VARCOMM

ManufacturingVarianceConnenta

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ForFinancialControllersatMid-SizeManufact urers

This template gives you a proven structure for writing CFO-ready variance commentary every month-end. Fill in the highlighted fields with your actual numbers and operational context. Each section follows the four-sentence format that works for both CFOs and plant managers.

The Four-Sentence Rule: (1) Dollar impact and dir ection (2) Primary driver with specific numbers (3) Secondary fac tororcross-varianceconnection(4)One-timeorrecurring—andw

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Part 1 — Monthly Context Log

Record operational events as they happen during the month. By month-end this becomes your commentary source — no more chasing ops for explanations.

Date	Cost Center	Event / Issue	Estimated Impact ($)	Source

Part 2 — Variance Thresholds

Flag variances that exceed these thresholds for commentary. Adjust to match your company's materiality levels.

Variance Type	Dollar Threshold	Percent Threshold	Your Threshold
Direct Labor	>$8,000 unfavorable	>5% unfavorable	$________________
Direct Material	>$10,000 unfavorable	>3% unfavorable	$________________
Overhead	>$12,000 unfavorable	>7% unfavorable	$________________
Favorable variances	>$10,000 favorable	>10% favorable	$________________

Part 3 — Commentary Templates

Fill in the bracketed fields for each variance that exceeds your threshold. Each template follows the four-sentence structure.

Labor Variance Commentary

Variance: $[AMOUNT] [favorable/unfavorable] vs. budget of $[

BUDGET AMOUNT] **Sentence 1 — Impact:** Direct labor came in $[AMOUNT

][favorable/unfavorable] against the [MONTH] budget in [COSTCE

NTER]. **Sentence 2 — Primary driver:** The primary driver was [CAUSE _e.g. overtime/idle time/headcount change], which generated [X

] hours at $[RATE]/hour above the budgeted [BUDGETED HOURS] hour

s. **Sentence 3 — Secondary factor:** [SECONDARY CAUSE — e.g. This var iance is connected to the $X material scrap variance, as the same eq uipmentfailurethatcauseddowntimealsogeneratedexcessivere work.] **Sentence 4 — Recurrence:** This variance is [one-time/expe cted to recur] because [REASON—e.g. the equipment has been repair edandnofurtherdowntimeisanticipated/overtimeschedulingre mains elevated through Q2].

Material Variance Commentary

Variance: $[AMOUNT] [favorabl

e/unfavorable] vs. budget of $[BUDGET AMOUNT] **Sentence 1 — Impac**

t: Direct material came in $[AMOUNT] [favorable/unfavorable] ag ainst budget in [COST CENTER/MATERIAL TYPE]. **Sentence 2—Primar**

ydriver: The primary driver was [PRICE VARIANCE: actual price of $

X vs. budgeted $X per unit on X,XXX units/USAGE VARIANCE: X,XXX uni ts consumed vs. budgeted X,XXX units]. **Sentence 3 — Secondary fac**

tor: [SECONDARY CAUSE — e.g. Elevated scrap in fabrication accoun tedfor$Xoftheusagevariance,connectedtothetoolingissuenot ed in the labor variance above.] **Sentence 4 — Recurrence:** This var iance is [one-time/expected to recur] because [REASON].

Overhead Variance Commentary

Va

riance: $[AMOUNT] [favorable/unfavorable] vs. budget of $[BUDG

ETAMOUNT] **Sentence 1 — Impact:** Overhead came in $[AMOUNT] [favor able/unfavorable]against budget,driven primarily by[COSTCEN

TER/ACCOUNT]. **Sentence 2 — Primary driver:** [CAUSE — e.g. Mainten

ance expense ran $X above budget following the emergency repair of the hydraulic press in week two/Utilities came in $X favorable due to lower production volume in weeks three and four.] **Sentence 3 — S**

econdary factor: [SECONDARY CAUSE or N/A if no meaningful seconda ry factor]. **Sentence 4 — Recurrence:** This variance is [one-time/

expected to recur] because [REASON].

Part 4 — Cross-Variance Connection Checklist

Before finalizing commentary, check these common connections. If two variances share a root cause, your commentary should say so explicitly.

If you have this variance...	Check for connection to...
Labor overtime unfavorable	Scrap / rework in material, maintenance in overhead
Material usage unfavorable	Labor efficiency (rework hours), scrap disposal in overhead
Labor idle time unfavorable	Volume variance, maintenance / downtime in overhead
Material price unfavorable	Purchase price variance, supplier change notes
Overhead maintenance unfavorable	Labor downtime, scrap in material
Large favorable variance	Volume change, deferred spending, timing — explain it

Part 5 — Pre-Submission Review Checklist

✓	Check
☐	Every variance above threshold has commentary
☐	All commentary leads with dollar impact, not percentage
☐	No hedging language — no 'it appears' or 'it seems'
☐	Cross-variance connections are explicitly stated
☐	Each commentary is exactly four sentences
☐	All specific numbers are verified against the trial balance
☐	Recurring vs. one-time determination is stated for every variance
☐	Large favorable variances are explained, not just unfavorable ones
☐	Commentary has been read aloud — does it make sense to a non-accountant?
☐	CFO can present this to the board without asking you a follow-up question

Want this done automaticall

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VarComm uploads your actuals and budget CSV, flags variances, and generates CFO-ready commentary in the four-sentence format above—in minutes. **Try it free at varcomm.co**