

Principles of Financial and Managerial Accounting II

Standard Costs

Recording Variances in the Accounts

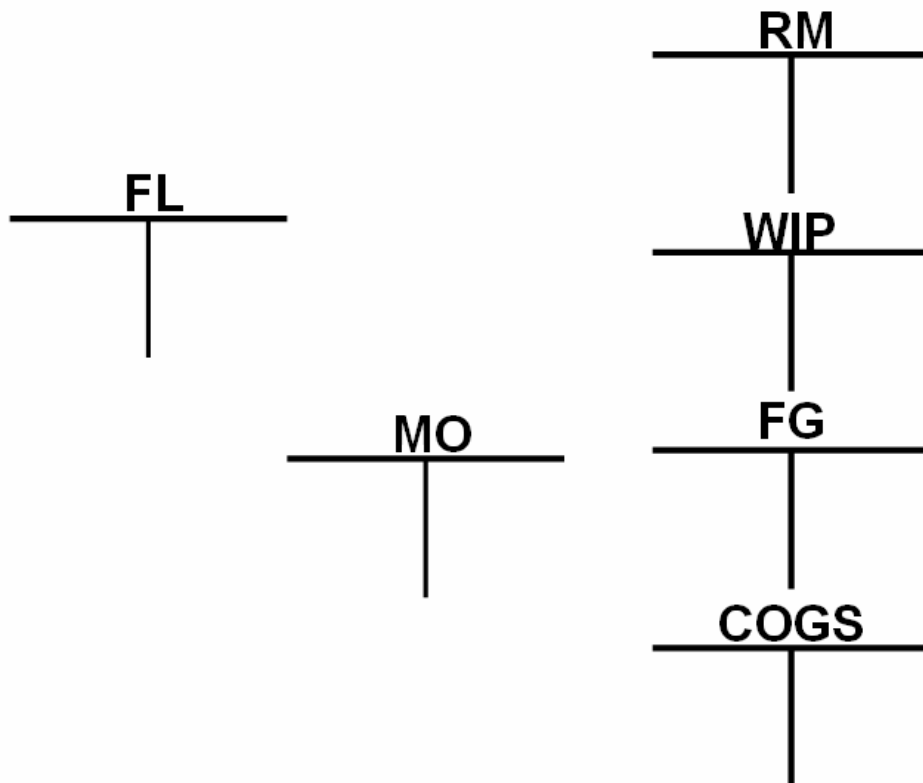
Introduction

The lecture presentation explained the importance of using standard costs in manufacturing operations. The calculation of variances from standards and reporting these variances to management provides useful information for decision making purposes. Journal entries are needed to accumulate and report actual and standard costs in the accounting system. The presentation available on the class web site (<http://oru.tripod.com>) tells “the rest of the story” by illustrating the necessary entries.

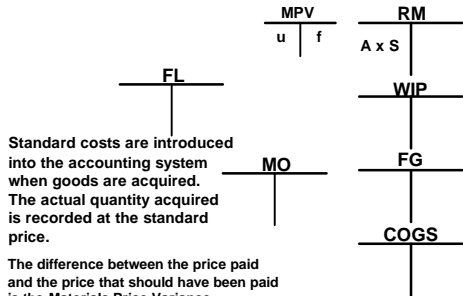
Things You Will Need

- Since this presentation is a continuation of the exercise used in lecture, you will need the data from the exercise from the note taking guide.
- Having the notes you took in lecture of the calculations of the variances would also be helpful and necessary.
- This handout should help you take notes as you read through the information presented. However, remember the main objective is not to fill in all the blanks, but rather to *understand* the material being presented.

When you see the calculator in the presentation, be sure to take the time to refer to the calculations you made previously and mentally “connect” them to the entries being made.



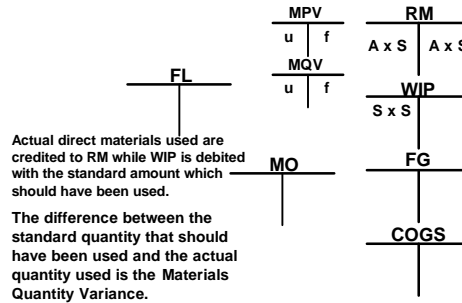
Materials Price Variance



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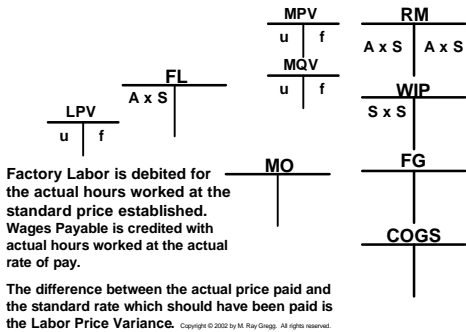
Materials Quantity Variance



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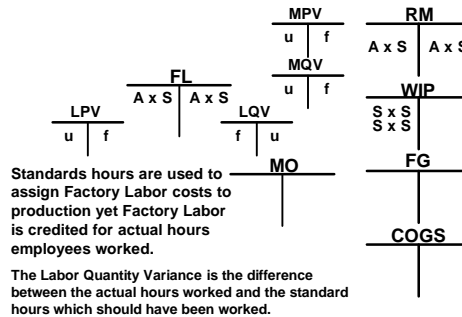
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Labor Price Variance



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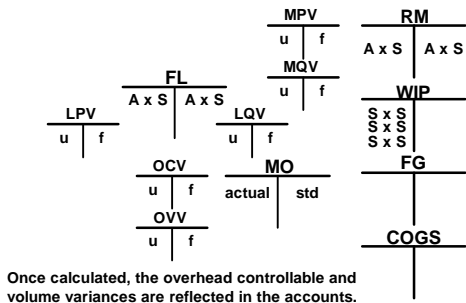
Labor Quantity Variance



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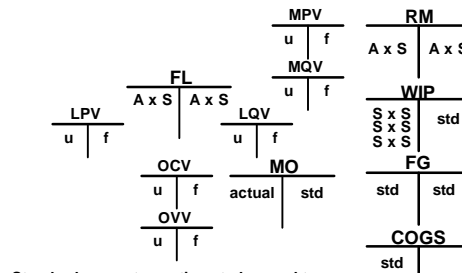
Overhead Variances



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Standards in the Accounts



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Journal

	<u>Date</u>	<u>Account</u>	<u>P.R.</u>	<u>Debit</u>	<u>Credit</u>
1		Raw Materials			
2					
3		Accounts Payable			
4					
5		Work in Process			
6					
7		Raw Materials			
8					
9		Factory Labor			
10					
11		Wages Payable			
12					
13		Work in Process			
14					
15		Factory Labor			
16					
17		Manufacturing Overhead			
18		Accounts Payable (etc.)			
19					
20					
21					
22		Manufacturing Overhead			
23					
24		Finished Goods			
25		Work in Process			
26					
27		Accounts Receivable		retail	
28		Sales			retail
29					
30		Cost of Goods Sold			
31		Finished Goods			
32					

