

Direct Materials Price Variance

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(Computed at time of purchase for standard costing.)

This form assumes that the unit of measure is a pound (lb.). However, it could be gallons, liters, board feet, etc.
This form assumes that the price variance of the materials is recorded at the time of purchase (not at the time of use).

Example: A company uses one raw material with a standard cost of \$3.00 per pound. The purchase price variance is recorded at the time that the material is placed into its materials inventory at the standard cost. The company ordered and received 1,000 pounds of material at an actual cost of \$3.20 per lb.

Actual Amounts Charged by Suppliers/Vendors			Amount Recorded in Materials Inventory at Standard Cost		
Credit: Accounts Payable			Debit: Materials Inventory or Purchases		
Actual lbs. purchased	X	Actual cost per lb.	Actual lbs. purchased	X	Standard cost per lb.
1,000	X	\$3.20	1,000	X	\$3.00
		\$3,200			\$3,000
Materials Purchase Price Variance =			\$200 Unfavorable		

For a blank form see **Form G15**.

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