

## Direct Materials Usage Variance

(For Standard Costing)

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This form assumes that the unit of measure is a pound (lb.). However, it could be gallons, liters, board feet, etc.

Example: A company has one raw material with a standard cost of \$3.00 per pound. The standard for manufacturing each unit of output/product is 2 lbs of material. The material's actual cost was \$3.20 per lb. (However, the actual cost per lb. is not used in the calculation of the usage variance.) During the current period 210 units of output were manufactured. The actual lbs. of materials used to produce the 210 units of output amounted to 430 lbs.

Actual lbs. Used X Standard Cost per lb.			The output of <u>210</u> units of product will have the following <b>Standard Cost of Direct Materials Assigned to the Products:</b>		
Actual lbs. Used	X	Standard cost per lb.	Standard lbs. for Output (210 x 2)	X	Standard cost per lb.
<div>430</div>	X	<div>\$3.00</div>	<div>420</div>	X	<div>\$3.00</div>
		<div>\$1,290</div>			<div>\$1,260</div>
Materials Usage Variance = <div>\$30</div> Unfavorable					