

Manufacturer Ledger Accounts, Basic Formulas, and Schedule of Cost of Goods Manufactured

3 Inventory Accounts (Assets on Balance Sheet): Debit Normal Balance	2 Expense Accounts (Income Statement): Debit Normal Balance	Clearing Accounts (Temporary Account - Closed at end of Period)
Raw Materials (RM) or Materials (M) Work-In-Process (WIP) Finished Goods (FG)	Cost of Goods Sold (CGS) Factory Labor	Factory Overhead (FOH)

Balance of the Inventory account can be determined using one of the following methods:

As a t-account	
Inventory Account (i.e., Raw Materials, WIP, FG)	
Beginning Balance	
Additions to Inventory (i.e., purchases, requisition, goods manufactured)	Withdrawals from Inventory
Ending Balance	

OR

Inventory Account Balance:
Beginning Balance
+ Additions to Inventory
- <u>Withdrawals from Inventory</u>
Ending Balance

Basic Formulas:

Cost of goods Sold = Beginning Finished Goods + Cost of Goods Manufactured – Ending Finished Goods

Cost of Goods Manufactured = Beginning Work-in-Process + Manufacturing Costs – Ending Work-in-Process

Manufacturing Costs = Direct Materials + Direct Labor + Manufacturing Overhead

Direct Materials = Beginning Raw Materials + Raw Materials Purchased – Ending Raw Materials

Example of the Schedule of Costs of Goods Manufactured

ABC Manufacturing
Schedule of Cost of Goods Manufactured
Year Ended December 31, 2019

Beginning Work-in-Process inventory			\$ 65,000
Direct Materials Used:			
Beginning Direct Materials	\$ 25,000		
Purchases of Direct Materials (Including Freight In)	165,000		
Direct Materials Available for Use	190,000		
Ending Direct Materials	(15,000)		
Direct Materials Used		\$175,000	
Direct Labor		120,000	
Manufacturing Overhead:			
Indirect Materials	12,000		
Indirect Labor	29,000		
Depreciation – Factory Building and Equipment	15,000		
Factory Utilities, Property Taxes and Insurance	9,000		
Total Manufacturing Overhead		65,000	
Total Manufacturing Costs Incurred During the Year			260,000
Total Manufacturing Costs to Account for			325,000
Ending Work-in-Process Inventory			(45,000)
Cost of Goods Manufactured			<u>\$280,000</u>