

Trick to Remember Standard Costing Formulae

We can remember all the equations by the concept
But during exam conditions, if we have slightest doubt, we are doomed

Material Variance equations will enable to find all other equations

Don't worry by thinking that if we could remember those equations
we could find ourselves the other equations...

The trick is how to **derive** (*actually its not deriving*) the equations
See the following

Step 1: Construction of Table

1		2		3		4	
SQ	SP	AQ	AP	AQ	SP	RSQ	SP

Instructions:

First Cell of each table should be **Quantity**

Other cells should be **Prices**

Col 1	contains	SQ	SP	Contains both Standard
Col 2	contains	AQ	AP	Contains both Actual
Col 3	contains	AQ	SP	Quantity Actual, Price Standard
Col 4	contains	RSQ	SP	Quantity Standard (revised), But price is also Standard

Mind it: AP is only used once. And it is with Col 2

I hope you understood how to create the table.

Now how to derive the equations

Step 2 : First write the following

- MCV** *COST*
- MPV** *PRICE*
- MUV** *USAGE*
- MMV** *MIX*
- MYV** *YIELD*

How to remember the order?
see the middle letter of each item

It say: **CPU MY**

Step 3: Now once you wrote that derive the equations as follows

MCV	=	1 - 2	Write alternative items with 1-2, 1-3, 1-4
MPV	=		
MUV	=	1 - 3	
MMV	=		
MYV	=	1 - 4	

Step 4: Write the balance equations

MCV	=	1 - 2	
MPV	=	3 - 2	→ 3 - 2 (This can also remembered as the difference of the
MUV	=	1 - 3	second terms of lower eqn and upper eqn)
MMV	=	4 - 3	→ 4 - 3 (This can also remembered as the difference of the
MYV	=	1 - 4	second terms of lower eqn and upper eqn)

Step 5: At final the equations will be

MCV	=	1 - 2	=	SQ.SP - AQ.AP
MPV	=	3 - 2	=	AQ.SP - AQ.AP
MUV	=	1 - 3	=	SQ.SP - AQ.SP
MMV	=	4 - 3	=	RSQ.SP - AQ.SP
MYV	=	1 - 4	=	SQ.SP - RSQ.SP

Now Lets find the other variances too

	Mat	Lab	VOH	FOH	Sales
1 - 2	MCV	LCV	VOCV	FOCV	SCV
3 - 2	MPV	LRV	VOExV	FOExV	SPV
1 - 3	MUV	LEV	VOEfv	FOVoV	SVV
4 - 3	MMV	LMV	X	FOCpV	SMX
1 - 4	MYV	LYV	X	FOEfv	SYV