

Manufacturing Costs in Financial Statements الكشوفات المالية

The financial statements of a manufacturer are very similar to those of a merchandiser. The principal differences between their financial statements occur in two places: the cost of goods sold section in the income statement and the current assets section in the balance sheet.

الكشوفات المالية للشركة الصناعية مشابهة جدا لتلك التي للشركة التجارية. تحدث الاختلافات الرئيسية بين بياناتها المالية في مكانين: فقرة كلفة البضاعة المباعة في كشف الدخل وفقرة الاصول المتداولة في الميزانية العمومية.

Income Statement كشف الدخل

Under a periodic inventory system, the income statement of a merchandiser and a manufacturer differ in the cost of goods sold section. Merchandisers compute cost of goods sold by adding the beginning merchandise inventory to the cost of goods purchased and subtracting the ending merchandise inventory. Manufacturers compute cost of goods sold by adding the beginning finished goods inventory to the cost of goods manufactured and subtracting the ending finished goods inventory. Illustration below shows these different methods:

في ظل نظام الجرد الدوري، كشف الدخل للشركة التجارية والصناعية يختلف في فقرة كلفة السلع المباعة. التجار يحسبون كلفة البضاعة المباعة بإضافة خزير البضاعة اول المدة الى كلفة البضاعة المشتراة وطرح مخزون البضاعة اخر المدة. المصنعين يحسبون تكلفة البضاعة المباعة عن طريق إضافة مخزون البضاعة التامة الصنع اول المدة إلى كلفة البضاعة المنتجة وطرح مخزون البضاعة التامة الصنع اخر المدة. ويظهر الرسم التوضيحي أدناه هذه الطرق المختلفة

Merchandising Company Income Statement (Partial) For the year ended Dec. 31, 2012		Manufacturing Company Income Statement (Partial) For the year ended Dec. 31, 2012	
Cost of goods sold:		Cost of goods sold:	
Merchandise inventory, Jan 1	\$ 70,000	Finished goods inventory, Jan 1	\$ 90,000
Cost of goods purchased	<u>650,000</u>	Cost of goods manufactured	<u>370,000</u>
Cost of goods available for sale	720,000	Cost of goods available for sale	460,000
Less: Merchandise inventory, Dec 31	<u>(400,000)</u>	Less: Finished goods inventory, Dec 31	<u>(80,000)</u>
Cost of goods sold	\$ 320,000	Cost of goods sold	\$ 380,000

Determining the Cost of Goods Manufactured تحديد كلفة البضاعة المنتجة

$Cost\ of\ Goods\ Manufactured = Total\ Cost\ of\ Work\ in\ Process - Ending\ Work\ in\ Process\ Inventory$

Illustration below shows the formula for determining the cost of goods manufactured:

المثال التوضيحي ادناه يبين صيغة تحديد كلفة البضاعة المنتجة:

جدول كلفة البضاعة المنتجة **Cost of Goods Manufactured Schedule**

The cost of goods manufactured schedule reports cost elements used in calculating cost of goods manufactured. The schedule presents detailed data for direct cost and for manufacturing overhead, and distinguishes between "Total manufacturing costs" and "Cost of goods manufactured" as the difference is the effect of the change in work in process during the period. Illustration below shows the format of this schedule:

جدول كلفة البضاعة المنتجة يقدم تقرير عن العناصر المستخدمة في حساب كلفة البضاعة المنتجة. يعرض الجدول بيانات مفصلة عن الكلفة المباشرة والكلفة الصناعية غير المباشرة، ويميز بين "مجموع تكاليف التصنيع" و "كلفة البضاعة المنتجة" على أنها فرق تأثير التغيير في الإنتاج تحت التشغيل خلال الفترة. ويظهر الرسم التوضيحي أدناه شكل هذا الجدول:

Cost of Goods Manufactured Schedule			
For the year ended Dec. 31,....			
Particulars	Amount	Amount	Amount
Work in process inventory January 1:			***
Direct material:			
Raw material inventory January 1		***	
Raw material purchases	***		
Less: Purchases Returns	(***)		
Net purchases		***	
Raw materials available for use		***	
Less: Raw material inventory Dec. 31		(***)	
Direct material used		***	
Direct labor		***	
Prime Cost		***	
Manufacturing overhead:			
Indirect Materials	***		
Indirect labor	***		
Factory repairs	***		
Factory utilities	***		
Factory depreciation	***		
Factory insurance	***		
Total manufacturing overhead		***	
Total manufacturing cost			***
Total cost of work in process			***
Less: Work in process inventory Dec. 31			(***)
Cost of goods manufactured			***

EX 1:

The following information is available for Karbla Company:

	<u>March1</u>	<u>March31</u>
Raw material inventory	\$12,000	\$10,000
Work in process inventory	2,500	4,000
Materials purchased in March	\$90,000	
Direct Labor in March	75,000	
Manufacturing overhead in March	220,000	

Instruction: Prepare the cost of goods manufactured schedule for the month of March.

Karbla Manufacturing Company			
Cost of Goods Manufactured Schedule			
For the month ended March 31			
Particulars		Amount	Amount
Work in process inventory January 1:			\$ 2,500
Direct material:			
Raw material inventory January 1			
Raw material purchases	\$ 12,000		
Raw materials available for use	<u>90,000</u>		
Less: Raw material inventory Dec. 31	102,000		
Direct material used	<u>(10,000)</u>	\$ 92,000	
Direct labor		<u>75,000</u>	
Prime Cost		167,000	
Manufacturing overhead		<u>220,000</u>	
Total manufacturing cost			<u>387,000</u>
Total cost of work in process			389,500
Less: Work in process inventory Dec. 31			<u>(4,000)</u>
Cost of goods manufactured			\$385,500

Exercises 2:

An incomplete cost of goods manufactured schedule is presented below:

Maha Company			
Cost of Goods Manufactured Schedule			
For the year ended Dec. 31, 2013			
Particulars	Amount	Amount	Amount
Work in process inventory January 1:			\$210,000
Direct material:			
Raw material inventory January 1	\$?		
Raw material purchases	<u>158,000</u>		
Raw materials available for use	?		
Less: Raw material inventory Dec. 31	<u>(22,500)</u>		
Direct material used		\$190,000	
Direct labor		?	
Prime Cost		?	
Manufacturing overhead:			
Indirect labor	18,000		
Factory depreciation	36,000		
Factory utilities	68,000		
Total manufacturing overhead		<u>122,000</u>	
Total manufacturing cost			?
Total cost of work in process			?
Less: Work in process inventory Dec. 31			<u>(81,000)</u>
Cost of goods manufactured			\$530,000

Instructions:

Complete the cost of goods manufactured schedule for Maha Company for the year ended December 31, 2013.

Ex. 3:

Salim Aluminum Company, a manufacturer of recyclable soda cans, had the following inventory balances at the beginning and end of 2009:

Inventory	January1, 2009	December31, 2009
Raw materials	60,000	70,000
Work in process	120,000	115,000
Finished goods	150,000	165,000

During 2009 the company purchased on credit 250,000 of raw material and spent 400,000 on direct labor. The company acquired 2% cash discount on the purchases of raw material. Manufacturing overhead costs were as follows:

Indirect materials 10,000, Indirect labor 25,000, Depreciation on plant and equipment 100,000, Utilities 35,000, Other 30,000. Sales revenue was 1,105,000 for the year. Selling and administrative expenses for the year amounted to 110,000. Dividends earned 12,000. Bank charged 7,000. The firm's income tax rate is 40 percent.

Instructions:

- 1- Prepare a cost of goods manufactured schedule for the year ended December 31, 2009.
- 2- Prepare an income statement for the year ended December 31, 2009.

Balance Sheet الميزانية العمومية

The balance sheet for a merchandising company shows just one category of inventory. In contrast, the balance sheet for a manufacturer may have three inventory accounts, as shown in Illustration below:

الميزانية العمومية للشركة التجارية تظهر فقط صنف واحد للخزين. على العكس ميزانية الشركة الصناعية قد تتضمن ثلاث حسابات للخزين .

The current assets sections presented in illustration below contrast the presentations of inventories for merchandising and manufacturing companies. Manufacturing companies generally list their inventories in the order of their liquidity—the order in which they are expected to be realized in cash. Thus, finished goods inventory comes first. The remainder of the balance sheet is similar for the two types of companies:

فقرة الموجودات المتداولة المقدمة في المثال التوضيحي ادناه تتضمن عرض الخزين للشركتين التجارية والصناعية. الشركات الصناعية عموما تدرج الخزين حسب السيولة- حسب توقع تحققها الى نقد. لهذا البضاعة التامة تأتي اولاً. باقي الميزانية العمومية متشابهة لكلا النوعين من الشركات:

Merchandising Company Balance Sheet December 31, 2012		Manufacturing Company Balance Sheet December 31, 2012	
Current assets:		Current assets:	
Cash	\$ 100,000	Cash	\$180,000
Receivables (net)	210,000	Receivables (net)	210,000
Merchandise inventory	400,000	Inventories:	
Prepaid expenses	<u>22,000</u>	Finished goods	80,000
Total current assets	\$ 732,000	Work in process	25,200
		Raw materials	<u>22,800</u> 128,000
		Prepaid expenses	<u>18,000</u>
		Total current assets	\$536,000