 units produced

Variance	Formula	Your Calculation	F / U
Labor Rate Variance	$(\text{Std Rate} - \text{Act Rate}) \times \text{Act Hours}$		
Labor Efficiency Variance	$(\text{Std Hours} - \text{Act Hours}) \times \text{Std Rate}$		

### Part C: Short Answer

A department shows a favorable material price variance but an unfavorable usage variance. What might explain this?

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