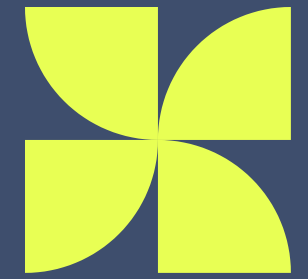


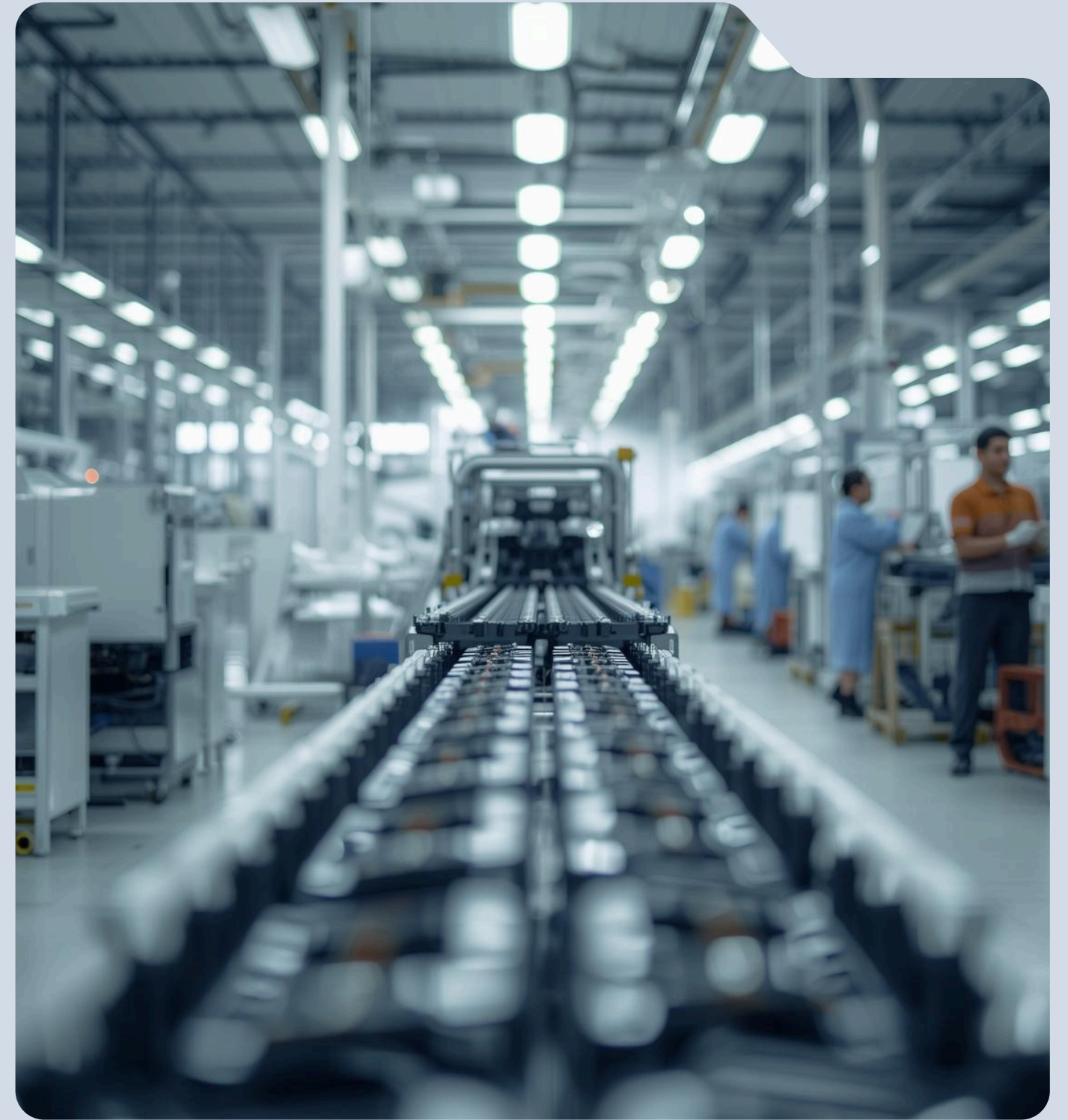
Statement of Cost Manufactured



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Introduction

The **Cost of Goods Manufactured (COGM)** represents the total production cost of goods completed during a specific period. Understanding COGM is crucial for accurate financial statements, inventory valuation, and its connection to Cost of Goods Sold (COGS), promoting effective financial management.



Components of COGM



Direct Materials: Essential Production Inputs

Direct materials are vital for **manufacturing** finished goods efficiently.



Direct Labor: Workforce Contribution

Direct labor costs reflect the **wages** for production workers involved.

Components of Manufacturing Overhead



Indirect Materials in Production Cost

Includes materials not directly traceable to products.



Indirect Labor Costs Incurred

Represents wages for support staff and supervisors.

Direct Materials

Understanding Raw Materials Inventory Changes

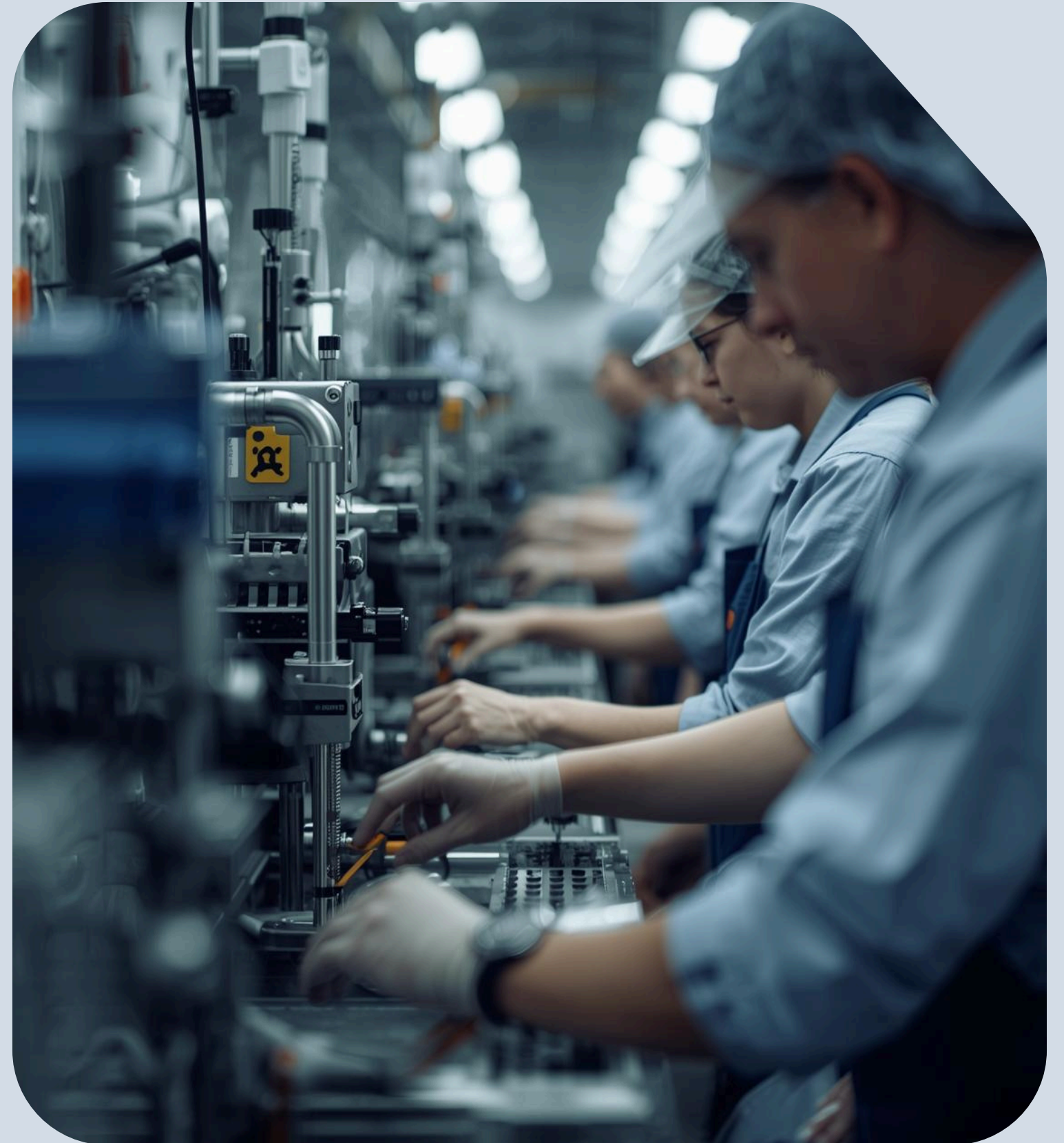
The management of raw materials inventory is crucial for accurately calculating the **cost of goods manufactured**. This includes understanding both beginning and ending inventory levels.



Direct Labor Costs

Understanding wages for production workers

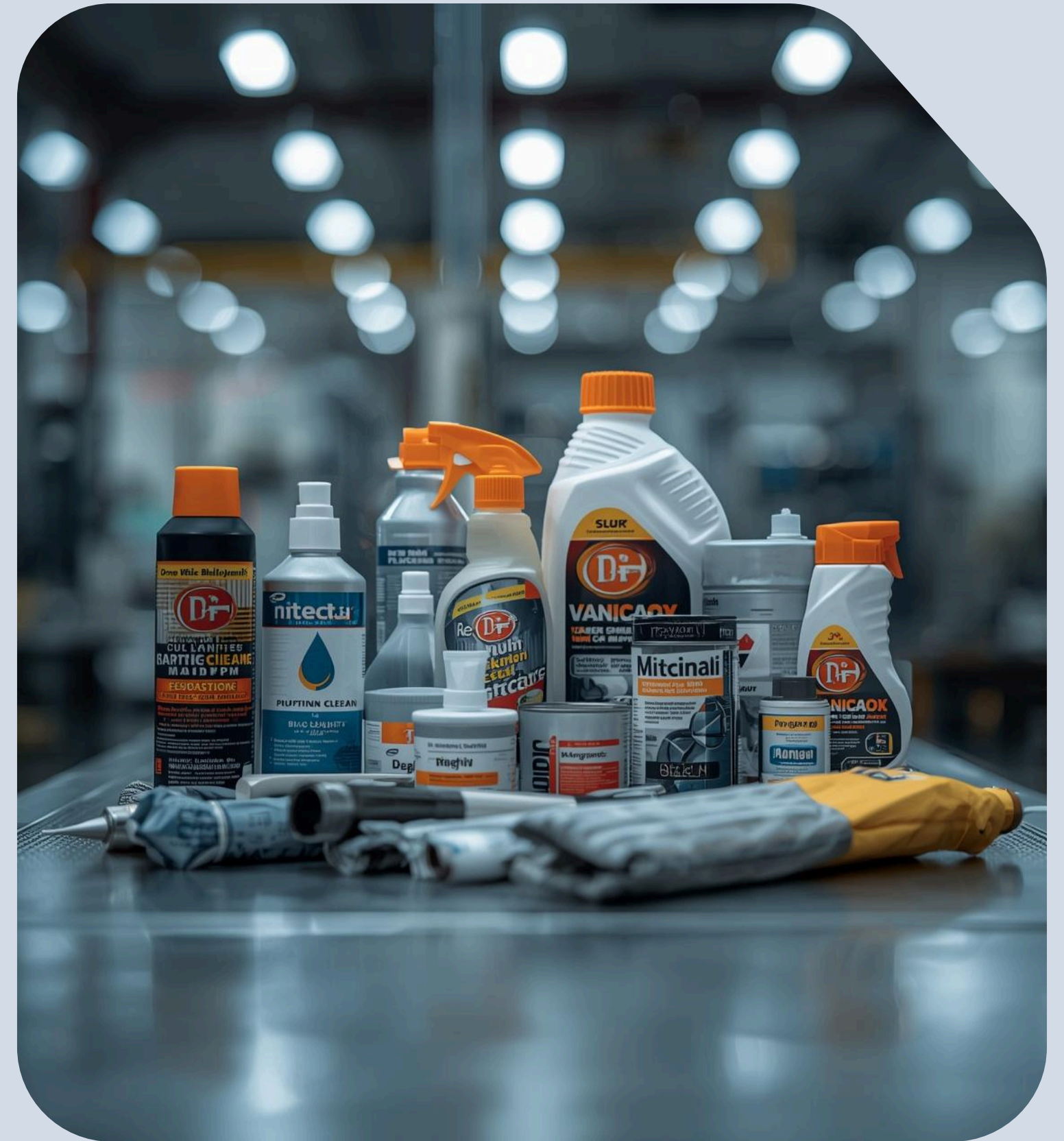
Direct labor refers to the **wages paid** to workers directly involved in manufacturing products. This cost is essential for accurately calculating overall production expenses and impacts profitability.



Manufacturing Overhead

Understanding Indirect Material Costs

Indirect materials are essential to production but not directly traceable to specific products. These costs include consumables like lubricants and cleaning supplies, crucial for maintaining operations.



Manufacturing Overhead Components



Indirect Materials

Costs associated with materials not directly traceable.



Indirect Labor

Wages for support staff aiding production processes.



Factory Rent

Monthly payments for the physical manufacturing space.



Factory Utilities

Expenses for water, electricity, and gas services.



Depreciation

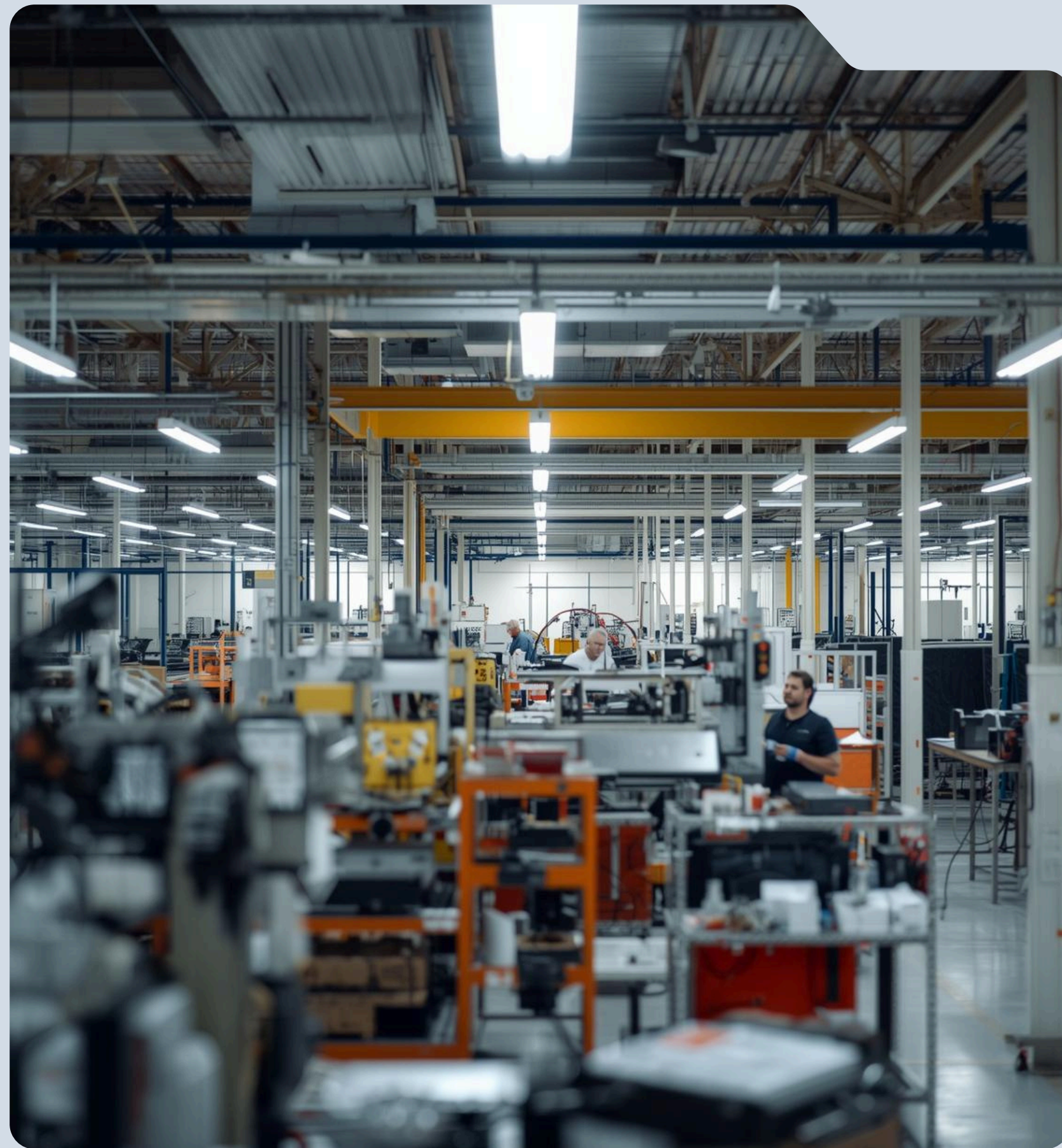
Allocation of equipment cost over its useful life.



Other Overhead

Miscellaneous costs supporting overall manufacturing operations.

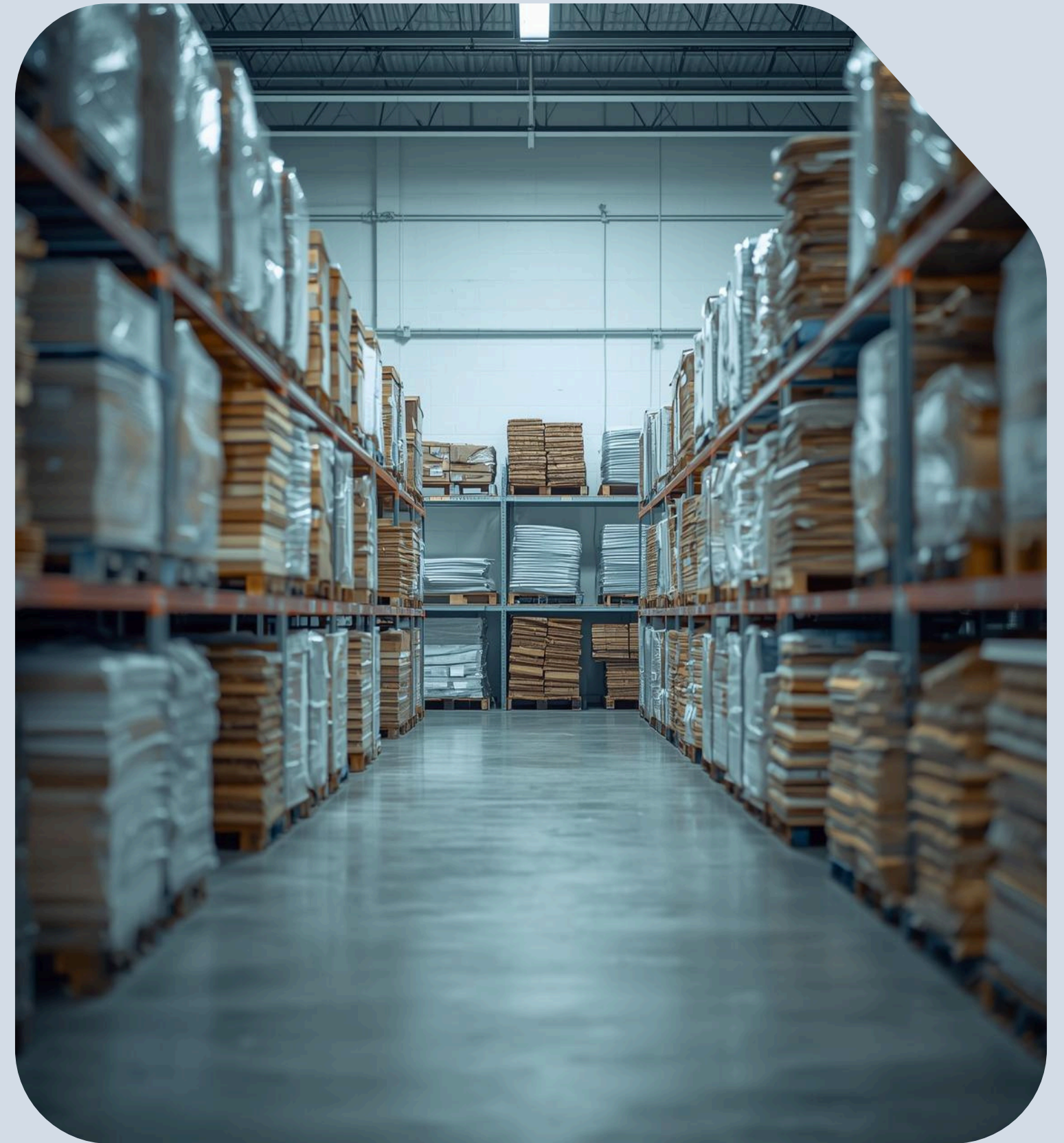
Manufacturing Overhead



Inventories and COGM

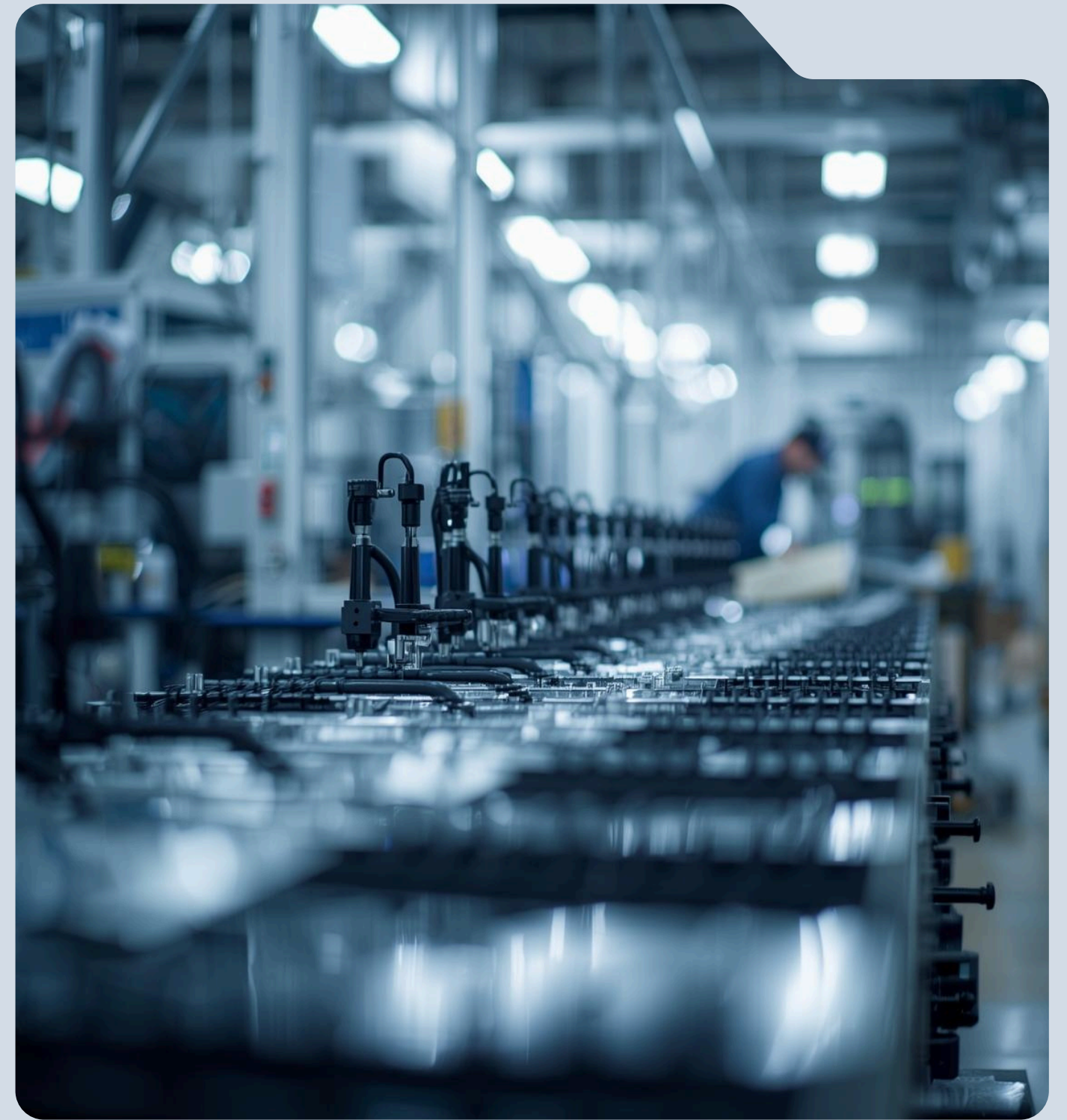
Understanding Raw Materials Inventory Levels

Effective management of raw materials inventory is critical for accurate COGM calculations, influencing production efficiency and financial reporting through careful tracking of beginning and ending inventory levels.



Formula

The **Cost of Goods Manufactured (COGM)** formula combines three key components: total direct materials used, direct labor costs, and manufacturing overhead. This calculation provides a comprehensive view of production costs, essential for accurate financial reporting and inventory management.



Step-by-Step Process



2023

Direct materials purchased increased.



2024

Inventory levels were evaluated.



2025

Materials used were calculated.



2026

COGM was finalized successfully.

Sample Statement

The **Sample Statement of Cost of Goods Manufactured** illustrates the components involved in calculating total production costs. Understanding this statement is crucial for assessing manufacturing efficiency, inventory valuation, and financial reporting, ultimately aiding in informed decision-making for management and stakeholders alike.



Common Challenges



Accurate Overhead Allocation Issues

Allocating overhead can lead to **significant discrepancies** in costs.



Inventory Valuation Errors

Incorrect inventory valuations can distort **financial performance** reports.

Best Practices

To ensure **accurate COGM**, implement regular inventory audits and detailed cost tracking systems. Consistent overhead allocation methods and clear documentation are essential for maintaining accuracy. These practices enhance financial reporting and improve overall production efficiency, leading to better decision-making.

