**Sales Volume Variance Definition**

Basically, Sales Volume Variance measure the sales performance as the result of different between actual products sold during the period compared to budget at the standard price, standard profit or standard contribution.

We use standard price of we want to assess how the variance affect total sales are. We use standard profit if we want to assess how the variance affect total profit are where the marginal cost is using. Standard contribution is use when marginal cost is using.

**Sales Volume Variance Formula**

In general, the formula of **Sales Volume Variance is**

Sales volume variance = (Actual units sold - Budgeted units sold) x standard price per unit

This formula will provide us total affect to Total Sales. However, if we want to sales how it is affect to the profit, we use standard profit (absorption costing) or standard contribution marginal costing).

**So, in order to calculate** Sales volume variance, what you need to know are :

Actual Units Sold : The actual sales performance during the period.

Budgeted Units Sold : The budget that set by top management or board of directors for sale departments or the hold company.

Standard Price : the standard price calculate by specific product.

**Noted: The calculation should be done product by product for higher level of accuracy.**

**Sales Volume Variance Example**

**Here is the easy example, and it only give you some basic to reflect the formula and definition about only. In real case, it is expected to be more difficult.**

**For example, ABC Company has annual budget sales volume for product A amount 100,000 units. The standard price for this budget is $30 per unit. You are the performance management accountant, and you are request to calculate** Sales volume variance of product A. Actual Sale for this product is 90,000 unit

Answer:

Based on formula

Sales volume variance = (Actual units sold - Budgeted units sold) x standard price per unit

Actual Unit Sold = 90,000 units

Budgeted Unit Sold = 100,000 Units

Standard Price per unit = $30

Therefore, Sales volume variance for product A is (90,000 – 100,000) \* 30 = $ 300,000 (Unfavorable variance)

**In this case, the** Sales volume variance is unfavorable as the actual sales volume is lower than its budget. It mean that the sales performance of product A is not good. Further investigation probably require to make sure the performance is justify.