

BALANCE SHEET VARIANCE ANALYSIS CHEAT SHEET



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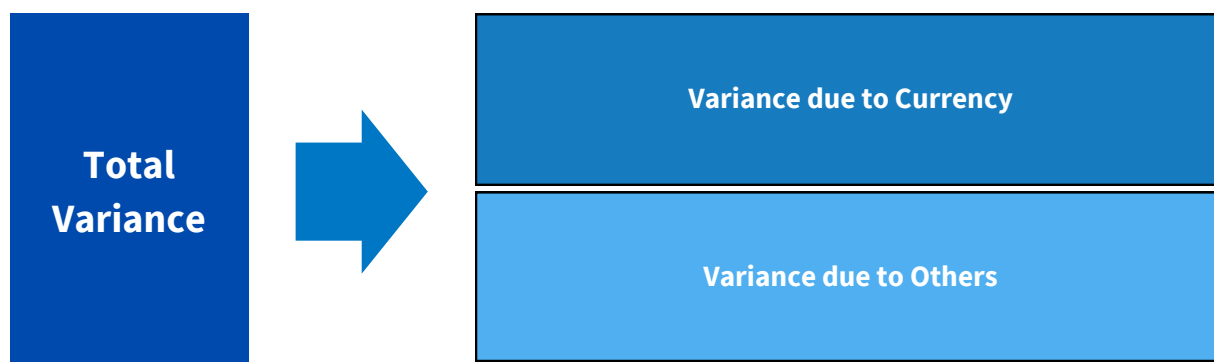
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Variance analysis is a vital tool in financial management, used to compare actual results with historical, budgeted, or forecasted data. This approach helps businesses pinpoint performance gaps and understand their causes. It aids in gauging operational efficiency, guiding informed decisions, fostering accountability, and proactively managing potential risks.

BALANCE SHEET VARIANCE ANALYSIS

In the **Balance Sheet Variance Analysis** we cannot split the variance as granularly as in the **Income Statement Variance Analysis** (Due to Volume, Due to Price, Due to Cost, Due to Mix, Due to Currency, ... see my [Income Statement Variance Analysis Cheat Sheet](#)). However, it is still useful to know what are the Balance Sheet **real variances** (i.e. variance excluding the impact of currency).



Definitions & Formulas:

- **Total Variance** = The difference between the current period and the reference period amounts. It is also the sum of all the other variances.

- Formula: $\text{Var_Total} = (\text{Current Amount} - \text{Reference Amount})$

- **Currency Variance** = The impact due to a change in exchange rates (FX Rates) between the current period and the reference period.

- We have to differentiate between the **monthly method** and the **Year-to-date method**;

- **Monthly method** = when we want to look at the variance versus the prior year;

- Monthly Formula: $\text{Var_Currency} = \text{Current Amount} * (1 - [\text{Current BS FX} / \text{Current IS FX}]) + \text{Reference Amount} * [(\text{Reference BS FX} / \text{Current IS FX}) - 1]$

- **Year-to-date method** = when we want to look at the variance versus a prior month or a Budget;

- Monthly method formula: $\text{Var_Currency} = \text{Current Amount} * (1 - [\text{Current BS FX} / \text{Reference BS FX}])$

- **Other Variance** = The variance that captures what is left after calculation of the currency variance.

- Formula: $\text{Var_Other} = \text{Var_Total} - \text{Var_Currency}$

Notes:

- If $\text{Current IS FX} = 0$ then $\text{Var_Currency} = 0$
- If $\text{Reference BS FX} = 0$ then replace $[\text{Current Amount} * (1 - (\text{Current BS FX} / \text{Reference BS FX}))]$ by 0