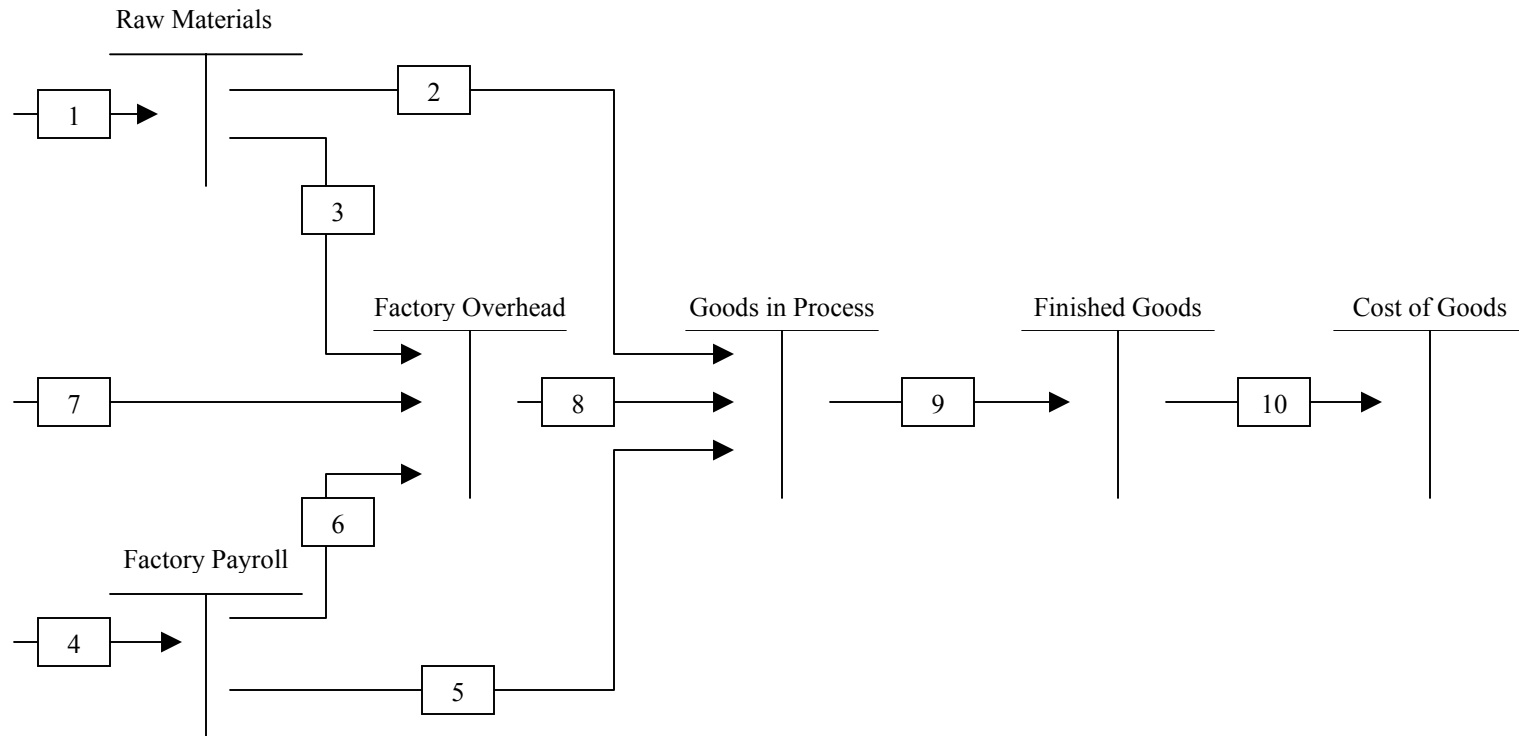


MANUFACTURING COSTS FLOW CHART



1. Purchase Raw Materials	4. Factory Payroll Expenses	7. Other Factory Expenses
2. Used Direct Materials	5. Assign Direct Labour	8. Allocate Factory Overhead
3. Used Indirect Materials	6. Assign Indirect Labour	9. Transfer to Finished Goods
		10. Cost of Jobs Sold

MANUFACTURING COSTS FLOW CHART

	DEBIT	CREDIT	EXPLANATION
1	Raw Material Inventory	Accounts Payable	Purchase Raw Materials
2	Goods in Process Inventory	Raw Materials Inventory	Use of Direct Materials
3	Factory Overhead	Raw Materials Inventory	Use of Indirect Materials
4	Factory Payroll	EI, CPP, Tax and Wages Payable	Payroll for Factory
5	Goods in Process Inventory	Factory Payroll	Direct Labour for the period
6	Factory Overhead	Factory Payroll	Indirect Labour for the period
7	Factory Overhead	Cash or A/P or Prepaid or Acc. Amortization or other Liability	All other Factory Expenses including period end adjustments.
8	Goods in Process Inventory	Factory Overhead	Application of Factory Overhead to Completed Jobs or at Period End
9	Finished Goods Inventory	Goods In Process Inventory	Transfer of Completed Jobs
10	Cost of Goods Sold	Finished Goods Inventory	Transfer cost when jobs are sold

When all of the above transactions are recorded for the period, check that the balance in the Factory Payroll account is zero. Next, take note of the balance in the Factory Overhead account. If the amount is immaterial (judgment call) prepare a journal entry to clear the Factory Overhead account to zero and offset the entry to Cost of Goods Sold.

If the amount left in the Factory Overhead account is material, the amount must be allocated to Goods in Process, Finished Goods and Cost of Goods Sold. In either case, the Factory Overhead account must be zero at the end of the period.