PRACTICAL GUIDE & WORKBOOK

Variance Analysis in an Instant

How to explain actuals versus budget clearly, and how to get there in minutes instead of days.



FOREWORD

Foreword



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Every month the same meeting happens. Someone opens a spreadsheet, someone else asks why a line is over, and a few people go looking for the answer while the room waits.

Variance analysis is the work of answering that question well. Done well, it tells you whether a miss is a timing quirk or a real change in the business. Done badly, it produces a page of numbers and a paragraph that says “higher than expected.”

This guide is for the people who carry that work: the accountants who close the books, the analysts who build the models, the controllers and FP&A leaders who stand behind the explanation, and the CFOs who repeat it to the board. It starts with fundamentals and moves to a monthly workflow you can adopt this quarter. The final chapter covers how to get from days of assembly to answers in minutes, and what to demand from any tool that promises it.

“A variance is a question. This guide helps you answer it before the meeting starts.”

Christina

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CHAPTER 1

What a Variance Is Telling You



Agree on the vocabulary first, and every conversation after it gets shorter.

A variance is the gap between what you planned and what happened. The gap itself matters less than what it points to: a timing difference that will reverse, a pricing change that will persist, or an entry that was coded to the wrong account.

The basic formula

VARIANCE =

Actual – **Budget**

- → Revenue above budget is favorable. Revenue below budget is unfavorable.
- → Expense above budget is unfavorable. Expense below budget is favorable.

ILLUSTRATIVE EXAMPLE: SOFTWARE EXPENSE

C4 *fx* =C3/C2–1

	A	B	C
1	MEASURE	VALUE	WHAT IT TELLS YOU
2	Budget	$50,000	The plan
3	Actual	$58,000	What was recorded
4	Dollar variance	**$8,000 U**	Small in absolute terms
5	Percent variance	**16% U**	Large relative to the line
6	Share of total opex ($2.0M)	0.4%	Minor to the total

CHAPTER 2

Build a Budget That Variances Can Be Read Against



Many “mystery” variances start in the budget file, long before the first actual is posted.

A variance report can only be as clear as the budget behind it. If the budget is built at a different level of detail than the ledger, phased in a way that ignores your seasonality, or owned by nobody, every variance becomes a research project.

DATA PRINCIPLE

Budget and actuals should share every dimension you report on: account, department, entity, and period. If a dimension exists in one and not the other, you will rebuild it by hand each month.

The budget readiness test

QUESTION	IF THE ANSWER IS NO
Does the budget use the same accounts, departments, and entities as the ledger?	Expect monthly mapping work
Is every line phased by expected timing instead of divided evenly?	Expect noise in monthly variances
Does every line have a named owner?	Expect “I’ll look into it”
Is the original budget locked?	Expect arguments about what the plan was
Are thresholds written down?	Expect inconsistent commentary

CHAPTER 3

The Five Causes Behind Almost Every Variance



Once you can name the cause, you know what to do about it.

Almost every variance traces to one of five causes: timing, volume, price or rate, mix, or a one-time item or error. Classifying the cause is the fastest way to decide whether to act, wait, or fix.

CAUSE	WHAT HAPPENED	DIAGNOSTIC QUESTION	ILLUSTRATIVE EXAMPLE	WILL IT REVERSE?
Timing	The right amount landed in a different period	Does the full-year number still hold?	A vendor invoice planned for November was received in October	Yes
Volume	More or fewer units, hires, or customers than planned	Did the quantity change, and why?	Ten more subscriptions closed than budgeted	Depends on demand
Price or rate	The unit price or cost differed from plan	Did the rate change, or was it a one-off deal?	A discount on a large contract	Usually persists
Mix	The blend of products, customers, or roles shifted	Did the proportions change?	More sales in a lower-margin product	Usually persists
One-time or error	An unusual event or a posting mistake	Is it real, and is it coded correctly?	A legal settlement, or an expense posted to the wrong department	One-time items do not recur; errors get corrected

Volume and price

When revenue or cost misses plan, separate how much came from quantity and how much from rate. The two often pull in opposite directions, and netting them hides the story.

ILLUSTRATIVE EXAMPLE: A PRODUCT LINE

D4 *fx* =(C3−C2)∗B2

	A	B	C	D
1	LINE	UNITS	PRICE	AMOUNT
2	Budget	1,000	$100	$100,000
3	Actual	1,100	$95	$104,500
4	Volume variance	+100	at $100	$10,000 F
5	Price variance	1,100	−$5	$5,500 U
6	Total variance			$4,500 F

The total looks like a small win. The breakdown shows a larger volume win offset by price concessions, which suggests that growth was bought with discounts. That is a different conversation.

Mix

Mix explains why totals can look fine while margin does not. If the budget assumed a balance between a high-margin and a low-margin product and the actual sales skewed toward the low-margin one, revenue can land on plan while profit misses. The same logic applies to customer segments, geographies, and headcount levels.

⚠ WATCH OUT

Be careful with the label “timing.” It is the easiest explanation to give and the hardest to verify. Ask where the offset is, and in which month it will appear.

CHAPTER 4

The Monthly Review, Step by Step

A repeatable five-day rhythm that moves from a closed ledger to a leadership conversation.



A good variance review follows the same steps every month, so people know what is expected and when. The goal is to spend your hours on judgment instead of assembly.

ILLUSTRATIVE SCHEDULE, IN BUSINESS DAYS AFTER CLOSE. ADJUST TO YOUR OWN TIMELINE.

- [ ] DAY 1
  Confirm actuals are final and loaded
  ↳ Locked actuals and a clean comparison
  Accounting · FP&A

- [ ] DAY 2
  Scan variances and flag items over threshold
  ↳ A short list of flagged lines
  FP&A

- [ ] DAY 3
  Budget owners explain their flagged lines
  ↳ Causes and expected duration
  Department heads

- [ ] DAY 4
  Finance reviews, challenges, and consolidates
  ↳ A single set of commentary
  FP&A · Controller

- [ ] DAY 5
  Leadership review and decisions
  ↳ Actions and forecast updates
  CFO · CEO · Dept. heads

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Every variance in Cube traces to the source. From a flagged line, you can drill through accounts and departments down to the individual GL transaction, so the answer to “what is in this number?” takes a click instead of a request to accounting.

CHAPTER 5

Commentary People Actually Read



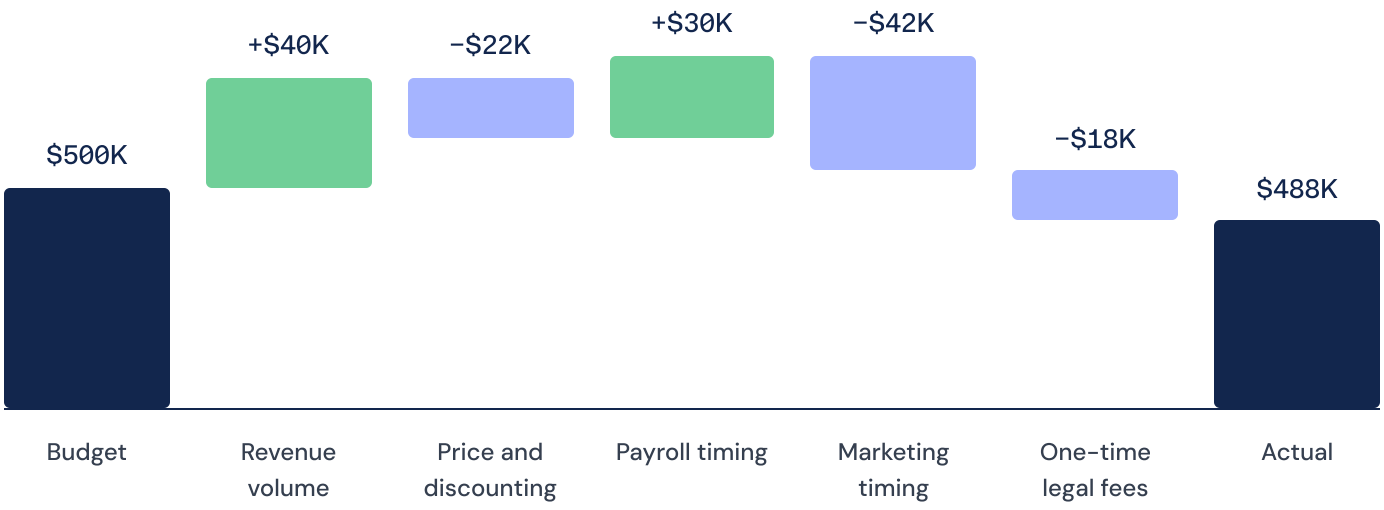
Three sentences that tell the reader what moved, why, and what happens next.

Commentary is where variance analysis succeeds or fails. A reader should be able to look at one paragraph and know whether to relax, ask a question, or make a decision.

A three-sentence template

- **1. What moved:** the line, the dollar amount, the percent, and the direction.
- **2. Why:** the cause, using one of the five categories.
- **3. What happens next:** whether it reverses, persists, or needs action, and the effect on the full year.

ILLUSTRATIVE BRIDGE · OPERATING INCOME, BUDGET TO ACTUAL ($K)



CHAPTER 6

Variance Analysis in an Instant



What changes when your data is connected, and how to judge any tool that promises speed.

Variance analysis takes days mostly because of assembly. Exporting, pasting, mapping, and rechecking consume the time that should go to explaining. When the assembly disappears, the analysis can happen while the question is still fresh.

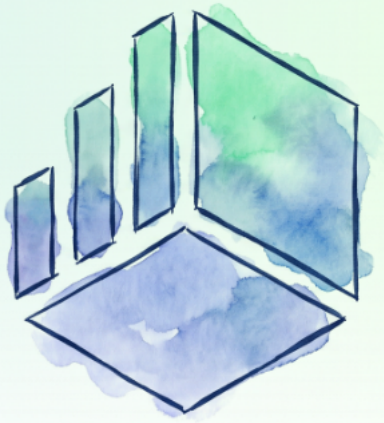
STEP	BY HAND	WITH CONNECTED DATA
Get actuals	Export from the ledger	**Actuals refresh from the source**
Align to budget	Paste into a budget file and fix the mapping	**Budget and actuals share one structure**
Find what matters	Scan every line, apply thresholds manually	**Variances beyond your thresholds are flagged**
Find the cause	Request detail from accounting	**Drill from the line to the transaction**
Write commentary	Draft from scratch in a document	**Review and edit a first draft**
Update the outlook	Rebuild the forecast by hand	**Adjust the forecast from the same model**

cube

Cube is the Agentic Finance Layer. It connects your ledger, your budget, and the spreadsheets your team already uses, so variance analysis runs on one set of numbers and traces to the source.

Ready to put this guide into practice?

Learn more about Cube



The agentic FP&A platform that helps you tell the story behind the numbers. Founded by three-time CFO Christina Ross.

Start your free trial →

Or get a demo

We believe the future of business is finance-driven. Cube connects your business data into one governed model and brings it everywhere decisions happen.

How finance teams use Cube

Close and consolidation

Multi-entity rollups and a faster month-end.

Budgeting and planning

Budgets, headcount, and revenue plans.

Forecasting and scenarios

Rolling forecasts and what-ifs in minutes.

Reporting and board decks

Packs in Excel, Sheets, and slides.

Variance analysis

Drivers explained and traced to the GL.

KPIs and performance

One set of metrics for the business.

AI Agents: Your Always-On Digital Finance Team

Charlie, the superagent, routes work to four FP&Agent teams. People stay in control.

The Data Managers
Integrate and reconcile

The Analysts
Analyze and report

The Planners
Forecast and model

The Business Partners
Shape decisions