COST OF GOODS SOLD

Many times you are not given enough information to calculate Cost of Goods Sold right away. Therefore, one or more calculations may be needed first.

Direct Materials, beginning inventory
+ Direct Materials Purchases
– Direct Materials, ending inventory  
**Direct Materials Used in Production**  
Direct Materials Used in Production
+ Direct Labor
+ Manufacturing Overhead  
**Total Product Cost**  
Total Product Cost
+ Work in Process, beginning inventory
– Work in Process, ending inventory  
**Cost of Goods Manufactured**  
Cost of Goods Manufactured
+ Finished Goods, beginning inventory  
Goods Available for Sale
– Finished Goods, ending inventory  
**Cost of Goods Sold**

Each value you calculate becomes the first line in the next value’s calculation.