

# Period costs vs. Product Costs

Product Costs (AKA Manufacturing Costs, Total Cost, and Inventoriable Costs)	Period Costs (AKA Non-Manufacturing Costs)
Direct Materials Direct Labor Manufacturing Overhead (Includes Indirect Costs)	Selling Costs Administrative Costs

## Examples: For a clothing Manufacturer

Direct Materials: Bolts of cloth

Thread, buttons, zippers, etc.

Direct Labor:

Wages of cloth cutters

Wages of sewers

Manufacturing Overhead:

Depreciation of sewing machines

Labor for factory security

Production Supervisor Salary

Factory Maintenance cost

Factory utilities

Selling costs: Advertising for clothing line

Depreciation of store equipment

Delivery expenses

Administrative costs: CEO's salary

Insurance on office

Property taxes on office

**Prime Cost** = Direct Materials + Direct Labor

**Conversion Cost** = Direct Labor + Manufacturing Overhead

**Total Cost** = Direct Materials + Direct Labor + Manufacturing Overhead