1. Appendix 10B: General Ledger Entries to Record Variances (Slide #1 is the title slide)

*Learning Objective 5: Prepare journal entries to record standard costs and variances.*

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#### Glacier Peak Outfitters – revisited

1. **Direct materials variances**
2. The entry to record the **purchase of direct materials** would be as shown.

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1. The entry to record the **materials quantity variance** would be as shown.
2. **Direct labor variances**

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1. The journal entry to record the **incurrence of direct labor cost** would be as shown.
2. **Cost flows in a standard cost system**
3. The entries into the various accounts are made at **standard cost – not actual cost**.
4. The differences between actual and standard costs are entered into special accounts that accumulate the various standard cost variances.

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1. The standard cost variance accounts are usually closed out to **Cost of Goods Sold** at the end of the period. Unfavorable variances **increase** Cost of Goods Sold, and favorable variances **decrease** Cost of Goods Sold.