Manufacturing Account

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Management accounting is an important branch of accounting that deals with the financial records and resources within the organization. This branch of accounting helps significantly in the maintenance of financial records and provides advice and suggestions for the development of the organization. The significance of the implication of costs in manufacturing accounting cannot be denied in any way.

Manufacturing Costs refer to those costs or expenses incurred to any organization during the production of their finished goods. In order to take the business to heights and make a venture successful, an organization should take the manufacturing costs very seriously (LeBlanc, et al., 2014). If a manufacturer keeps these elements in mind, he or she can make their business highly competitive and profitable one in the market.

There manufacturing costs in any industry comprise of three major factors or parts (Thomas, & Gilbert, 2014);

1. Direct Material Cost
2. Direct Labor Costs
3. Factory Overheads

**Direct Material Costs:**

The costs that incur on the making of a product, especially at the material of that product are known as Direct Material Cost. These costs majorly include the charges incurred over the raw material used for the production of a finished product.

**Direct Labor Cost:**

The cost incurred to pay the wages of labor who contributed to the production of a unit.

**Factory Overheads:**

The expenses incurred other than the material and labor cost on the production of a unit like utility bills etc.

The manufacturing costs are usually displayed in the income statement as a separate line or entity. These manufacturing costs can also be referred to as the “Product Cost”. The cost of a product or Product Cost per unit can be calculated by using a simple formula:

Product Unit Cost = (Total Direct labor + Total Direct material + Consumable Supplies + Total Allocated Overhead) ÷Total Number of Units

**References**

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