

# Contabilidade de Gestão Avançada

Mestrado CFFE

Aula 3



*idefe*



# 4. Variance Analysis

## 4.1 Standard Costing

- Definition
  - Standard costs are target costs for each operation that can be built up to produce a product standard cost.
  - A budget relates to the cost for the total activity, whereas standard relates to a cost per unit of activity.

# 4. Variance Analysis

## 4.1 Standard Costing

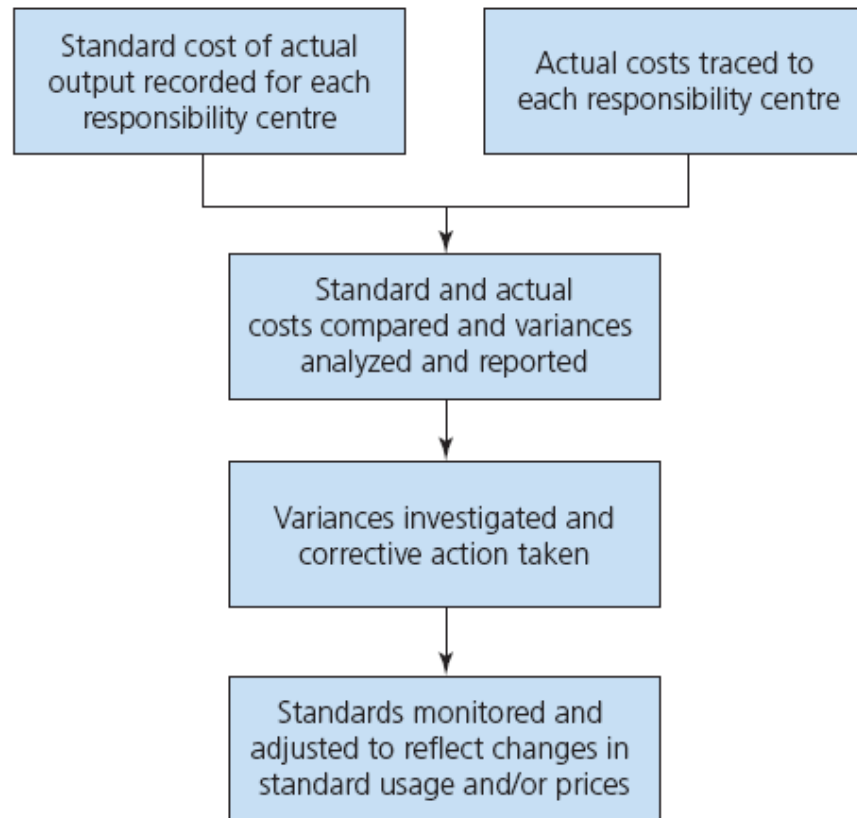
- Operation of a standard costing system
  - Most suited to a series of common or repetitive organizations (this can result in the production of many different products)

Responsibility centre	Operation no. and standard cost		Products							Total standard cost	Actual cost
	No.	£	100	101	102	103	104	105	106	£	
A	1	20	✓	✓		✓	✓	✓	✓	120	
B	2	30		✓		✓		✓		90	
C	3	40	✓		✓		✓			120	
D	4	50	✓	✓	✓				✓	200	
Standard product cost			£110	£100	£90	£50	£60	£50	£70	530	

Source: Drury, 7<sup>th</sup> Edition, Management and Cost Accounting, Cengage Learning

# 4. Variance Analysis

## 4.1 Standard Costing



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# 4. Variance Analysis

## 4.1 Standard Costing

- Standard costing leads us to a new type of budgeting

### Flexible Budgeting

- Flexible or adjusted budgets are standard budgets with actual data
- Each time we replace a budgeted item by actual data we can measure the variance of this precise variable

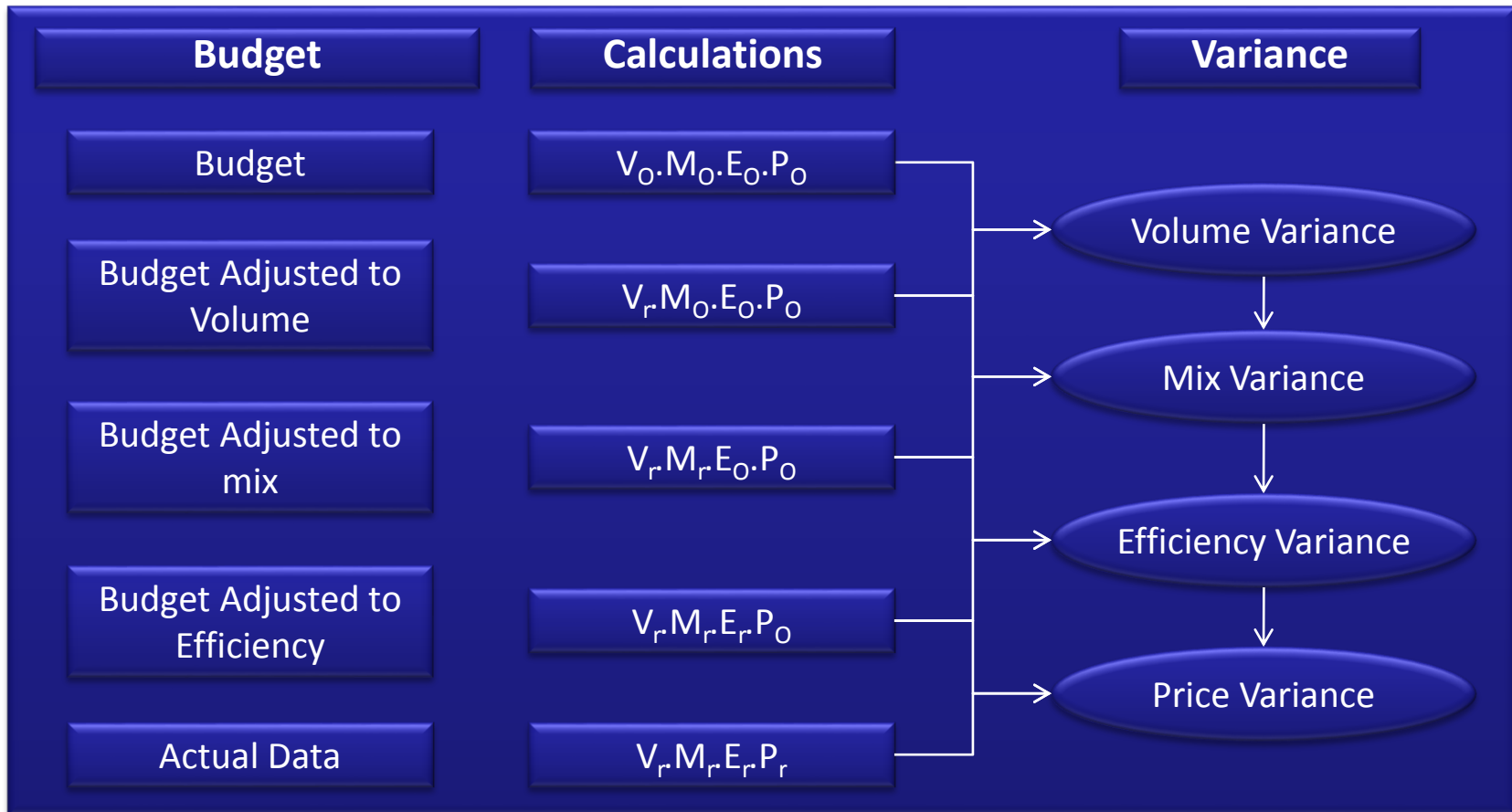
# 4. Variance Analysis

## 4.2 Flexible Budgets and Variance Analysis

- Types of variances
  - Volume
  - Mix
  - Efficiency
  - Price

# 4. Variance Analysis

## 4.2 Flexible Budgets and Variance Analysis



# 4. Variance Analysis

## 4.3 Investigation of variances

- Variance investigation models can be classified into the following categories:
  - Simple rule of thumb models
  - Statistical models
- Reasons for variances
  - Measurement errors
  - Out-of-date standards
  - Out-of-control operations
  - Random or uncontrollable factors



# 4. Variance Analysis

## 4.3 Investigation of variances

- Investigation will indicate that variance is due to:
  - Random uncontrollable factors when the operation is under control
  - Assignable causes, but the cost of investigation exceeds benefits
  - Assignable causes, but the benefits of investigation exceed the cost