

# Variance – D – Factory / Manufacturing Overhead Variances

Accounting presentation created by  
Rex A Schildhouse  
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[www.schildhouse.com](http://www.schildhouse.com)



# Variance – D – Factory / Manufacturing Overhead Variances

- Factory or Manufacturing Overhead kind of breaks some of the trends for variances.
- There is a Variable FOH / MOH Rate Variance,
- Variable FOH / MOH Efficiency Variance, and
- Fixed FOH / MOH Volume Variance.

# Variance – D – Factory / Manufacturing Overhead Variances

- Here is the setup information for this presentation.

Setup information:	
Number of cases produced:	1,900
Actual machine hours for the production run:	280
Standard machine hours required per case:	0.15
Standard variable FOH / MOH rate per machine hour:	\$18.00
Actual variable FOH / MOH costs per machine hour:	\$17.75
Standard fixed FOH / MOH rate per hour:	\$10.00
Actual fixed FOH / MOH costs:	\$2,725.00

# Variance – D – Factory / Manufacturing Overhead Variances

- The Variable FOH / MOH Rate Variance is the difference between the actual and standard FOH / MOH values.
- In this presentation the production effort utilized 280 machine hours, the driver.

Variable FOH / MOH Rate Variance:				
Actual Machine Hours:	×	Actual Machine Cost per Hour:	=	Variable FOH / MOH Variance:
280.0	×	\$17.75	=	\$4,970.00
Actual Machine Hours:	×	Standard Machine Cost per Hour:	=	Variable FOH / MOH Variance:
280.0	×	\$18.00	=	\$5,040.00
Actual variance amount for FOH / MOH is less than 0, Favorable				(\$70.00)

## Variance – D –

### Factory / Manufacturing Overhead Variances

- The actual cost per machine hour was \$17.75 while the standard is \$18.00.
- Actual Hours × Actual Cost is (280 × \$17.75) \$4,970.00.
- Actual Hours × Standard Cost is (280 × \$18.00) \$5,040.00.

Variable FOH / MOH Rate Variance:				
Actual Machine Hours:	×	Actual Machine Cost per Hour:	=	Variable FOH / MOH Variance:
280.0	×	\$17.75	=	\$4,970.00
Actual Machine Hours:	×	Standard Machine Cost per Hour:	=	Variable FOH / MOH Variance:
280.0	×	\$18.00	=	\$5,040.00
Actual variance amount for FOH / MOH is less than 0, Favorable				(\$70.00)

# Variance – D –

## Factory / Manufacturing Overhead Variances

- As stated earlier, I like this matrix presentation which shows the variance is a negative \$70.00.
- As a negative value, this \$70.00 variance is favorable and will be a credit in the journal entry.

Variable FOH / MOH Rate Variance:				
Actual Machine Hours:	×	Actual Machine Cost per Hour:	=	Variable FOH / MOH Variance:
280.0	×	\$17.75	=	\$4,970.00
Actual Machine Hours:	×	Standard Machine Cost per Hour:	=	Variable FOH / MOH Variance:
280.0	×	\$18.00	=	\$5,040.00
Actual variance amount for FOH / MOH is less than 0, Favorable				(\$70.00)

# Variance – D – Factory / Manufacturing Overhead Variances

- The Variable FOH / MOH Volume Variance is (Actual driver events × Standard driver rate) minus (Standard driver events × Standard driver rate).
- For this presentation, this is (280.0 machine hours × \$18.00 per machine hour) minus (285.0 machine hours × \$18.00 per machine hour), \$5,040.00 - \$5,130.00 = **(\$90.00)**.

# Variance – D – Factory / Manufacturing Overhead Variances

- This **(\$90.00)**, as a negative value where actual is less than standard, is a favorable variance.
- This variance is shown in this matrix presentation.

<b>Fixed FOH / MOH Volume Variance:</b>				
Actual Machine Hours:	×	Standard Machine Hour Cost:	=	Variable FOH / MOH Variance:
280.0	×	\$18.00	=	\$5,040.00
Standard Machine Hours:	×	Standard Machine Hour Cost:	=	Variable FOH / MOH Variance:
285.0	×	\$18.00	=	\$5,130.00
Actual variance amount for FOH / MOH is less than 0, Favorable				<b>(\$90.00)</b>



# Variance – D – Factory / Manufacturing Overhead Variances

- With this, most of the common variances have been presented.
- Textbooks and textbook accounting, operating within the constraints or privileges of managerial accounting may add others or modify these.

# Variance – D – Factory / Manufacturing Overhead Variances

The end.