

COST ACCOUNTING FOR MANUFACTURERS

A step-by-step process and methodology of cost accounting
for manufacturing businesses.

1

GATHER FINANCIAL DOCUMENTS

Obtain general ledger detail, internal financial statements,
and any other relevant financial reports.

2

DEFINE MANUFACTURING PROCESS

Perform a complete walkthrough of the entire manufacturing process
to determine all components that should be included in inventory.

3

COUNT PHYSICAL INVENTORY

Perform a physical count of inventory to create a starting point for the valuation of inventory.

4

INVENTORY MANAGEMENT

Determine best practices related to policies and procedures of inventory management.

5

IMPLEMENT A CENTRALIZED INVENTORY

Implement a centralized inventory system, where only a few designated
employees are responsible for inventory control (if management desires).

6

VERIFY INVENTORY PRICES

Verify accuracy of the raw materials inventory price that is entered into the system by management.

7

MONTHLY COUNT

Implement a monthly cycle count program.

8

VERIFY INVENTORY SYSTEM EFFICIENCY

Perform monthly cycle counts to verify the perpetual inventory system is operating as designed.
If management desires, perform an additional full physical count of inventory to verify the
perpetual inventory system is operating as designed.

LUMSDEN & McCORMICK, LLP | www.LumsdenCPA.com

Douglas C. Muth, CPA | dmuth@LumsdenCPA.com