

Direct Labor Rate & Efficiency Variances

(For Standard Costing)

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Example: A company has one classification of direct labor and its standard cost is \$15.00 per hour. Each unit of output/product has a standard of 3 hours of direct labor. During the recent period the company manufactured 210 units of output and incurred 620 hours of direct labor at an actual cost of \$9,920.

The output of 210
units of product
will have the following

Actual Payroll			Actual Hours Used X			Standard Cost of Direct Labor		
Amounts			Standard Cost per Hour			Assigned to the Products:		
Actual Hours Used	X	Actual Cost per Hour	Actual Hours Used	X	Standard Cost per Hour	Standard Hours for Output (210 x 3)	X	Standard Cost per Hour
620	X	\$16.00	620	X	\$15.00	630	X	\$15.00
		calculated avg.						
\$9,920			\$9,300			\$9,450		
Labor Rate Variance = \$620 Unfavorable			Labor Efficiency Variance = \$150 Favorable					
Total Labor Variance = \$470 Unfavorable								

For a blank form see **Form G14**.

Learn more about standard costing at www.AccountingCoach.com.