

# COST ACCOUNTING

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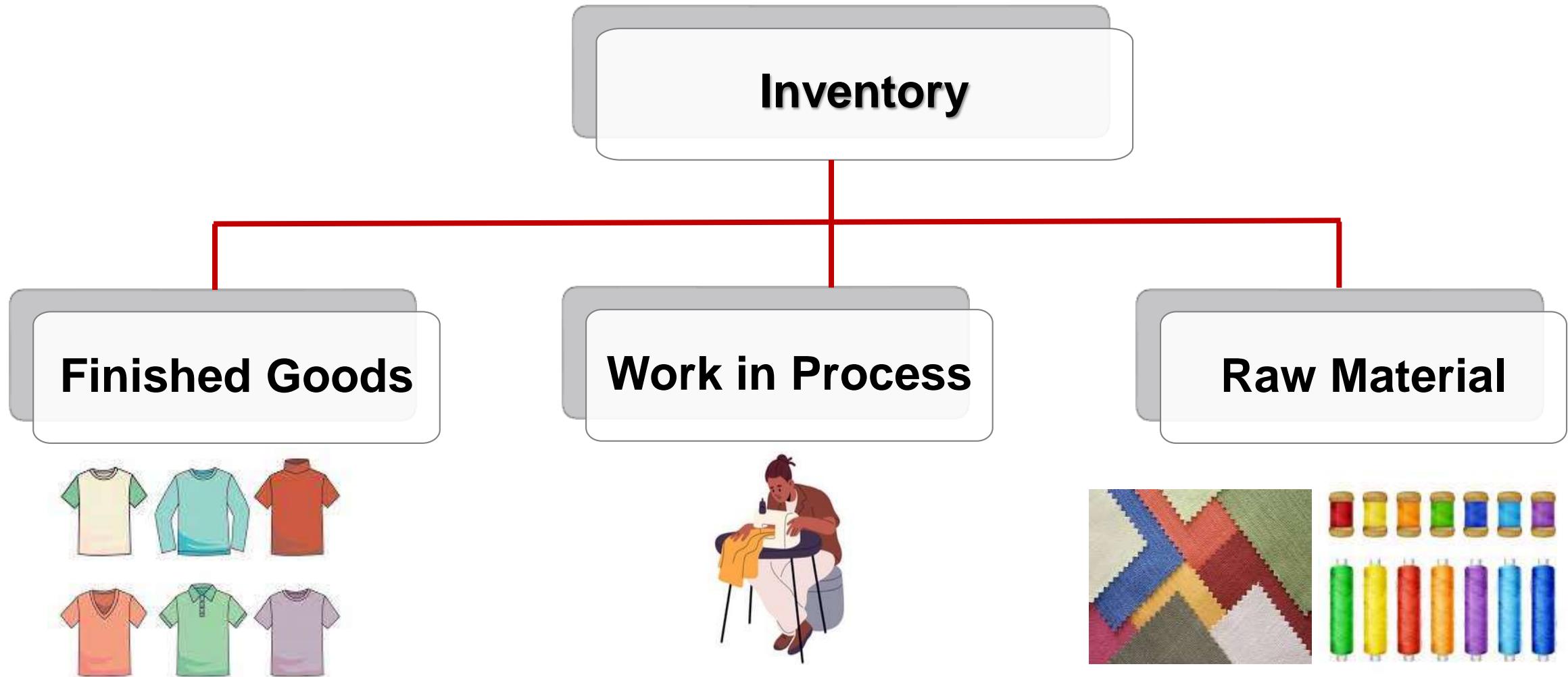
# Chapter 3

## Production Costs and Financial Reports of Manufacturing Businesses

# **Inventory**

**Inventory refers to all the items, goods, merchandise, and materials held by a business for selling in the market to earn a profit.**

# Inventory



# The display of inventories in the statement of financial position

Trading Business	Manufacturing Business
Current Assets:	Current Assets:
Cash	XX
Account Receivable	XX
Inventory	XX
	Inventories :
	Finished Goods
	Work in Process
	Raw Material

# The display of product cost in the income statement

Trading Business		Manufacturing Business	
Beginning inventory	XX	Beginning inventory	XX
+ Net purchase	XX	+ Cost of manufactured goods	XX
Available for sale	XX	Available for sale	XX
- Ending inventory	XX	- Ending inventory	XX
Cost of Goods Sold	XX	Cost of Goods Sold	XX

# **Purpose of Financial Statements**

**The general purpose of the financial statement is to provide information about the results of operations, financial position, and cash flow of an organization. This information is used by the readers of financial statements to make decisions regarding the allocation of resources.**

# Accounting period

An accounting period is any time frame used for financial reporting. Transactions that fall within a given date range form part of the statements or reports for that accounting period. An accounting period, or reporting period, is often 12 months. There may be different accounting periods for various business tasks.

**THE END**