Variance Analysis

Accounting & Finance

Splitting the difference between budget and actual into causes.

The main variances.

Variance	Isolates	Owner
Material price	Paid more or less per unit	Purchasing
Material usage	Used more or less material	Production
Labour rate	Wage rate difference	HR, planning
Labour efficiency	Hours taken	Production
Sales price	Charged more or less	Sales
Sales volume	Sold more or fewer	Sales, marketing

Variances interact. Buying cheaper material gives a favourable price variance and often an adverse usage variance.