

B. Com Part III (Cost Accounting)

* Difference between Direct Material and Indirect Material :-

① Direct Materials :-

- Direct materials are those materials that are directly consumed in the production of a product and can be easily traced to the finished product.
- They are essential to the final product and are included in the bill of materials for manufacturing.
- Examples - Raw materials like wood in furniture manufacturing, steel in construction, or fabric in garment production.
- Direct materials are directly charged to the cost of goods sold (COGS) when the product is manufactured.

② Indirect Materials :-

- Indirect materials are materials that are not directly consumed in the production process and cannot be easily traced to specific products.
- They are typically used to support the production process or maintain the operations of the business.
- Examples - lubricants, cleaning supplies, maintenance tools, and office supplies.
- Indirect materials are considered overhead costs and are included in manufacturing overhead or indirect costs.