Managerial Accounting - Equations for Income Statements and Cost Concepts

Equations

MC = DM + DL + MO

CC = DL + MO

COGS = Beg Fin Inv + COGM – End Fin Inv

PC = DM + DL

I = RM + WIP + FG

COGM = RM + DL + MO + BegWIP - EndWIP

Manufacturing Costs = Direct Materials + Direct Labor + Manufacturing Overhead

Prime Costs = Direct Materials + Direct Labor

Conversion Costs = Direct Labor + Manufacturing Overhead

Total Inventory = Raw Materials + Work-in-Process + Finished Goods

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Income Statement:
Sales
Less: Cost of Goods Sold
= Gross Margin
Less: Operating Expenses
= Net Operating Income

Cost of Goods Sold in a Merchandising Company
Beginning Merchandising Inventory
Add: Purchases
Less: Ending Merchandising Inventory
= Cost of Goods Sold

Cost of Goods Sold in a Manufacturing Company
Beginning Finished Goods Inventory
Add: Cost of Goods Manufactured
Less: Ending Finished Goods Inventory
= Cost of Goods Sold

Cost of Goods Manufactured:
Direct Materials:
- Beginning Raw Materials Inventory
- Add: Purchases of Raw Materials
- Less: Raw Materials End Inventory
- = Raw Materials used in Production

Add: Direct Labor
Add: Manufacturing Labor
= Manufacturing Costs
Add: Beginning Work-in-Process
Less: Ending Work-in-Process
= Cost of Goods Manufactured

Product Costs = Raw Materials, Direct Labor, & Manufacturing Overhead

Period Costs = Selling & Administrative

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