

# Advanced Cost Accounting

Planning & Control



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University of Basrah  
Faculty of Administration & Economics  
Accounting Department  
Fourth Class  
Advanced Cost Accounting  
First Semester

## Chapter 3

### Costs variances: Computing and Analysis

### Direct Cost Variances

**Dr. Hashim Ali Hashim**

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# Definition of Costs Variance

The difference between Standard Costs and Actual Costs

**Actual costs = standard cost**  $\longrightarrow$  **Zero**

**Actual costs < standard cost**  $\longrightarrow$  **Variance**  $\Rightarrow$  **Favorable variance**

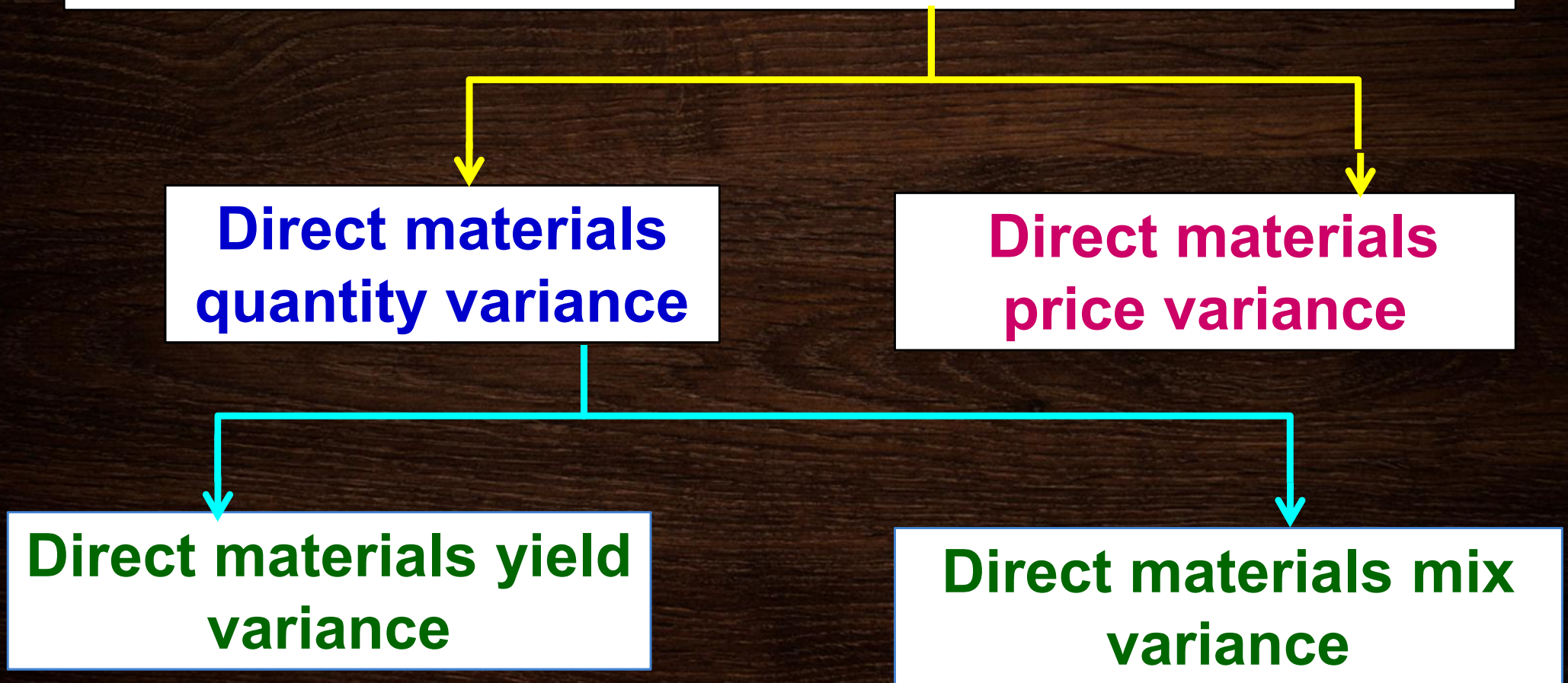
**Actual costs > standard cost**  $\longrightarrow$  **Variance**  $\Rightarrow$  **Unfavorable variance**

## General formula of Cost variance:

$$\text{Cost variance} = \text{Standard costs for actual production} - \text{Actual costs for actual production}$$

# DIRECT MATERIALS COST VARIANCES

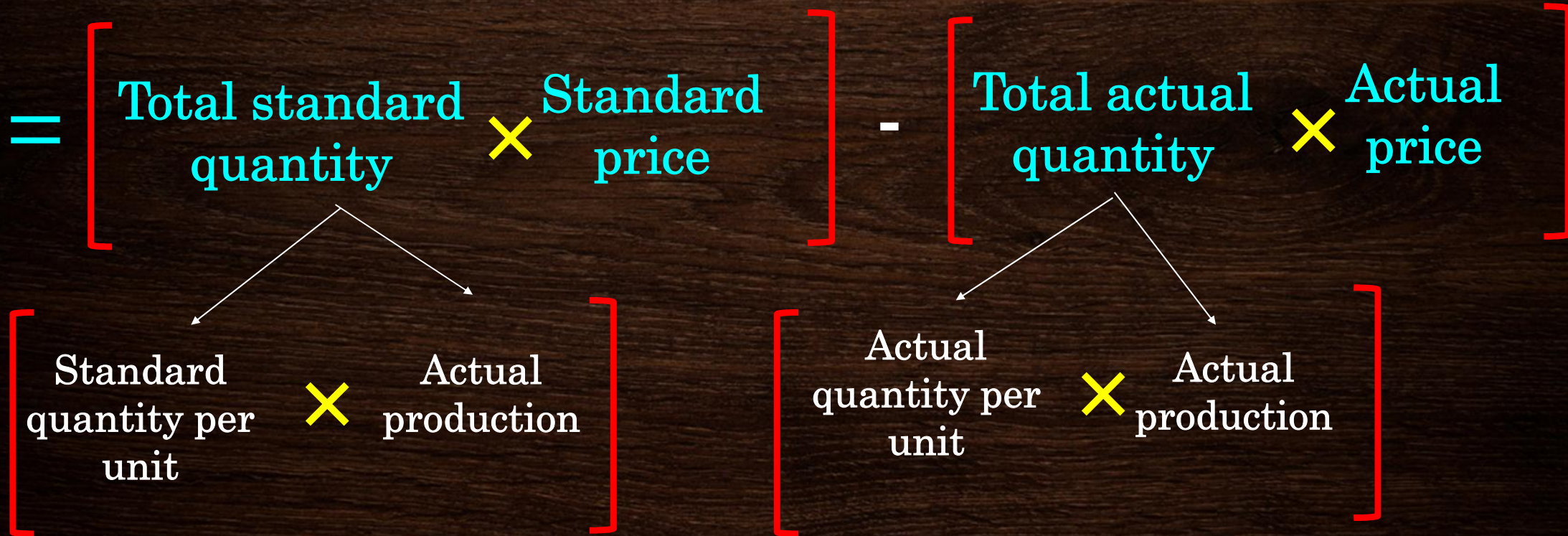
# Total Direct Material Costs Variance



**Total Direct  
Material Cost  
Variance**

Standard direct  
materials costs for  
actual production

Actual direct  
materials costs for  
actual production



$$\text{Direct Material Price Variance} = \left[ \text{Standard price} - \text{Actual price} \right] \times \text{Total actual quantity used}$$

$$\text{Direct Material Quantity Variance} = \left[ \begin{array}{l} \text{Total} \\ \text{standard} \\ \text{quantity} \end{array} - \begin{array}{l} \text{Total} \\ \text{actual} \\ \text{quantity} \end{array} \right] \times \text{Standard price}$$



**Direct  
materials  
mix variance**



Actual  
quantity of  
all direct  
materials  
used



Standard  
direct  
materials  
mix  
percentage



Actual  
direct  
materials  
mix  
percentage



Standard  
price

**Direct  
materials yield  
variance** =

Standard  
quantity  
of all  
direct  
materials

—

Actual  
quantity  
of all  
direct  
material  
s used

×

Standard  
direct  
materials  
mix  
percentage

×

Standard  
price

# Question & Exercises

انحرافات التكاليف والايرادات - نظم التكاليف الحديثة

# محاسبة التكاليف المتقدمة

تقنيات التكاليف لأغراض التخطيط والرقابة



د. هاشم علي هاشم  
استاذ محاسبة التكاليف المساعد

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# Good luck

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