



Journal entry to record standard cost of goods completed

Finished Goods Inventory	Total costs	
RIP Inventory		Units * Standard unit cost
Conversion Costs		Units * Standard unit cost

Journal entry to record Cost of Goods Sold

Cost of Goods Sold	Total cost of units
Finished Goods Inventory	Total cost of units

Under-allocated or Over-allocated conversion costs are written off to Cost of Goods Sold.

Life-Cycle Budget - a budget that predicts what a product's revenues and costs will be over its entire life cycle.

Life Cycle Budget:

Sales Revenue		\$
DM & purchased parts		\$ _____
Materials - contribution margin		\$
Other cost direct to product:		
Variable conversion costs:		
Indirect Materials	\$	
Direct Labor	\$	
Indirect Labor	\$	
Utilities	\$ _____	\$ _____
Product contribution margin		\$
Fixed conversion costs:		
Indirect Labor	\$	
Depreciation	\$	
Maintenance	\$ _____	\$ _____
Life-Cycle manufacturing contribution		\$
Other Fixed Costs:		
Design and engineering	\$	
Marketing	\$	
Customer Service	\$ _____	\$ _____
Life-Cycle Operating contribution		\$ _____

Target Costing - a cost management technique that helps set goals for cost savings through product design.

Value Engineering (VE) - designing products that achieve cost targets and meet specified quality and performance standards.

Product Element	Budgeted Cost	-	VE Cost Reduction	=	Target Cost
Element A					
Element B					
Element C					
Element D					
Total					