

## Quadrant II- Glossary

**Paper Code :** COD110

**Module Name:** Direct Labour Cost Variance - II

---

### Glossary of terms/words:

- **Labour cost variance** – A labour cost variance arises when the actual cost associated with a labour activity varies (either better or worse) from the expected amount.
- **Labour rate variance** – The labour rate variance measures the difference between the actual and expected cost per hour, multiplied by the actual hours incurred.
- **Labour efficiency variance**– The labour efficiency variance measures the difference between actual and expected hours worked, multiplied by the standard hourly rate.
- **Labour idle time variance**– It is that portion of labour cost variance which is due to the difference between abnormal idle time of workers and actual hours worked by the labour.
- **Labour Mix Variance** – where the labour is used in the process is of different types or grades then labour mix also known as labour gang variance is calculated.
- **Unfavourable variance** - An unfavourable variance is encountered when an organization is comparing its actual results to a budget or standard. When actual expenses incurred by the organisation exceeds its budgeted or standard expenses, such differences are considered as unfavourable variance.
- **Favourable variance** - An unfavourable variance is encountered when an organization is comparing its actual results to a budget or standard. When actual expenses incurred by the organisation is less than its budgeted or standard expenses, such differences are considered as favourable variance.