The cost of goods sold

Completed of student 2 course
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The product

is a product of activity (including works, services) intended for sale or exchange.

THE COST OF GOODS SOLD

The cost of goods sold refers to the carrying value of goods sold during a particular period.

Many companies sell the goods they have bought or produced. When the goods are purchased or produced, the costs associated with such goods are capitalized as part of inventory of goods. These costs are considered as an expense in the period the business recognizes income from sale of goods.

Cost of goods sold may be the same or different for accounting

THE COST OF GOODS FOR RESALE

The cost of goods purchased for resale includes purchase price and all other costs of acquisition, excluding any discounts.

Additional costs may include freight paid to acquire the goods, customs duties, sales or use taxes that are not recoverable paid on the materials used and fee paid for the acquisition.

Since the financial statements of aims such period costs as purchasing Department, warehouse, and other operational costs not normally treated as part of inventory or cost of goods sold.

The costs of sale, packaging and shipment of goods to customers are considered as operating costs associated with the sale. International accounting standards require that certain improper costs, such as those associated with the ability without work, considered as an expense and not part of the inventory.

Identification of the agreement

In some cases, the cost of goods sold may be identified with the goods sold. Usually, however, identity of goods is lost between the time of purchase or manufacture and the time of sale. The definition which the goods were sold, and the cost of those goods, requires either identifying the goods or using the agreement to adopt, what products were sold. This may be referred to as an assumption of the cost flow assumption or identification of the equipment or the agreement. The following methods are available in many jurisdictions for the connection costs with goods sold and goods still on hand:

- Certain identification. Under this method, special items and costs tracked for each item. This may require considerable recordkeeping. This method cannot be used where goods or items are indistinguishable or fungible.
- The average cost. The average cost method relies on average unit cost to calculate cost of units sold and ending inventory. Several chan
calculation can be used, includi
average and moving average.

- Method of "first come - first out" (FIFO) assumes that goods purchased or produced first are sold first. Costs of inventory per unit or item are determined at the time when made or purchased. The oldest cost (i.e., first in) is then matched against revenue and assigned to cost of goods sold.
- The method "last in - first out" (LIFO) - change FIFO. Some systems allow to determine the cost of goods, the time when purchased or made, but assigning costs to goods sold under the assumption that the goods made or acquired last are sold first. Costs of specific goods acquired or made, added to the Fund expenses for the type of goods. Under this system, the business may maintain costs under FIFO but track the repayment in the form of a LIFO reserve. Su or an asset of a rebel) is the difference in the and LIFO assumptions. This amoun and tax purposes in the United Stat

- LIFO Dollar value. With this change LIFO increase or decrease in the LIFO reserve are determined based on the dollar value and not quantity.
- Retail method of inventory. Resellers of goods may use this method to simplify record keeping. The estimated cost of goods on hand at the end of the period - cost of goods acquired to the retail value of the goods times the retail value of goods on hand. The cost of goods acquired includes beginning inventory, previously valued plus purchases. Cost

beginning inventor

f goods on hand at t

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