

Management accounting:

"The presentation of management information in such a way as to assist management in the creation of policy and in the day to day operations of an undertaking"

- The Anglo American Council on productivity

DATE	FOLIO NO	Difference between cost accounting & management accounting	
Basis		cost accounting	management accounting.
concerned		concerned with cost ascertainment, profit and control of cost	concerned with providing relevant information to organization
Accounting		It is developed and improvised out of financial accounting	It is conceived out of cost accounting
Suggestions		Suggests different costing techniques by best alternatives	Suggests non cost techniques and information about alternatives
reveals		It reveals variances to management	It means detection of unfavourable variances

limitations of cost accounting

Limitations

lack of uniformity

second hand data

conventions

uncertainty

costly

applicability

cost and incomes

Advantages of cost accounting.

To the management	To the employees	To the creditors	To the Government	To the Public
Effective decision making	Stability of tenure	Future prospects	Granting of subsidies	Removal of wastage
measuring efficiency	Fair wage policy		Planning of resources	Fair price for products
cost reduction	Rewards		utilisation of scarce resource	Employment.
fixation of selling price				
Effective cost control				
Increase in efficiency				
Inventory control				
Reduction of wastage				
utilisation of resources				
help in effective budget				

DATE

FILE NO.

PARTICULARS

CR

Rs. Paise Ps.

DATE	FOLIO NO.	PARTICULARS	Rs.	Ps.
		objections of cost accounting,		
		costly to operate unnecessary Based on estimations objections Involves many forms and statements not applicable in all types of industries		

Principles of cost accounting

Principles

cause ↓ effect
relationship

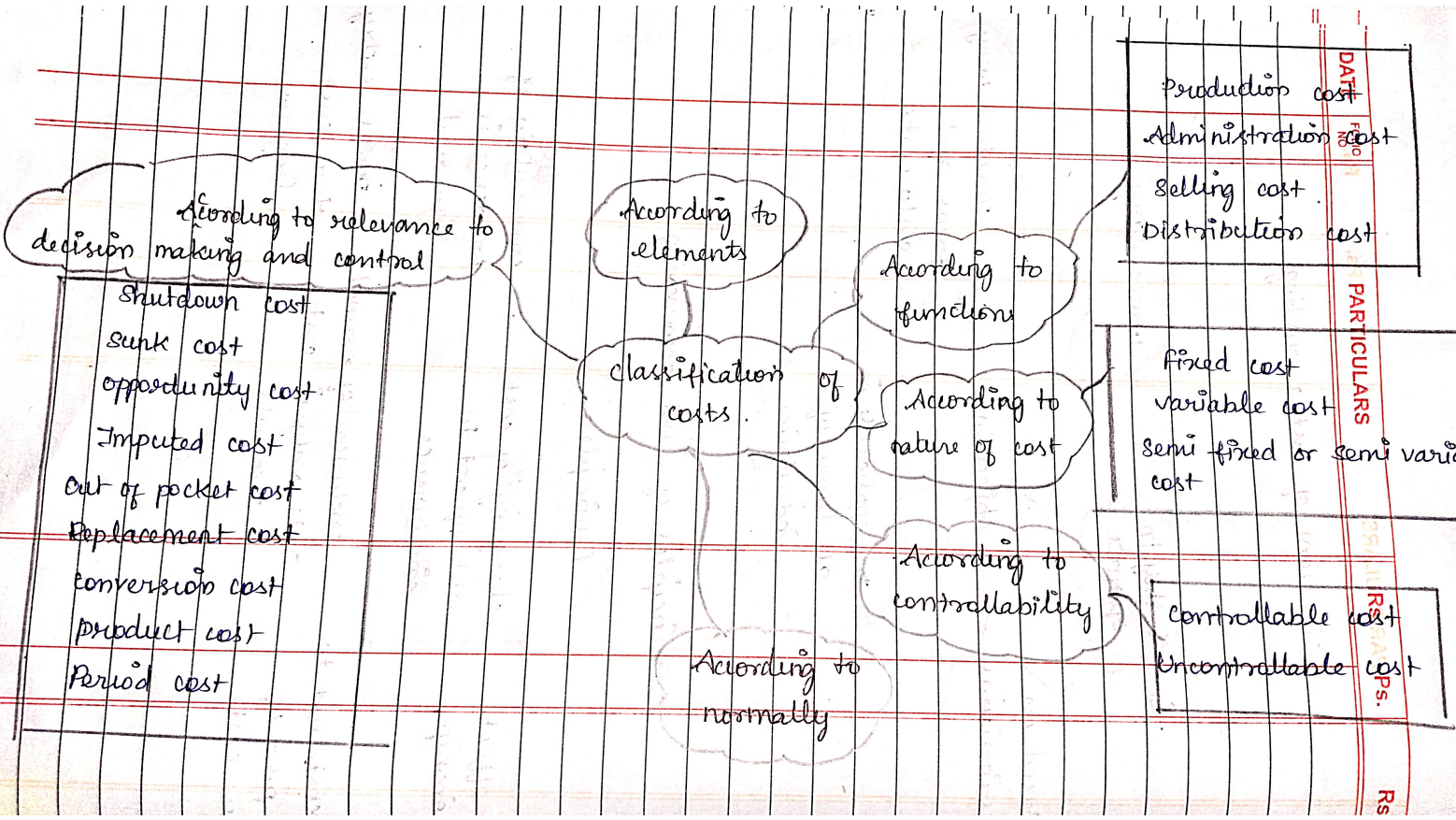
charging ↓ of cost
subsequent to
incurrence

convention ↓ of
prudence is
ignored

Past ↓ costs not to
form part of
future costs

Inclusion ↓ of normal
costs only in cost
accounts

double entry ↓
for cost
ledgers



Cost centre:

"A location, person or item of equipment for which costs may be ascertained and used for the purpose of cost control"

- ICMA

Cost unit:

- Defined by ICMA
- Unit of product or services
- cost are ascertained
- These are unit of physical measurement
- Ex: number, weight, area, length, value

Cost control

- Defined by CIMA (Chartered Institute of Management Accountants)
- Regulation by effective action
- cost of operating
- Guided by cost accounting

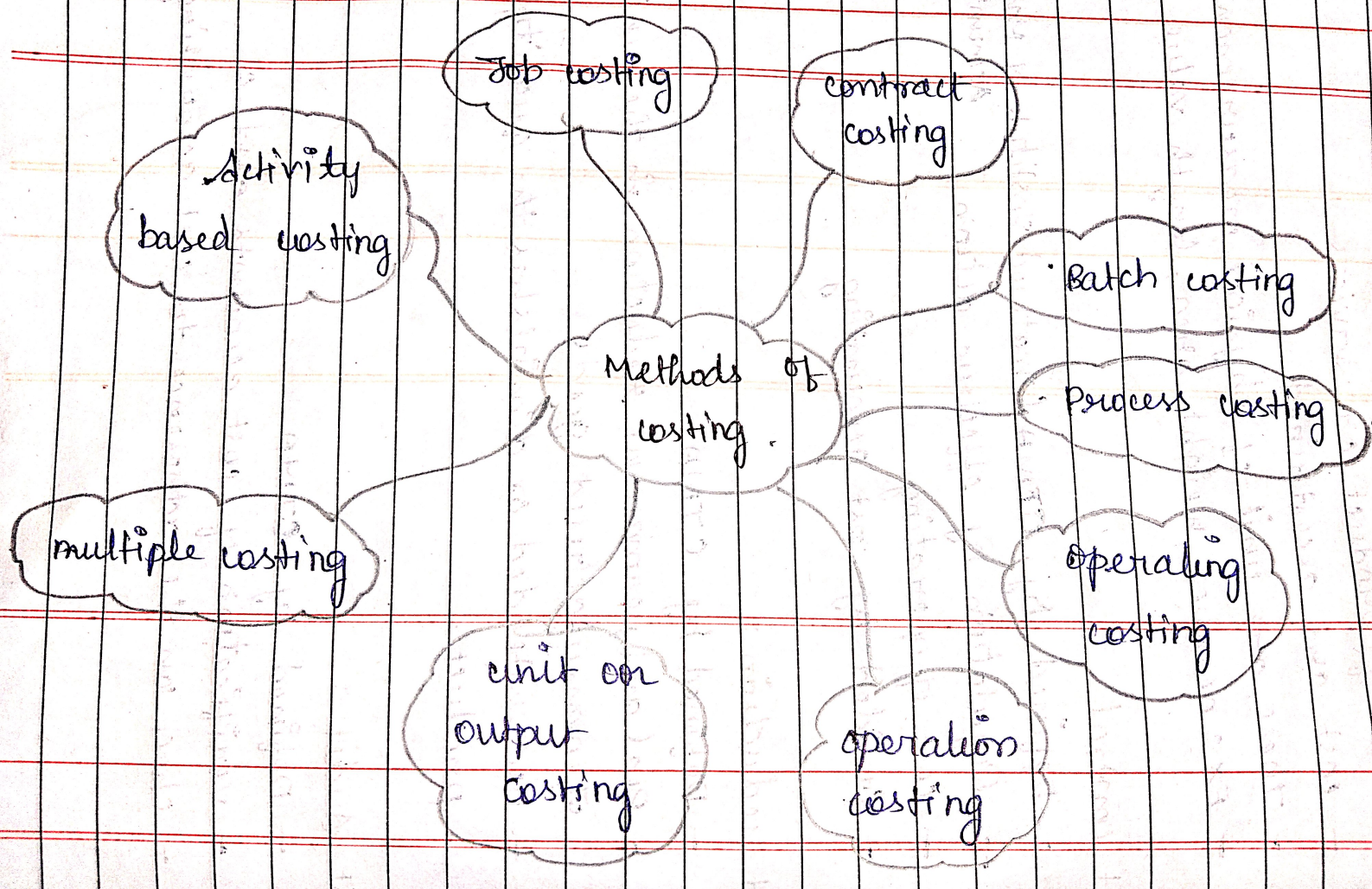
Cost reduction:

- Defined by CIMA
- Real and permanent reduction in the unit cost of manufactured goods
- Use intended or diminishes the quality of product.

Cost Audit:

- Defined by CIMA
- verification of cost accounts and c/
- check on the adherence to cost accounting plan

Rs.	Rs. Ps.	PARTICULARS	Rs.
		Cost manual :	
		- Defined by ICMA	
		- It is a document	
		- contains forms and records required for costing and cost accounting	
		- Successful implementation of costing	



DATE	FOLIO NO.	PARTICULARS	Rs.	Ps.	Rs.	Ps.
		(i) Job costing :				
		- Applied in industries				
		- Direct costs are traced for specific jobs				
		- ascertain the cost of job separately				
		(ii) Contract costing :				
		- Applied in construction works				
		- For each contract separate account opened				
		- take a long time for completion				
		- It is known as "terminal costing".				
		(iii) Batch costing :				
		- Applied in identical products				
		- Applies in similar articles are produced in batches				
		- This costing is similar to job costing.				
		(iv) Process costing :				
		- Applied in where input converted into finished products				
		- continuous sequences				
		- Separate account maintained				
		- Introducing raw material - first process				
		- Finished product becomes the raw material of secondary process				
		(v) Operating costing :				
		- Applied in service industries				
		- Ex: Transport, Lodging, Houses, Hospitals, ---				

(vi) operation costing :

- Applied in mass production
- Involved in different operations for complete the process of production.
- cost details maintained for every minute
- cost are more accurate

(vii) Unit or output costing :

- Applied in where output is : uniform
- continuous production
- $\text{cost per unit} = \frac{\text{cost}}{\text{number of units}}$

(viii) Multiple costing :

- It is the combination of two or more methods
- ascertain the cost of work done
- Applied in industries

(ix) Activity Based Costing (ABC)

- It is an accounting methodology
- cost activities based on their resources
- cost are absorbed by product and services

DATE	NO	PARTICULARS	Rs.	P.S.
Difference between cost centre and profit centre.				
Basis	Cost centre		Profit centre	
Responsibility	costs are ascertained		Revenue and expenses are identified	
Purpose	accounting convenience and cost control		Decentralisation of operations	
Autonomy	They are not autonomous		They are autonomous	
Targets	Do not have targets		They have profit targets	
Number of centres	many		Few	

Difference between cost control and cost reduction

Basis	cost control	cost reduction
objective	Achieve present costs	Reduction of cost
Procedure	Routine process to achieve operational efficiency	continuous process for permanent savings in cost
Process	Find the actual performance to compare with targets	concerned with maintenance of performance according to standards.
function	static	dynamic
Focus	Focus on past and present	focus on present and future
Nature	Preventive function	corrective function

cost Accounting - Introduction

DATE	FOLIO NO	PARTICULARS	Rs.	Ps.	Rs.	Ps.
		Development of cost accounting (1914)				
		welfare of an organization				
		* owners				
		* employees				
		* creditors				
		* Potential investors				
		* management				
		* Vivian Bose enquiry committee reveals malpractice in business				
		<u>Definitions :-</u>				
		<u>Cost</u> :- (definition by ICMA - Institute of Cost and Management Accountants)				
		(i) Purpose and conditions				
		(ii) Defined by ICMA				
		* Actual expenditure incurred on a given thing				
		* ^(accurate) notional expenditure incurred on a given thing				
		<u>costing</u> (by ICMA)				
		(i) Ascertainment of cost				
		(ii) Techniques and process				
		(iii) Principles and rules				
		(iv) cost of product and services				
		<u>cost accounting</u> (by ICMA)				
		(i) Process of accounting				
		(ii) Establishment of ultimate relationship				
		(iii) Cost centre and cost unit				
		<u>Cost accountancy</u> (by ICMA)				
		(i) Application costing				
		(ii) Costing principles				
		(iii)				

TE	FOLIO NO.	PARTICULARS	Rs.	P.	Rs.	P.	Rs.	P.
		(iii) methods and techniques to the science arts and Practice of cost control						
		(iv) Decision making						
		(v) <u>Ex:</u> cost, costing, cost accounting, budgetary control, cost control, cost audit						

* 10 mark

Difference Between Financial Accounting & Cost Accounting

Ps.	DATE	FOLIO NO	PARTICULARS	Rs.	Ps.	Rs.	Ps.
			<u>Basis</u>				
			<u>Financial Accounting</u>				<u>Cost Accounting</u>
			<u>Objective</u>				
			Preparing <u>Profit & Loss</u> <u>A/c and balance sheet.</u> Report to <u>owner & outsiders</u>				Provide <u>cost information</u> to management for <u>decision making</u>
			<u>Legal Requirement</u>				
			Requirement of <u>companies Act 1956 (old)</u> <u>2013 (new)</u> and <u>Income tax Act (1961)</u>				Fulfills the <u>internal</u> <u>requirements</u> as per <u>conventional guidelines</u>
			<u>Classification of Transaction</u>				
			Records and analysis transaction in <u>subjective</u> <u>manner</u>				Record and analysis transaction in <u>objective</u> <u>manner</u>
			<u>Stock valuation</u>				
			stocks are valued at <u>cost</u> or <u>realisable cost</u> whichever is <u>less</u>				stocks are valued at <u>cost</u>
			<u>Analysis of Profit & Loss</u>				
			Profit or loss of <u>entire</u> <u>enterprises</u> is disclosed.				Profit or loss of <u>different</u> <u>product and departments</u> <u>separately</u>
			<u>Accounting Period</u>				
			Reports are prepared <u>annually</u>				Reports are prepared <u>continuously</u> i.e., <u>weekly, monthly,</u> <u>Quarterly,</u>
			<u>Emphasis</u>				
			Recording of <u>transaction</u> and <u>control</u>				<u>Ascertainment of cost</u> and <u>cost control</u>
			<u>Nature</u>				
			maintained on the basis of <u>historical records</u>				maintained as per <u>historical</u> & <u>pre determined records</u>

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Scope and objectives of cost Accounting

- (i) Scope refers field of activity
- (ii) Ascertainment of cost and control of cost
- (iii) It helps management for cost control and cost reduction, through

* Functions of planning

* Decision making

* Control

- (iv) It provides information for cost control and reduction for finding out cost of production

- (v) Area of application of cost accounting is widened

- (vi) cost accounting was applied in manufacturing activities only.

- (vii) now it is applied in,

* Service organization

* Government organization

* Local authorities

* Farms

* Extractive industries.

Objectives or purpose or functions or Aims of cost accounting :-

- (i) Cost finding or cost ascertainment

- (ii) Control of cost

- (iii) Reduction of cost

- (iv) Fixation of selling price

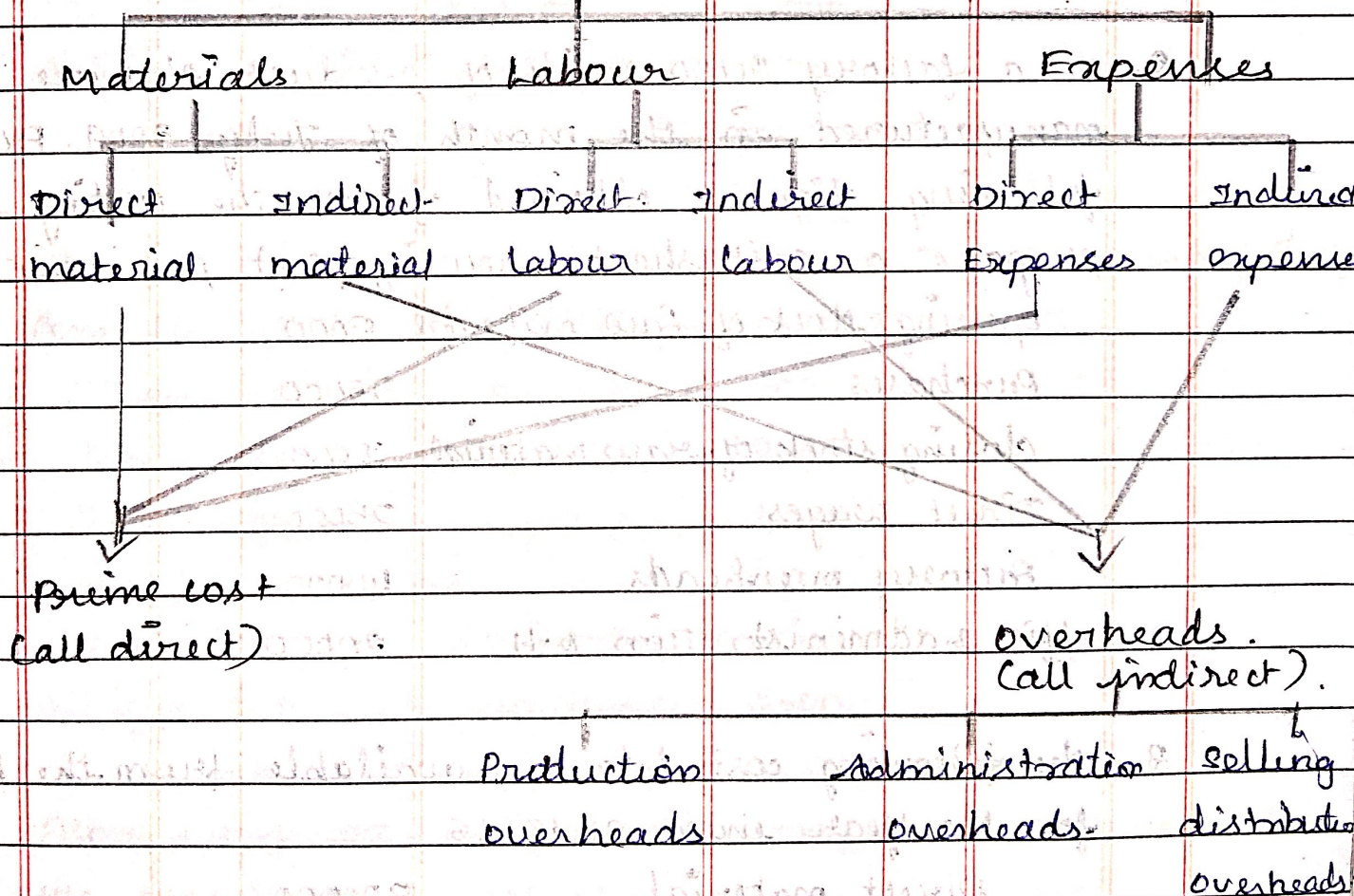
- (v) Providing information for framing business policy.

Cost sheet, tenders and Quotations :-

Elements of cost

1. Materials
2. Labour
3. Expenses

Elements of cost



Management accounting:

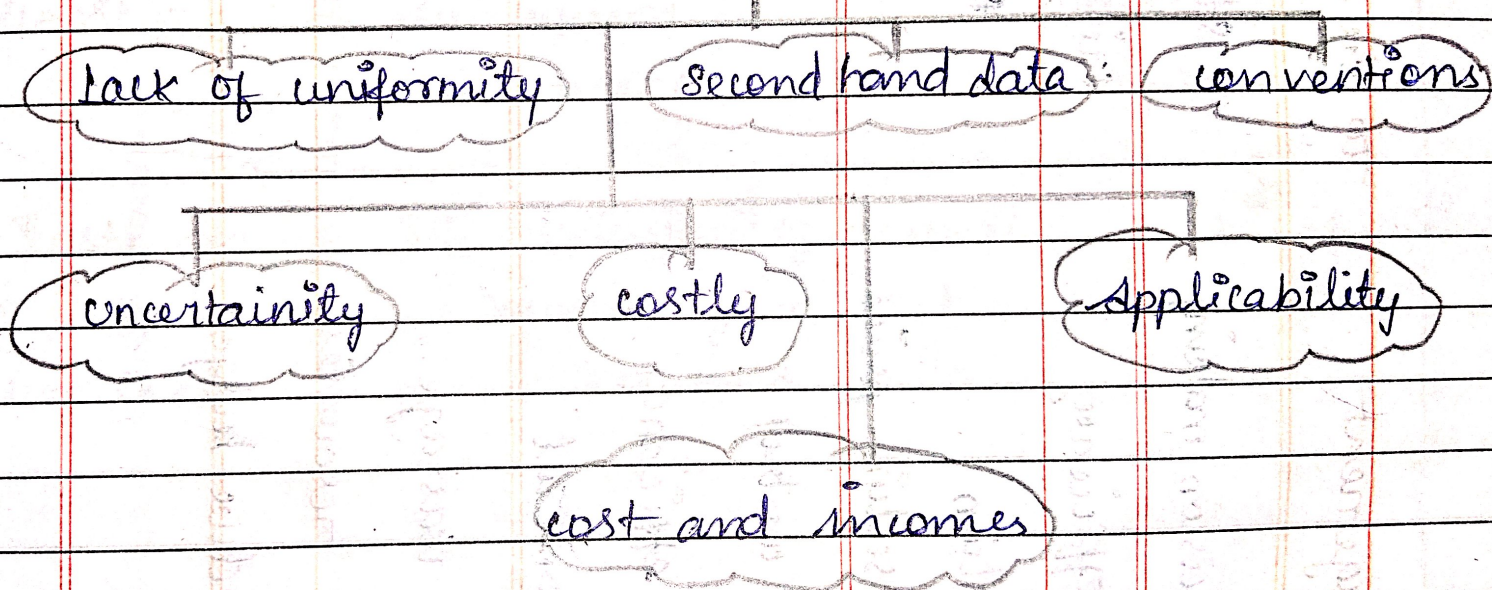
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Limitations of cost accounting

Limitations



Advantages of cost accounting.

To the management	To the employees	To the creditors	To the Government	To the Public.
Effective decision making measuring efficiency cost reduction fixation of selling price Effective cost control Increase in efficiency inventory control Reduction of wastage utilisation of resources help in effective budget	Stability of tenure Fair wage policy Rewards	Future prospects	Granting of subsidies Planning of resources utilisation of scarce resource	Removal of wastage Fair price for products Employment.

DATE

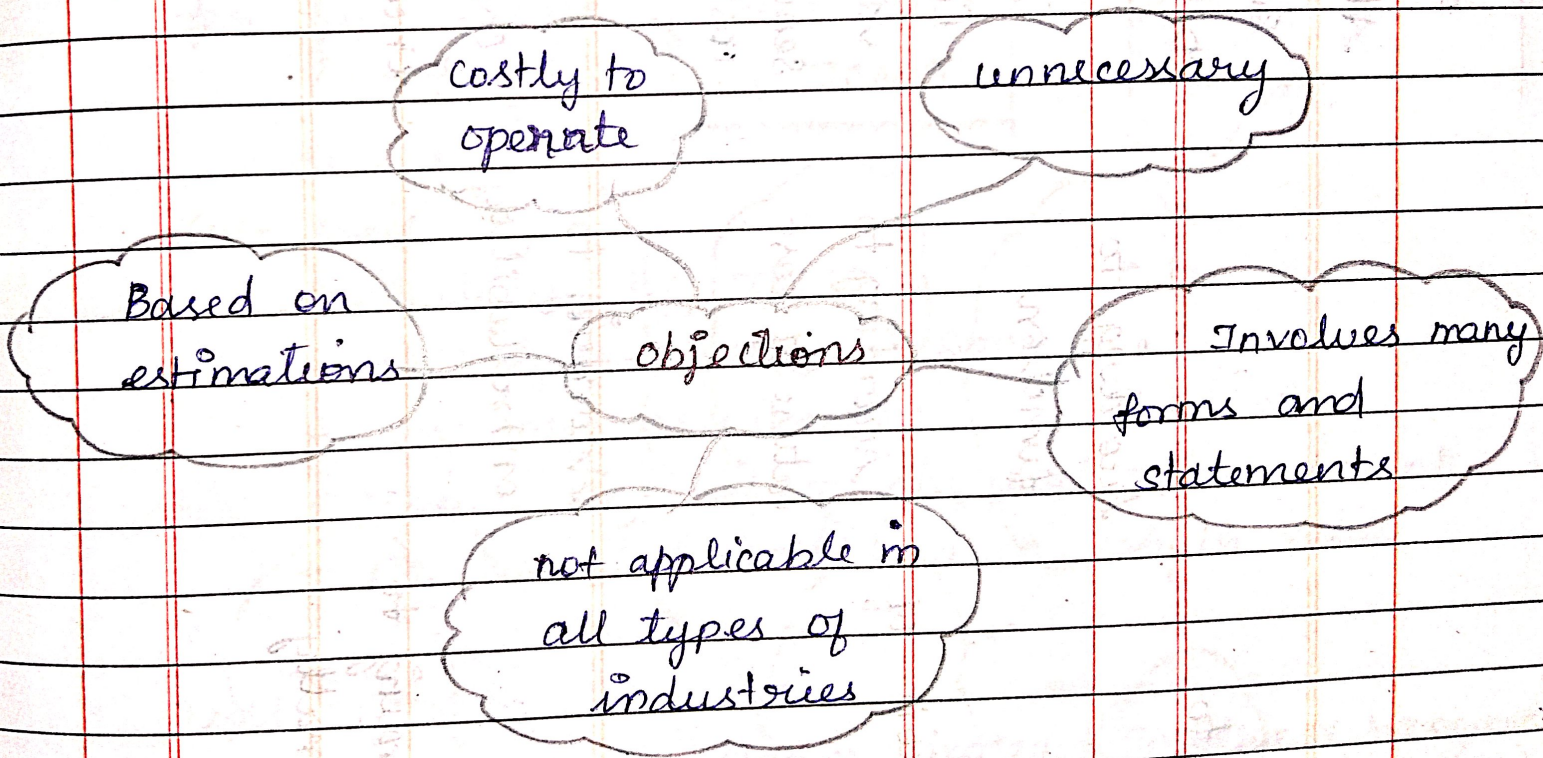
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form part of
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for cost
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According to relevance to decision making and control

Shutdown cost
Sunk cost
Opportunity cost
Imputed cost
Out of pocket cost
Replacement cost
Conversion cost
Product cost
Period cost

According to elements

classification of costs.

According to functions

According to nature of cost

According to controllability

According to normally

Production cost
Administration cost
Selling cost
Distribution cost

Fixed cost
Variable cost
Semi fixed or semi variable cost

Controllable cost
Uncontrollable cost

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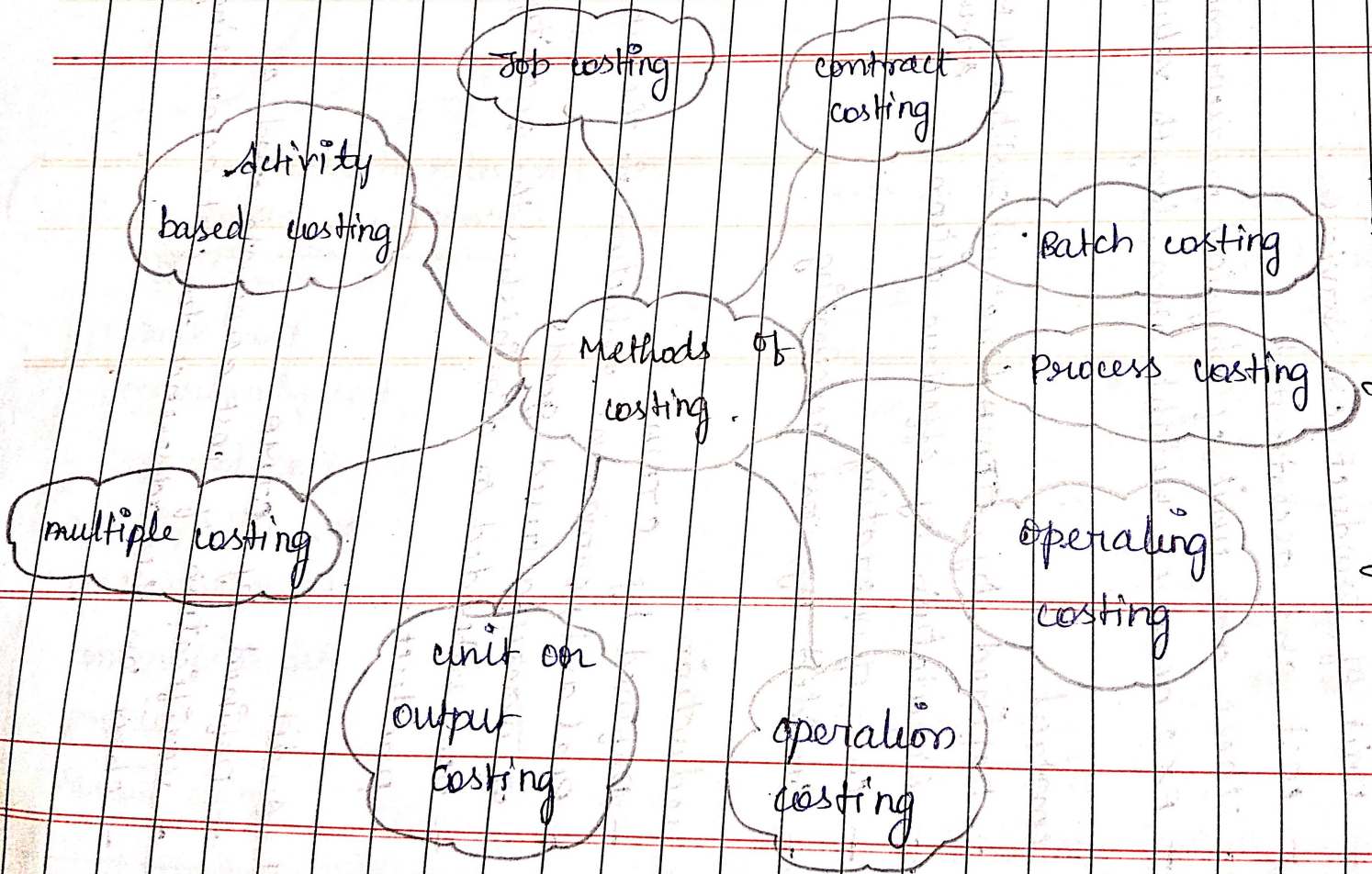
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Methods of Costing



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Cost sheet Specimen (advanced)

Particular	Rs	Rs	Cost per unit Rs
Direct material			
opening stock	xxx		
(+) material purchased	xxx		
(+) Carriage inward	xxx		
(-) closing stock	xxx	xxx	xxx
Direct labour (productive wages)		xxx	xxx
Direct expenses		xxx	xxx
Prime Cost		xxx	xxx
Add: Factory work overheads			
Indirect material	xxx		
Indirect wages (labour)	xxx		
Factory rent & rates	xxx		
Power and fuel	xxx		
Factory lighting & heating	xxx		
Repairs & maintenance	xxx		
(5.) Drawing office expenses	xxx		
Depreciation of factory furniture	xxx		
Factory insurance	xxx		
Factory stationery	xxx		
Factory/work manager salary	xxx		
water consumption	xxx		
unseamable stores	xxx		
Storekeeper wages	xxx		
Foremen salary	xxx		

DATE	FOLIO NO	PARTICULARS	Rs.	Ps.	Rs.
		Factory cleaning	xxx		
		cost of research & equipment	xxx		
		other factory expenses	xxx		
			xxx		
		(-) sale of scrap	xxx		
			xxx		
		(+) Opening stock of work in progress	xxx		
			xxx		
		(-) closing stock of WIP	xxx	xxx	xxx
		Factory cost / manufacture cost / work cost		xxx	xxx
		Add: Office & Administration overheads			
		Office rent and rates	xxx		
		Office lighting	xxx		
		Office repairs & depreciation	xxx		
		Legal charges	xxx		
		Office stationery	xxx		
		Office salary	xxx		
		Bank commission	xxx		
		Telephone & postage	xxx		
		Office cleaning	xxx		
		Management expenses	xxx		
		Office insurance	xxx		
		Audit fees	xxx		
		Other office expenses	xxx		
			xxx		
		(+) Opening finished goods	xxx		
			xxx		
		(-) closing finished goods	xxx	xxx	xxx
		cost of production		xxx	xxx

Add: selling & distribution overheads

salesman salary

xxx

salesman commission

xxx

Showroom rent

xxx

Showroom expenses

xxx

Advertisement

xxx

sales office rent

xxx

warehouse rent & rates

xxx

warehouse staff salary

xxx

carriage outward

xxx

travelling expenses

xxx

Depreciation of delivery van

xxx

debt collection charges

xxx

other selling expenses

xxx

xxx

xxx

cost of sales

xxx

xxx

profit / loss

xxx

xxx

sales

xxx

xxx

Short answer questions

1. calculate the raw material consumed

Raw material purchased 80000

sale of material scrap 1000

opening stock of raw material 12000

closing stock of raw material 21000

Short answer questions (2x5 marks)

DATE	FOLIO NO.	PARTICULARS	Rs.	Ps.	Rs.	Ps.
Ex:1		calculation of Raw material consumed				
		Particular	Rs		Rs	
		opening stock of raw material	12000			
		(+) Raw material purchased	80000			
		material scrap	92000			
		(-) from				
		material consumed	21000			
			71000			
		(-) sale of material scrap	1000			
		Raw material consumed			70000	
		indirect material scrap (-) from factory B.H				

2. Ascertain the value of Raw material purchased

Material consumed	500000
opening stock of materials	50000
closing stock of materials	25000

EX: 2.

Calculate the value of raw material purchased

Particular	Rs	Rs
Material consumed	500000	
(-) opening stock of materials	50000	
	450000	
(+) closing stock of materials	25000	
Raw material purchased		475000

3. The followings are from the books of Granesh Ltd.
calculate direct material consumed.

Material purchased	448000
Import duty on material purchased	38000
Stock of material on 1.1.2010	162000
Carriage on the material purchased	40000
Stock of material on 31.3.2010	146000
Realisation from material scrap	14000

EX: 3.

Calculate the direct material consumed

Particulars	Rs	Rs.
Materials purchased	448000	
(+) opening stock (Jan 1)	162000	
(+) carriage on purchase	40000	
(+) Import duty on purchase	38000	
	<u>688000</u>	
(-) Realisation from material scrap	14000	
(-) closing stock	<u>146000</u>	
Direct material consumed	528000	

4. Calculate the cost of direct materials consumed:

Direct material purchased	80000
Cost of material sold (due to unsuitability)	1000
materials returned to suppliers (defective materials)	2000
Sale of direct material scrap	1000
closing stock of materials	10000
opening stock of materials	8000
Octroi and customs duties on material purchased	6000
carriage inwards	2000

Ex: 4

calculate direct material consumed :

Particular	Rs	Rs
Direct material purchased	80000	
(+) opening stock of materials	8000	
(+) carriage inwards	2000	
(+) octroi & custom duties	6000	
	96000	
(-) cost of material sold	1000	
(-) direct material scrap	1000	
(-) closing stock of materials	10000	
(-) materials returned to suppliers	2000	
Direct material consumed		82000

5. Compute the prime cost

Direct materials used 82000

Productive wages 17000

Royalty paid 11000

Hire charge of special machines for the job 13000

Ex: 5

compute the prime cost

Direct materials

82000

Direct wages:

Productive wages

17000

Direct expenses:

Royalty paid

11000

Hire charge of special machines 13000

Prime cost.

123000

b. Calculate the prime cost

Factory expenses	10000
Selling expenses	5000
Direct material	20000
Office overhead	7000
Direct labour	15000
Direct expenses	3000

Ex: 6

calculate prime cost

Direct material

20000

Direct labour

15000

Direct expenses

3000

Prime cost

38000

7. Ascertain the prime cost

Direct wages	50000	
Chargeable expenses	5000	
opening stock of raw materials		10000
Raw materials bought		60000
closing stock of raw materials		20000
carriage inwards		1500
Carriage outwards		2000
Raw materials returned to suppliers		1500

EX: 7	calculation of prime cost			
	opening stock	10000		
	(+) purchase of raw material	60000		
	(+) carriage inward	1500		
		71500		
	(-) Raw material returned	1500		
	(-) closing stock	20000		
	material consumed	50000		
	direct wages	50000		
	chargeable expenses	5000		
	Prime cost		105000	

8. Calculate work cost

Factory expenses	700
office expenses	300
Selling expenses	900
material consumed	3400

Ex: 8

calculate works cost

material consumed

3400

(+) Factory expenses

700

works cost

4100

9. Find out the amount of production overhead:

Office stationery	5000
Factory lighting	10000
works manager salary	22000
Indirect material	9000
Audit fees	13000
Foreman's salary	13000

Ex: 9

calculate production overheads:

Indirect materials

9000

Factory lighting

10000

work manager's salary

22000

Foreman's salary

13000

Production overheads

54000

10. Find out the net works cost :

Gross works cost 25000

opening stock of work in progress 5000

closing stock of work in progress 7000

Ex:10	Find out net works cost :		
	Gross work cost	25000	
	(+) opening work in progress	<u>5000</u>	
		30000	
	- closing work in progress	<u>7000</u>	
	Net works cost		23000

11. Calculate works cost from the following:

Materials 60000

Labour 40000

Direct expenses 10000

Factory overheads 50000

work in progress:

opening stock 10000

closing stock 8000

Ex: 11

calculate the works cost:

Materials	60000
labour	40000
Direct expenses	10000

Prime cost

110000

(+) Factory overheads:

Factory overheads	50000
-------------------	-------

(+) opening work in progress

10000

60000

(-) closing work in progress

8000

total factory O.H

52000

works cost

162000

12. Compute the amount of office overhead :

Office salaries	10000
Stationery	5000
Audit fees	2000
Advertising	9000

Depreciation of office fittings 3000

EX:12

calculate overheads:

office salaries

10000

stationery

5000

Audit fees

2000

depreciation of office fittings

3000

office overheads

20000

13. Ascertain the cost of goods sold:

Net works cost 200000

Office overhead 40000

Selling overhead 30000

opening stock of finished goods 8000

closing stock of finished goods 10000

Ex: 13

Calculate cost of goods sold:

net works cost

200000

(+ office overheads

40000

(+ opening finished goods

8000

48000

(- closing finished goods

10000

38000

(+ selling overheads

30000

cost of goods sold.

268000

14. Compute the amount of selling and distribution overhead

Bad debts written off	10000
Provision for doubtful debts	12000
Advertising	81000
Selling expenses	12000
Salesman's salaries	23000
Office salaries	31000

Ex: 14	Calculate selling and distribution overheads		
	Selling expenses	12000	
	Salesman's salaries	23000	
	Advertising	8000	
	Bad debts	10000	
	Selling & distribution o.H		126000

15. Ascertain the profit for 2010:

Cost of sales 300000

Profit 20% on sales

Ex:15

calculate the profit

cost of sales

300000

Profit (20% on sales)

75000

$$300000 \times \frac{20}{80}$$

16. A product is sold for Rs. 500000 so as to show a profit of 33.33% on cost price. Find out the profit on sales in Rupees and in %.

EX: 16.

$$\text{Cost} = 500000$$

Profit 33.33% on cost

$$33.33\% = \frac{1}{4}$$

$$\text{Profit} = 500000 \times \frac{1}{4} = 125000$$

Percentage of profit on sales.

$$\% = \frac{125000 \times 100}{500000} = 25\%$$

17. Prepare cost sheet :

Direct material consumed 10000

Labour 5000

Direct expenses 5000

Factory overheads 10% of prime cost

Ex: 17

Prepare cost sheet:

Particulars	Rs	Rs
Direct material consumed	10000	
labour	5000	
Direct expenses	5000	
Prime cost		20000
(+) Factory O.H. 10% on prime cost (20000 x 10%)		2000
works cost		22000

18. Prepare a cost sheet :

Direct materials	50000
Direct wages	15000
Factory expenses	5000
Office expenses	1000
Selling expenses	500

Ex: 18.

Prepare cost sheet.

particular	Rs.	Rs.
Direct materials	50000	
Direct wages	15000	
Prime cost		65000
(+) Factory expenses		5000
works cost		70000
(+) Office expenses		1000
cost of production		71000
(+) Selling expenses		500
cost of sales		71500

19. Prepare cost sheet:

Direct materials	10000
Direct labour	4000
Direct expenses	500
Factory expenses	1500
Administrative expenses	1000
Selling expenses	300
Sales	20000

Ps.	DATE	FOLIO NO	PARTICULARS	Rs.	Ps.	Rs.	Ps.
Ex: 19			Particulars	Rs.		Rs.	
			Direct materials	10000			
			Direct labour	4500			
			Direct expenses	500			
			Prime cost			14500	
			(+) factory expenses			1500	
			works cost			16000	
			(+) Administrative expenses			1000	
			cost of production			17000	
			(+) selling expenses			300	
			cost of sales			17300	
			Profit (B.F.)			2700	
			sales			20000	

20. Calculate the cost of production:

Materials used 150000

Direct wages 120000

Percentage of factory overheads to direct wages 25%.

Percentage of administrative O.H to works cost 5%.

EX-20

Particulars	Rs	Pr.
Materials used	150000	
Direct wages	120000	
Prime cost		270000
(+) Factory overheads. (25% on direct wages) (120000 × 25%)		30000
works cost		300000
(+) Administrative overheads. (5% on works cost) (300000 × 5%)		15000
cost of production		315000

21. Prepare a cost sheet:

Raw material consumed	80000
wages	20000

works expenses 100% on wages

office overheads 25% on works cost

selling overheads 10% on works cost

Ex: 21

Particulars	Rs	Rs
Raw material consumed	80000	
wages	20000	
Prime cost		100000
(+) factory overheads: (100% on wages) ($20000 \times 100\%$)		20000
works cost-		120000
(+) Office expenses: (25% on works cost) ($120000 \times 25\%$)		30000
Cost of production		150000
(+) Selling expenses: (10% on works cost) ($120000 \times 10\%$)		12000
Cost of sales		162000

22. Ascertain the cost and selling price :
materials consumed 6000
wages paid 9000
works on cost 50% on wages
Office on cost 20% on works cost
Selling on cost 10% on works cost
profit 20% on cost

Ex: 22

Particular

Rs

Rs

Material consumed

6000

Wages paid

9000

Prime cost.

15000

(+ Factory O.H (50% on wages)

(9000 x 50%)

4500

works cost

19500

(+ Office O.H (20% on works cost)

(19500 x 20%)

3900

Cost of production

23400

(+ Selling O.H (10% on works cost)

(19500 x 10%)

1950

(Total cost) cost of sales

25350

Profit 20% on cost (25350 x 20%)

5070

Sales

30420

23. Prepare a cost sheet :

materials consumed	30000
wages	60000

works overhead - 40% of prime cost

office overhead - 20% of works cost

units produced and sold are 180 units at 1200

Ex: 23	Particular	Rs. Rs.		Rs.
		Rs	Ps.	
	Material consumed	30000		
	Wages	60000		
	Prime cost			90000
	(+) Factory O.H 40% on prime cost (90000 × 40%)			36000
	Works cost			126000
	(+) Office O.H 20% on works cost (126000 × 20%)			25200
	Cost of production/sales			151200
(+)				64800
	Sale (180 × 1200)			216000

24. The following are the estimated costs for producing 1000 units

Raw materials 10000

wages 8000

Direct expenses 2000

Machine hour needed 2000 hours

machine hour rate Rs. 2

Fixed overheads @ 10% of works cost

Calculate cost per unit

Ex: 24

Particulars	Rs	Rs
Raw material	10000	
Wages	8000	
Direct expenses	2000	
Prime cost		20000
(+) Factory o.H		
machine hour rate (2000 x 2)		4000
works cost		24000
(+) Office o.H		
Fixed overheads 10% on		
work cost (24000 x 10%)		2400
cost of production		26400
cost per unit = $\frac{\text{cost}}{\text{units}} = \frac{26400}{1000} = 26.4 \text{ Rs}$		

1. Show the treatment of the following items in cost statement -

Raw material consumed	80000
Direct wages	60000
Direct Expenses	23000
factory overhead	45000
opening work in progress	8000
closing work in progress	6000

EX: 1.

Particular	Rs	Rs.
Raw material consumed	80000	
Direct wages	60000	
Direct expenses	23000	
Prime cost		163000
(+) Factory overhead	15000	
(+) opening work in progress	8000	
	53000	
(-) closing work in progress	8000	47000
work cost		210000

2. In a factory 20000 units of product 'A' were manufactured in the month of July 2009. From the following figures obtained from the costing records prepare a cost sheet showing cost per unit:

opening stock of Raw material 5000

Purchases 55000

closing stock of raw material 10000

Direct wages 25000

Factory overheads 40000

office & administration O.H 20000

Ex: 2.

cost sheet as on July 2009.

Particular	Rs	Rs.
opening stock	5000	
(+) purchase	55000	
	60000	
(-) closing stock	10000	
	50000	
Direct wages	25000	
	Prime cost	75000
(+) Factory overheads		40000
	work cost	115000
(+) Office overheads		20000
	cost of production	135000

$$\text{cost per unit} = \frac{\text{cost of production}}{\text{number of units}}$$

$$= \frac{135000}{20000}$$

$$= 6.75 \text{ //}$$

3. the following cost data are available from the books for the year ended 31.12.95

Direct material	900000
Direct wages	750000
Profit	6,09000
Selling & distribution overheads	525000
Administrative overheads	420000
Factory overheads	450000

Preparing a cost sheet indicating the prime cost, work cost, production cost, cost of sales & sales value

Ex: 3.

cost sheet as on 31.12.95

Particulars	Rs	Rs.
Direct materials	900000	
Direct wages	750000	
Prime cost		1650000
(+) Factory overheads		450000
work cost		2100000
(+) office overheads		420000
cost of production		2520000
(+) Selling & distribution o.h	525000	525000
cost of sales		3045000
(+) profit		609000
sale value.		3654000

4. A manufacturing concern requires a statement showing the result of its production operations for September 2008. Cost records give the following information:

Purchase of Raw materials	88000
Direct wages	70000
Indirect wages	2500
Works expenses	37000
Administrative expenses	13000
Sale of factory scrap	2000
Selling and distribution expenses	15000
Sales	284000

Ex: 4.

cost sheet as on september 2008.

Particulars	Rs	Rs.
Purchase of Raw materials	88000	
Direct wages	70000	
Prime cost		158000
(+) Factory overheads:		
Indirect wages	2500	
Work expenses	37000	
(-) Scrap value	2000	37500
Works cost		195500

(+) office, administrative exp	12000
cost of production	208500
(+) selling & distribution OH	15000
cost of sales	223500
profit (Bal. Fig)	60500
sales	284000

(*) cost of sales < sales = profit
 cost of sales > sales = loss

5. The following information relates to Toy Green Manufacturing Company for the 3 months ending 31.3.2007.

Direct materials consumed	18000
---------------------------	-------

Direct labour paid	12000
--------------------	-------

Direct expenses	4000
-----------------	------

Factory overheads	6000
-------------------	------

Administrative overheads	4500
--------------------------	------

Selling & distribution overheads	2500
----------------------------------	------

Ex: 5. cost sheet- of Toy Gun company as on 31.3.2007		
Particulars	Rs	Rs.
Direct material consumed	18000	
Direct labour paid	12000	
Direct expenses	4000	
Prime cost		34000
(+) Factory O.H		6000
work cost		40000
(+) Office overheads		4500
cost of production		44500
(+) Selling & distribution O.H		2500
cost of sales		47000
profit (Bal-Fig)		6000
Sale value (1000 x 53)		53000

6. From the following information prepare a cost sheet for the month of January:

Stock of Rawmaterials 1st Jan 25000

Stock of Rawmaterials 31st Jan 26200

Purchase of Rawmaterial 21900

Carriage on purchases 1100

Sale of finished goods 72300

Direct wages 17200

Non productive wages 800

Direct expenses 1200

Factory overheads 8300

Administrative overheads 3200

Selling overheads 4200

Ex: 6. Cost sheet as on January			
Particulars	Rs		Rs
Purchase of raw material	21900		
(+) Carriage on purchase	1100		
(+) opening stock	<u>25000</u>		
	48000		
(-) closing stock	<u>26200</u>		
	21800		
(+) Direct wages	17200		
(+) Direct expenses	<u>1200</u>		
Prime cost			40200
(+) Factory overheads			
Factory b. l.	8300		
(indirect wages) — non productive wages	800		9100
work cost			49300
(+) Administrative overheads			3200
cost of production			52500
(+) selling overheads			4200
cost of sales			56700
Profit (Bal. fig)			15600
Sales			<u>72300</u>

7. A factory produces 100 units of a commodity.

Direct materials	10000
------------------	-------

Direct wages	5000
--------------	------

Direct expenses	1000
-----------------	------

Factory overheads	6500
-------------------	------

Administrative overheads	3480
--------------------------	------

If profit of 25% on sales is to be realised what would be the selling price of each unit of the commodity? Prepare the cost sheet

Ex: 7.

Particulars	Rs	Rs
Direct materials	10000	
Direct wages	5000	
Direct expenses	1000	
Prime cost		16000
(+) Factory overhead		6500
Work cost		22500
(+) Administrative cost		3480
Cost of production		25980
Profit 25% on Sales		8660
$25980 \times \frac{25}{75}$		
Sales		34640
selling price per unit = $\frac{\text{Sales}}{\text{units}}$		
	$= \frac{34640}{100}$	
	$= \text{Rs. } 346.40$	

8 Prepare a cost sheet showing prime cost, work cost, cost of production and cost of sales from the following

opening stock of raw materials 40000

closing stock of raw materials 20000

Purchase of raw materials 20000

wages 100000

Factory overhead 20000

Administrative overhead 32000

Selling overhead 26000

Calculate (a) the percentage of factory overhead to wages

(b) the percentage of administrative overhead to work cost

(c) percentage of selling overhead to work cost.

Ex: 8.

Particulars	Rs	Rs.
opening stock	1,00,000	
(+) purchase of raw materials	<u>2,00,000</u>	
	6,00,000	
(-) closing stock	<u>2,00,000</u>	
	4,00,000	
wages	<u>1,00,000</u>	
Prime cost		5,00,000
(+) Factory overhead		<u>20,000</u>
work cost		5,20,000

(+) Office overheads	32000
Cost of production	552000
(+) Selling & distribution O.H	26000
Cost of Sales	578000

(i) % of factory overhead to wages

Factory O.H = 20000 wages = 100000

$$\text{Percentage} = \frac{20000 \times 100}{100000} = 20\%$$

(ii) % of office overhead to work cost.

Office overhead = 32000 work cost = 520000

$$\text{Percentage} = \frac{32000 \times 100}{520000} = 6.15\%$$

(iii) % of selling overhead to work cost.

Selling overhead = 26000 work cost = 520000

$$\text{Percentage} = \frac{26000 \times 100}{520000} = 5\%$$

9 Prepare a statement of cost from the following particulars for the year 2006 showing the percentage that each individual item of cost bears to total cost

opening stock of Raw material	30000
-------------------------------	-------

Purchase of Raw material	40000
--------------------------	-------

closing stock of Raw material	20000
-------------------------------	-------

Direct wages	20000
Factory overheads	10000
Office and administration O.H	8000
Selling & distribution O.H	2000
Sales value	100000

Ex 19.

cost sheet as on 2006.

Particulars	Rs	Rs.
Opening stock	30000	
(+) Purchase of raw material	<u>40000</u>	
	70000	
(-) Closing stock	<u>20000</u>	
	50000	
Direct wages	<u>20000</u>	
Prime cost		70000
(+) Factory overheads		<u>10000</u>
work cost		80000

(+) Office overheads	8000
cost of production	88000
(+) Selling overheads	<u>2000</u>
cost of sales	90000
Profit (B.F)	10000
Sale	<u>100000</u>

10. A factory produces 100 units of a commodity. The cost production is:

Materials	10000
-----------	-------

wages	5000
-------	------

Direct expenses	1000
-----------------	------

factory overhead 125% on wages; Office overhead 20% on works cost. Expected profit 25% on sales. calculate the price to be fixed per unit

Ex: 10.

Particulars	Rs	Rs
Materials	10000	
wages	5000	
Direct expenses	1000	
Prime cost		16000
(+) Factory overheads		
125% on wages - $5000 \times 125\%$		6250
work cost		22250
(+) office overheads		
20% on w.c = $22250 \times 20\%$		4450
cost of production		26700
Profit $\rightarrow 25\%$ on sales.		
(-X) 25% sales = $\frac{1}{3}$ on cost		
$\frac{1}{3}$ on cost $\rightarrow 26700 \times \frac{1}{3}$		8900
Sales		35600

there is no
sales so we
can use cost
for find profit

Price fixed per unit:

$$\text{Price per unit} = \frac{\text{Sales}}{\text{no. of units}} = \frac{35600}{100} = 356 //$$

11. You are given the below Trading Ac of Rathidevi Ltd

To Stock:		By sales:	672000
Raw materials	61000	closing stock:	
Finished Products	19200	Raw material	22400
Purchases	192000	Finished product	56000
Wages	324000		78400
Carriage	16800		
Gross profit	137400		
	750400		750400

Find out the cost of material consumed, the total cost of manufacture and the percentage of gross profit on sales.

EX: 11

Cost Sheet of Rathi Devi Ltd.

Particular	Rs	Rs
Raw material	61000	
(+) Purchase	192000	
(+) Carriage	16800	
	269800	
(-) closing stock	22400	
material consumed	247400	247400
(+) Factory O.H (urges)		321000
manufacturing cost / w.c.		571400

% of gross profit on Sale.

$$\text{G.P.} = 137400 \quad \text{Sales} = 672000$$

$$\% \text{ of G.P. on sales} = \frac{137400 \times 100}{672000} = 20.44\%$$

12. you required to compile a statement showing cost and Profit from the information given, showing clearly,
(a) material consumed (b) prime cost (c) work cost

(d) cost of production	(e) cost of sales	(f) Profit	(g) Sales
Materials purchased	200000		
wages	100000		
Direct expenses	20000		
opening stock of materials	40000		
closing stock of materials	60000		

Factory overhead is absorbed at 20% wages. Administration overhead is 25% on the work cost. Selling and distribution overheads are 20% on the cost of production. Profit is 20% on sales.

DATE

FOLIO
NO.

PARTICULARS

Rs

Rs

Ex: 12.

particular

Material purchased

200000

(-) opening stock

40000

240000

(-) closing stock

60000

material consumed

180000

wages

100000

Direct expenses

20000

prime cost

300000

(+ Factory workoverheads

100000 × 20%

20000

work cost

320000

(+ office overheads

320000 × 25%

80000

cost of production

400000

(+ Selling overheads

400000 × 20%

80000

cost of sales

480000

Profit (20% on sales)

480000 × 20%

$$\frac{480000 \times 100}{80 (100 - 20)} = 600000$$

(sale)

20% Profit on sale = 600000 × 20%

120000

Sales

600000

(or)

Sale - 100 p-on-sale = 20

accurate sale = 80

$$p-on-sale = \frac{20}{80} = \frac{1}{4}$$

$$480000 \times \frac{1}{4} = 120000$$

13. Prepare a cost sheet showing the selling per unit

Raw materials 9100

Labour and other direct expenses 4000

Factory expenses 80% of the labour and other direct expenses

Office overheads 10% of work cost

Selling and distribution expenses Rs. 2 per unit

Units produced and sold - 10000

Percentage of profit - 20% on selling price

EX: 13.

Particulars	Rs	Rs.
Raw material	9100	
Labour & direct expenses	<u>4000</u>	
Prime Cost.		13100
(+) Factory O.H 80% on labour exp		
$4000 \times 80\%$		3200
work cost.		<u>16300</u>
(+) Office O.H 10% on W.C		
$16300 \times 10\%$		<u>1630</u>
cost of production		<u>17930</u>
(+) Selling & distribution O.H.		
(2 per unit sold)		
unit = $10000 \times 2 \text{ Rs} = 20000$		<u>20000</u>
cost of sales		<u>37930</u>
Profit 20% on sales.		
$(37930 \times \frac{20}{80})$		<u>9482.5</u>
Sales		<u>47412.5</u>

Selling price per unit

unit = 10000 sales = 47412.5

$$\text{Selling price per unit} = \frac{47412.5}{10000} = 4.741 \text{ Rs.}$$

14. Prepare a cost sheet and to ascertain cost and profit per unit with the help of the following data:

Units produced 1200 units

Selling price per unit Rs. 6

Sales revenue Rs. 7200

Cost of production:

materials Rs. 1320

wages Rs. 750

Manufacturing expenses 40 paise per rupee of labour cost. Administrative expenses 10% of work cost. It has been found from the records that the selling and distribution expenses amounted to $7\frac{1}{2}\%$ on sales.

Ex: 14. calculate cost per unit and profit per unit.

Particulars	Rs	Rs
Materials	1320	
wages (labour)	<u>750</u>	
Prime Cost		2070
(+) manufacturing exp (40 paise per rupee on labour cost)		
$750 \times \frac{40}{100}$ (40 paise = 0.40 rupee)		<u>300</u>
work cost		2370
(+) office expenses (10% on WC)		
$2370 \times 10\%$		<u>237</u>
cost of production		2607
(+) Selling exp 7.5% on sales		
(here sales are given so...)		
$7200 \times 7.5\%$		<u>540</u>
cost of sales		3147
(Sale - C.O. Sale) ← Profit (B. Fig)		<u>4053</u>
Sales		7200

$$\text{cost per unit} = \frac{\text{cost}}{\text{no. of units}} = \frac{3147}{1200} = 2.62$$

$$\text{Profit per unit} = \frac{\text{Profit}}{\text{no. of units}} = \frac{4053}{1200} = 3.37$$

15. In a factory a standard product is manufactured. From the data prepare a cost sheet showing total cost and profit made.

Raw material consumed 30000

Labour 60000

work overheads is charged at 40% of works cost and office overhead is taken at 20% of total cost. The standard product sold during the period is 180 units at Rs. 1200 each.

HINT: 40% of works cost is the same as $\frac{40}{60}$ on prime cost. Similarly 20% of total cost is the same as $\frac{20}{80}$ on works cost here.

Ex: 15.

Particulars	Rs	Rs
Raw material consumed	30000	
labour	60000	
Prime cost.		90000
(+) Work o.H charged at 40% on W.C.		
(Here work cost is not found. so that 40% is equal to $\frac{40}{60}$ on prime cost ^{as per hint})		
$90000 \times \frac{40}{60}$		60000
work cost		150000
(+) office overhead 20% of tot. cost.		
(It is equal to $\frac{20}{80}$ on W.C as per hint)		
$150000 \times \frac{20}{80}$		37500
Cost of production		187500
Profit (B.F)		28500
Sale (180 x 1200)		216000

$$\text{Cost per unit} = \frac{\text{Cost}}{\text{unit}} = \frac{187500}{180} = \text{Rs. } 1041.67$$

$$\text{Profit per unit} = \frac{\text{Profit}}{\text{unit}} = \frac{28500}{180} = \text{Rs. } 158.33$$

16. In a factory two types of articles are manufactured - No. 1 and No. 2, from the particulars, prepare a statement of cost showing total cost of each variety and ascertain the total profit.

	No. 1	No. 2.
materials	20000	50000
wages	40000	70000

works on cost is charged at 40% of works cost and office on cost is taken at 20% on total cost. No. 1 article is sold 180 units at Rs. 1200 each and No. 2 article is 200 units at Rs 1500 each.

Ex: 16

Particulars	Article No. 1	Article No. 2
Materials	20000	50000
wages	40000	70000
Prime cost.	60000	120000
(+) Work cost 40% on w.c. (60000 × 40/60) (120000 × 40/60)	40000	80000
work cost	100000	200000
(+) office exp 20% total cost. (100000 × 20/80) (200000 × 20/80)	25000	50000
Cost of production	125000	250000
Profit (B.F)	9000	50000
Sale (180 × 1200) (200 × 1500)	216000	300000

Cost per unit:-

$$\text{Article 1} = \frac{125000}{180} = 694.4 \text{ Rs.}$$

$$\text{Article 2} = \frac{250000}{200} = 1250 \text{ Rs.}$$

Profit per unit:-

$$\text{Article 1} = \frac{91000}{180} = 505.5.$$

$$\text{Article 2} = \frac{50000}{200} = 250.$$

17. In a factory two types of radios are manufactured viz. orient and usha models. From the following particulars prepare a statement showing cost and profit per radio sold. There is no opening or closing stock

	orient ₹	usha ₹
Materials	27300	108680
labour	15600	62920

works overhead is charged at 80% on labour and office overhead is taken at 15% on work cost. The selling price of both radios is Rs. 1000. 78 orient radios and 286 usha radios were sold.

EX: 17.	Particulars	Orient Radio	Usha radio.
	Materials	27300	108680
	labour	15600	62920
	Prime cost	42900	171600
	work overhead 80% on labour		
	(15600 × 80%) (62920 × 80%)	12480	50336
	work cost	55380	221936
	Office expenses 15% on w-c		
	(55380 × 15%) (221936 × 15%)	8307	33290
	cost of production	63687	255226
	Profit (BF)	14313	30774
	Sales (1000 × 78) (1000 × 286)	78000	286000

Cost per unit :

$$\text{orient radio} = \frac{63687}{78} = \text{Rs. } 816.5$$

$$\text{Usha radio} = \frac{255226}{286} = \text{Rs. } 892.3$$

Profit per unit :

$$\text{orient radio} = \frac{14313}{78} = \text{Rs. } 183.5$$

$$\text{Usha radio} = \frac{30774}{286} = \text{Rs. } 107.6$$

18. Calculate 1) Prime cost 2) Factory cost 3) cost of production 4) cost of sales and 5) Profit

Direct materials	100000
Direct wages	25000
Direct expenses	5000
wages of foremen	2500
Electric power	500

Lighting:

Factory	1500
office	500

Rent:

Factory	5000
office	2500

Salaries to salesman	1250
advertising	1250
Income tax	10000
Sales	189500

EX: 18

Particulars	Rs	Rs.
Direct materials	100000	
Direct wages	25000	
Direct expenses	<u>5000</u>	
Prime cost		130000
(+) Factory overheads		
wages for foremen	2500	
Electric power	500	
Factory lighting	1500	
Factory rent	<u>5000</u>	9500
work cost		139500
(+) office overheads		
office lighting	500	
office rent	<u>2500</u>	3000
cost of production		142500
(+) selling overheads		
Salesman salary	1250	
Advertising	<u>1250</u>	2500
cost of sales		145000
Profit (BF)		<u>44500</u>
sales		<u>189500</u>

19. Prepare the cost sheet

Cost of raw material	25000	Direct labour	20000
Advertising	1000	Bad debts	300
Depreciation on plant & machinery	1500	Office stationery	200
Factory office salaries	6000	Rent of factory	2500
Legal expenses	300	Office salaries	10000
Supervisor salary	5500	Commission on sales	4000
Factory rates and insurance	1000	Audit fees	300
Carriage outwards	1500	Income tax	1500
Purchase of new plant	10000	Donation to charitable institute	500

clarify the expenses under various heads and also show separately those expenses which shall not be included in calculating cost.

Ex: 19

Particulars	Rs	Rs
cost of raw material consumed	25000	
Direct labour	20000	
Prime cost		45000
(+) Factory overheads		
Depreciation on plant & mach	1500	
Factory office salaries	6000	
Supervision salary	5500	
Factory rates and insurance	1000	
Rent of factory	2500	
Total factory O.H		16500
Work cost		61500
(+) Office overheads		
Legal expenses	300	
Office stationery	200	
Office salaries	10000	
Audit fees	300	
Total office O.H		10800
Cost of production		72300
(+) Selling overheads		
Advertising	1000	
Carriage outwards	1500	
Bad debts	300	
Commission on sales	4000	
Total selling O.H		6800
Cost of sales		79100

Expenses shall not be included in the cost

Income tax

1500

Donation to charitable institute . 500

Purchase of new plant .

20. Prepare cost sheet :

Raw material consumed	-	70000
carriage inwards	-	2000
Factory rent	-	2400
Bad debts	-	440
Printing & stationery	-	620
Legal expenses	-	350
carriage outwards	-	1540
Indirect materials	-	560
Power	-	4600
Depreciation on plant & machinery	-	1240.

Depreciation of furniture	-	160
Postage expenses	-	465
Repairs of plant & machinery	-	1200
Sales man's expenses	-	3400
Advertising	-	500
Direct wages	-	85000
General manager salary	-	36000
Factory manager salary	-	18000
Audit fees	-	350

Ex: 20.

Particulars

Rs

Rs

Raw material consumed

70000

(+ carriage inward)

2000

72000

Direct wages

85000

Prime cost

157000

(+ Factory overheads

Factory rent

2400

Indirect materials

560

Power

4600

Factory - machines
plant

Depreciation of plant & mach

1240

Office - furniture

Repairs of plant & mach

1200

Factory manager salary

18000

Total factory o.h

28000

work cost

185000

(+ office overheads

Printing and stationery

620

Legal expenses

350

Depreciation of furniture

160

Postage expenses

465

General manager salary

36000

Audit fees

350

Total office o.h

37945

cost of production

222945

(+ selling overheads

Bad debts

440

Carriage outwards

1540

Salesman's expenses	3400		
Advertising	<u>500</u>		
Total selling O.H		<u>5880</u>	
Cost of sales		228825	

21) Find the prime cost, work cost, cost of production, cost of sales and profit:

Direct wages	150000	Direct materials	500000
Power	2500	oil and water	2500
Storekeeper's wages	5000	Transfer to general reserve	5000
Factory rent	25000	Foreman's salary	12500
Office rent	12500	Factory lighting	7500
<u>Repairs:</u>		Office lighting	2500
Factory plant	17500	<u>Depreciation</u>	
Office building	2500	Factory plant	2500
Goodwill	2500	Office building	6250
Consumable stores	12500	Manager salary	25000
Director fees	6250	Office stationery	2500
Telephone rent	625	Postage	1250
Salesman's salary	6250	Travelling expenses	2500
Advertising	6250	Warehouse rent	2500
Income tax	50000	Dividend paid	60000
Sales	947500		

Ex: 2)	Particulars	Rs	Rs
	Direct wages	150000	
	Direct materials	500000	
	Prime cost		650000
	(+) Factory overheads		
	Power	2500	
	Factory rent	25000	
	Repairs of factory plant	17500	
	consumable stores (x)	12500	
	oil and water	2500	
	Foremen's Salary (x)	12500	
	Factory lighting	7500	
	Factory plant depreciation	2500	
	Storekeeper's wages (x)	5000	
	Total factory O.H		87500
	work cost		737500
	(+) office overheads		
	Office rent	12500	
	office building repairs	2500	
	Director fees	6250	
	telephone rent	625	
	office lighting	2500	
	office building depreciation	6250	
	manager salary	25000	
	office stationery	2500	
	Postage	1250	
	Total office O.H		59375
	cost of production		796875

(4) Selling overheads			
Salesman salary	6250		
Travelling expenses	2500		
warehouse rent	2500		
Advertising	6250		
Total selling o.H			17500
Cost of Sales			814375
Profit (B.F)			133125
Sales			947500

22) Following data are extracted from the books of Pavan Kishore for the year 2007.

opening stock	25000	Depreciation office furniture	100
closing stock	40000	Salary office	2500
Purchase	85000	Salary salesman	2000
carriage inward	5000	other office expenses	900
wages direct	75000	other factory expenses	5700
wages indirect	10000	managing director remuneration	12000
other direct charges	15000	other selling expenses	1000
<u>Rent & Rates</u>		Travelling expenses	1100
Factory	5000	Carriage outward	1000
Office	500	Sales	250000
Indirect consumption of material	500	Advance income tax	15000
Depreciation plant	1500	Advertisement	2000

Managing director's remuneration is allocated 4000 to factory, 2000 to the office & 6000 to selling.
Find a) Prime cost b) work cost c) cost of production d) cost of sales e) net profit.

Ex: 22

cost sheet of Pavan Kishore as on 2007

Particulars	Rs	Rs
opening stock	25000	
(+) Purchase of raw material	85000	
(+) Carriage inward	5000	
	115000	
(-) closing stock	40000	
	75000	
direct wages	75000	
other direct charges	15000	
Prime cost		165000
(+) Factory overheads		
Indirect wages	10000	
Factory rent and rates	5000	
Indirect raw material	500	
Plant depreciation	1500	
other factory expenses	5700	
managing director remuneration	4000	
Total factory O.H		26700
work cost		191700

Managing director rem → 12000

- 4000 → factory
- 2000 → office
- 6000 → selling

	Rs.	Ps.	Rs.
(+) Office overheads			
office rent and rates	500		
Depreciation on office furniture	100		
office salary	2500		
other office expenses	900		
managing director remuneration	2000		
Total office O.H			6000
cost of production			191700
(+) selling overheads			
Salesman salary	2000		
managing director remuneration	6000		
other selling expenses	1000		
Travelling expenses	1100		
Carriage outwards	1000		
Advertisement	2000		
Total selling O.H			13100
cost of sales			210800
Profit (B.F)			39200
Sales			250000

23) Prepare a cost sheet.

Material used

manufacturing	80000
Primary packing	20000
Factory	2000
office	4000
Selling	5000
Secondary packing	6000

Depreciation

Factory	4000
office	3000
Distribution van	2000

Labour used

Production	25000
Factory supervision	5000
office salary	6000
Sales man's salary	8000

Expenses

Direct	2000
Factory	6000
office	4000
Selling	5000
Distribution	2000

It is customary to fix selling price by adding 20% to the total cost

EX: 23

Cost Sheet for the year 2010

Particulars	Rs	Rs
Materials in manufacturing	80000	
Materials in primary packing	20000	
Labour for production	25000	
Direct expenses	2000	
Prime cost		127000
(+) Factory overheads		
Factory materials	2000	
Depreciation of factory	4000	
Labour for factory supervision	5000	
Factory expenses	6000	

Total factory o.H		17000
work cost		144000
(+) office overheads		
office materials	4000	
office depreciation	3000	
office salary	6000	
office expenses	4000	
Total office o.H		17000
cost of production		161000
(+) selling overheads		
selling materials	5000	
secondary packing	6000	
Distribution van depreciation	2000	
Salesman salary	8000	
selling expenses	5000	
Distribution expenses	2000	
Total selling o.H		28000
cost of sales		189000
Profit (BF)		37800
Sales (Sales = 20% add in the total cost (per hint))		226800

$$189000 \times 20\% = 37800$$

$$189000 + 37800 = 226800$$

24) Find a) cost of material used (b) work cost (c) Total cost
(d) percentage of work expenses to productive wages.

opening stock	20000
opening finished goods	51000
Purchase	580000
Productive wages	390000
sale of finished goods	1210000

closing stock	25000
work overhead charges	86000
Office & general expenses	70000
closing finished goods	50000

Ex: 21,

cost sheet of AB Ltd

Particulars

Rs

Rs

opening stock

20000

(+) Purchase of raw material

580000

600000

(-) closing stock

25000

cost of material consumed

575000

Productive wages

390000

Prime cost

965000

(+) Factory overheads

work overhead charges	86000	
Total factory o.h		86000
work cost		1051000

(+) Office overheads

office and general expenses 70000

(+) opening finished goods 51000
121000

(-) closing finished goods 50000

Total office o.h 71000
cost of production 1122000

Percentage of work expenses to productive wages

work expenses = 86000 productive wages = 390000

$$\text{Percentage} = \frac{86000 \times 100}{390000} = 22.05\%$$

Q5) Find (a) cost of materials (b) Prime cost (c) work cost
 (d) cost of production (e) net profit (f) percentage of work overhead
 to productive wages (g) Percentage of general overhead to work cost

opening stock	20000	finished goods sold	1200000
purchase	550000	work overhead charges	75000
opening finished goods	25000	office and general expenses	50000
Productive wages	250000	closing stock	70000
		closing finished goods	30000

DATE	FOLIO NO.	PARTICULARS	Rs.	Ps.	Rs.
Ex: 25		Particulars	Rs		Rs
		opening stock	20000		
		(+) Purchase of raw materials	550000		
			570000		
		(-) closing stock	70000		
		cost of materials	500000		
		production wages	250000		
		prime cost			750000
		(+) Factory overheads			
		work overhead charges	75000		
		total factory O.H.			75000
		work cost			825000
		(+) office overheads			
		office and general expenses	50000		
		(+) opening finished goods	25000		
			75000		
		(-) closing finished goods	30000		
		total office O.H.			45000
		cost of production			870000
		(+) selling			330000
		profit (B.F).			
		sales			1200000
(i) Percentage of work overhead to productive wages					
$\frac{75000 \times 100}{250000} = 30\%$					
(ii) Percentage of general overheads to work cost					
$\frac{50000 \times 100}{825000} = 6.06\%$					

2b) Prepare cost sheet:

opening:

materials	200000
work in progress	60000
Finished goods	5000

closing

materials	180000
Direct wages	20000
Finished goods	15000

material purchased	500000
Direct wages	150000
manufacturing expenses	100000
sales	800000
Selling & distribution } expenses }	20000

DATE	FOLIO NO.	PARTICULARS	Rs.	Rs.
Ex: 26		Particulars	Rs.	Rs.
		opening stock	200000	
		(+) material purchased	500000	
			700000	
		(-) closing stock	180000	
		material consumed	520000	
		Direct wages	150000	
		Prime cost		670000
		(+) Factory overheads		
		manufacturing expenses	100000	
		(+) opening work in progress	60000	
			160000	
		(-) closing work in progress	50000	
		Total factory O.H		110000
		work cost		780000
		(+) office overheads		
		opening finished goods	5000	
		(-) closing finished goods	15000	
		Total office O.H		- 10000
		cost of production		770000
		(+) Selling overheads		
		selling & distribution expenses		20000
		cost of sales		790000
		Profit (BF)		10000
		Sales		800000

27) Prepare cost sheet

work in progress in beginning

At prime cost 51000

manufacturing exp 15000 66000

work in progress in the end

At prime cost 45000

manufacturing exp 9000 54000

opening stock 225000

Purchase 477000

Direct labour 171000

manufacturing exp 84000

closing stock 204000.

EX: 27.	Particulars	Rs.	Rs.
	opening stock.	225000	
	(+) Purchase of raw materials	477000	
		702000	
	(-) closing stock	204000	
	cost of materials	498000	
	Direct labour	171000	
	Prime cost		669000
	(+) Factory overheads		
	Manufacturing expenses		84000
	work cost		753000
	(+) office overheads		
	opening work in progress	66000	
	(-) closing work in progress	54000	12000
	cost of production		765000

28) Prepare cost sheet:

opening

Raw material	2500
work in progress	1200
Finished goods	1000

closing

Raw material	2000
work in progress	1100
Finished goods	1500

Purchase	4000
----------	------

Direct wages	1800
--------------	------

Factory expenses	1600
------------------	------

Office expenses	700
-----------------	-----

Selling & distribution exp	800
----------------------------	-----

Sales	12000
-------	-------

Sales of scrap	1000
----------------	------

Find a) Percentage of work on cost to wages

b) Percentage of administrative overheads to work cost

Ex: 28

Particulars

Rs

Rs

opening stock

2500

(+2) Purchase

4000

(-) closing stock

2000

4500

Direct wages

1800

Prime cost

6300

(+2) Factory overheads

Factory expenses

1600

(+2) opening work in progress

1200

(+2)

2800

(-) closing work in progress

1100

1700

(-) Scrap value

1000700

work cost

7000

(+) Office overheads

Office expenses

700

(+) opening finished goods

1000

1700

(-) closing finished goods

1500

200

cost of production

7200

(+) Selling overheads

Selling expenses

800

cost of sales

8000

Profit (B.F.)

4000

Sales

12000

29) Prepare cost sheet

opening

Raw material	30000
work in progress	12000
finished goods	60000

closing

Raw material	25000
work in progress	15000
finished goods	55000

Purchase	450000
wages paid	230000
Factory o.h	92000
Administrative o.h	30000
Selling & distribution o.h	20000
Sales	900000

Ex: 29

Cost sheet as on 31.12.2009

Particulars	Rs	Rs
opening stock	30000	
(+) Purchases	450000	
	480000	
(-) closing stock	25000	
	455000	
wages paid	230000	
Prime cost		685000
(+) Factory overheads		
Factory overheads	92000	
(+) opening work in progress	12000	
	104000	
(-) closing work in progress	15000	
Total factory O.H		89000
Cost of production		774000
(+) Office overheads		
Office overheads	30000	
(+) opening finished goods	60000	
	90000	
(-) closing finished goods	50000	
Total office O.H		35000
Cost of production		809000
(+) Selling overheads		
Selling & distribution O.H	20000	
Total selling distribution		20000
Cost of sales		829000
Profit		71000
Sales		900000

30) Prepare cost sheet:

Sales 275000

opening inventories

Finished goods 7000

work in progress 4000

Material inventory

opening 3000

closing 4000

closing inventories

work in progress 6000

Finished goods 8000

Purchase 110000

Direct labour 65000

Factory overhead was 60 %
of direct labour cost.

DATE	PARTICULARS	Rs.	Rs.
Ex: 30	Cost sheet as on 31.3.2003.		
	Particulars	Rs	Rs
	opening stock	3000	
	(+) Purchase	110000	
		113000	
	(-) closing stock	4000	
	cost of materials	109000	
	Direct labour	65000	
	Prime cost.		174000
	(+) Factory overheads		
	Factory O.H 60% on direct labour ($65000 \times 60\%$)	39000	
	(+) opening work in progress	4000	
		43000	
	(-) closing work in progress	6000	
	Total factory O.H		37000
	work cost.		211000
	(+) office overheads.		
	Office expenses 5% on sales ($275000 \times 5\%$)	13750	
	(+) opening finished goods	7000	
		20750	
	(-) closing finished goods	8000	
	Total office O.H		12750
	cost of production		223750
	(+) selling overheads		
	Selling exp 10% on sales ($275000 \times 10\%$)		27500
	Cost of sales		251250
	Profit		83750
	Sales		275000

31) prepare the cost sheet showing the cost of material used, prime cost, cost of goods sold and profit per unit.

Particulars	₹	Particulars	₹
To stock:		By sales (3000 units)	420000
Finished goods	40000	By stock:	
Raw materials	12000	Finished goods	35000
To purchases	120000	Raw materials	14000
To wages	200000		
To carriage	10000		
To gross profit	87000		
	469000		469000

Ex: 31

cost sheet as on 31-12-1994

Particulars

Rs ₹

₹

opening raw material

12000

(+ Purchase

120000

(+ Carriage

10000

142000

(-) closing raw materials

14000

material consumed

128000

(+ wages

200000

Prime cost

328000

(+ Selling & distribution o. H.

opening finished goods

40000

(-) closing finished goods

35000

5000

cost of sales

333000

Profit (B.F)

87000

Sales value

420000

$$\text{Profit per unit} = \frac{\text{Profit}}{\text{units}} = \frac{87000}{3000} = ₹.29 //$$

* Co. prod &
w.c is not
given //

32) Prepare a cost sheet for the month of December 2005.

Stock on hand (1st Dec 2005)

Raw materials 25000

Finished goods 17300

Stock on hand (31st Dec 2005)

Raw materials 26200

Finished goods 15700

Purchase of raw material 21900

carriage on purchase 1100

work in progress 1.12.2005 8200

work in progress 31.12.2005 9100

Sale of finished goods 72800

Direct wages 17200

non productive wages 800

Direct expenses 1200

Factory overheads 8300

Administration o.H 3200

Selling & distribution o.H 4200

Ex: 32

cost sheet as on december 2005.

Particulars	₹	₹
opening raw materials	25000	
(+) Purchase of raw materials	21900	
(+) Carriage on purchases	1100	
	48000	
(-) closing raw materials	26200	
material consumed	21800	
(+) Direct wages	17200	
(+) Direct expenses	1200	
Prime cost		40200
(+) Factory overheads:		
Factory overheads	8300	
non productive wages	800	
(+) opening work in progress	8200	
	17300	
(-) closing work in progress	9100	
Total factory O.H		8200
works cost		48400
(+) office & admin. overheads		
Administration overheads		3200
cost of production of goods produced		51600
(+) opening stock of finished goods		17300
		68900
(-) closing stock of finished goods		15700
cost of production of goods sold		53200
(+) Selling & distribution O.H		
selling & distribution O.H		4200
cost of sales		57400
Profit (B.F)		14900
Sales value		72300

33. The following extracts of costing information related to commodity 'A' for the half year ending 31.12.2002.

Purchase of raw material	120000	<u>Stock of (31.12.2002)</u>	
works overheads	48000	Raw materials	22240
Direct wages	600000	Finished products } (2000 tons)	32000
carriage on purchase	1440	work in progress } (1. Jul 2002)	4800
<u>Stock July (1st July 2002)</u>		work in progress } (31.12.2002)	1600
Raw materials	20000	Sales finished goods	300000
Finished products (1000 tons)	16000		

Selling and distribution overheads are Re. 1 per ton sold.
16000 tons of commodity were produced during the period.

Ascertain (a) cost of materials used (b) cost of output for the period (c) cost of sales (d) net profit for the period (e) net ~~per~~ profit per ton of the commodity

DATE

FOLIO NO

PARTICULARS

Ex: 23

cost sheet as on 31.12.2002

₹

₹

Particulars

Opening stock of raw materials 20000

(+) Purchase of raw material 120000

(+) Carriage on purchase 1440

141440

(-) closing stock of raw material 22240

Material consumed 119200

(+) Direct wages 100000

Prime cost.

219200

(+) Factory overheads

work overheads 48000

(+) Opening work in progress 4800

52800

(-) closing work in progress 16000

36800

works cost.

256000

(+) Office and administrative O.H.

opening finished goods 16000

(-) closing finished goods 32000

-16000

cost of production

240000

(+) Selling and distribution O.H.

(Selling and distributions are:

Rs. 1, per ton)

opening finished tons = 1000

(+) produced tons = 16000

17000

(-) closing finished tons 2000

Total tons 15000

Selling price Rs. 1 each ton $\Rightarrow 15000 \times 1 =$

15000

Cost Sales

255000

Profit

45000

Sales

300000

(Selling tons = op tons + produced tons - clo. tons)

 $= 1000 + 16000 - 2000 = 15000$ Selling exp Rs. 1 per ton $= 15000 \times 1 = 15000 \rightarrow$ selling & dist. exp.

net profit per ton

$$\frac{\text{Profit}}{\text{ton}} = \frac{45000}{15000} = \text{Rs. } 3 //$$

34) Prepare the cost sheet for month of March 2004.

		<u>1.3.2008</u>	<u>31.3.2008</u>
Raw material		100000	123500
Finished goods		71500	42000
work in progress		31000	34500
<u>other expenses</u>			
Purchase of raw material	88000		
Direct wages	70000		
Indirect factory wages	2500		
work expenses	37000		
Administration expenses	13000		
Sale of scrap	2000		
Selling & distribution expenses	15000		
Sales	284000		

DATE

FOLIO
NO

PARTICULARS

Ex: 34

cost sheet as on march 2004.

particulars	₹	₹
opening raw materials	100000	
(+) Purchase of raw material	88000	
	188000	
(-) closing raw material	123500	
material consumed	64500	
(+) direct wages	70000	
Prime cost.		134500
(+) Factory overheads.		
Indirect factory wages	2500	
work expenses	37000	
	39500	
(+) opening work in progress	31000	
	70500	
(-) Sale of Scrap value	2000	
(-) closing work in progress	34500	
Total factory O.H		34000
works cost		168500
(+) office & administration O.H.		
Administration expenses	13000	
(+) opening finished goods	71500	
	84500	
(-) closing finished goods	42000	
Total admin. O.H.		42500
Cost of production		211000
(+) Selling and distribution O.H.		
Selling & distribution expenses	15000	
Cost of sales		226000
Profit (B.F)		58000
Sales value		284000

35) Prepare a cost sheet for April 2004:

Raw material consumed	40000	Administrative o. H	5% on work cost
Direct wages	24000		
Machine hours worked	4000	Selling overheads	- Rs. 0.75 per unit
Machine hour rate	Rs. 2	units produced & sold	2000
		Selling price per unit	Rs. 40

cost sheet as on April 2004

Particulars	₹	₹
Raw material consumed	40000	
Direct wages	24000	
Prime cost		64000
(+) Factory overheads		
machines (4000 hr x 2)		8000
works of cost		72000
(+) Administrative overheads		
5% on work cost (72000 x 5%)		3600
Cost of production		75600
(+) Selling overheads		
(2000 x 0.75)		1500
Cost of sales		77100
Profit (B.F.)		2900
Sales value (2000 x 40)		80000

3) Prepare a cost sheet (closing stock valuation).

Labour Rs. 150000

Prime cost 350000

Factory expenses 98000

Office expenses 85000

10% of the output is in stock and the sales total upto 570000

(Ignore labour as it should be the part of prime cost)

Ex: 36

closing stock valuation

Prime cost	350000
(+) Factory expenses	<u>98000</u>
Works cost	448000
(+) office overheads	<u>85000</u>
Cost of production	533000
(-) closing stock (10% on output)	
$533000 \times 10\%$	<u>53300</u>
Cost of Sales	479700
Profit	30300
Sales	510000

37) Prepare a cost sheet :

material consumed	- 80000
Direct wages	- 48000
machine hours worked	- 8000
machine hour rate	- Rs. 4
office overhead	- 10% on works cost.
selling overhead	- Rs. 1.50 per unit.
units produced	- 4000
units sold	- 3600 @ Rs 50 each.

Prepare a cost sheet.

Particular	unit cost $\rightarrow$ units produced	₹
Raw materials	$(80000 \div 4000) \rightarrow 20$	80000
Direct wages	$(48000 \div 4000) \rightarrow 12$	48000
Prime cost	32	128000
(+) Factory overheads		
Machine hour rate		
(8000×4)	$(32000 \div 4000) \rightarrow 8$	32000
Works cost	40	160000
(+) Office overheads		
Office O.H $(160000 \times 10\%)$	$(16000 \div 4000) \rightarrow 4$	16000
Cost of production	44	176000
(-) closing sto. of finished goods		
(unit produced - unit sold) $\times$ unit cost		
$(4000 - 3600) \times 44$		17600
400×44		

		158400
(+) Selling o.H (3600 x 1.5)	<u>1.5</u>	<u>5400</u>
Cost of sales	45.5 (44 + 1.5)	163800
Profit	4.5 (50 - 45.5)	<u>16200</u>
Sales (3600 x 50)	50 ^{already} _{given}	<u>180000</u>

38) Prepare a cost sheet for march 2008.

Raw material consumed	- 20000
Direct wages	- 12000
Machine hour rate	- Rs. 2.
Machine hour worked	- 1000 hours
Office overheads	- 20% on works cost
Selling overheads	- Rs. 0.40 per unit
units produced	- 20000 units
units sold at Rs. 3 each	- 18000 units

Find a) prime cost b) works cost c) cost of production

d) cost of production of goods sold e) cost of sales f) profit

Ex: 38.

cost sheet as on March 2006.

Particulars	unit cost	Rs.
Raw material ($20000 \div 20000$)	1	20000
Direct wages ($12000 \div 20000 = 0.6$)	0.6	12000
Prime cost	1.6	32000
(+) Factory O.H.		
machine hour rate (1000×2) ($2000 \div 20000$)	0.1	2000
works cost	1.7	34000
(+) Office O.H.		
office exp ($34000 \times 20\%$) ($6800 \div 20000$)	0.34	6800
cost of production	2.04	40800
(-) cl. stock ($20000 - 18000$) $\times 2.04$	-	4080
cost of production of goods sold	2.04	36720
(+) Selling O.H.		
Selling O.H. (18000×0.40)	0.36	7200
cost of sales	2.4	43920
Profit	0.6	10080
Sales (18000×3)	3	54000

29) Prepare a cost sheet for September 2005.

Raw material used	40000
Direct wages	24000
Man hours worked	9500 hours
Man hour rate	Rs. 4
Office overheads	20% on works cost
Selling overheads	Rs. 1 per unit
Units produced	20000 units
Units sold	18000 @ Rs. 10 per unit

Ex: 39.

cost sheet as on

unit cost

Particulars

₹

₹

Raw materials $(40000 \div 20000)$

2

40000

Direct wages $(24000 \div 20000)$

1.2

24000

Prime cost

3.2

64000

(+) Factory O.H.

Machine Hour Rate

(9500×4) $(38000 \div 20000)$
= 38000

1.9

38000

5.1

102000

(+) Office O.H.

Office overheads 20% on WC.

$(102000 \times 20\% = 20400) (20400 \div 20000) 1.02$ 20400

cost of production 122400

(-) closing stock

6.12

$(20000 - 18000 = 2000 \times 6.12)$ 12240

cost of production of goods sold 6.12 110160

(+) Selling O.H.

Selling exp (18000×1)

0.9

18000

(Rs 1 per unit)

cost of sales

7.02

128160

2.98

51840

Sales (18000×10)

10

180000

40) Prepare a cost sheet of M. Gopal as on April 2007

Raw material consumed	15000
Direct labour	9000
Machine hours worked	900
Machine hour rate	Rs. 5
Administrative overheads	20% on works cost
Selling overheads	Rs. 0.50 per unit
units produced	17100
units sold	16000 @ Rs. 4 per unit

Find a) cost per unit b) profit per unit

DATE	FOLIO NO.	PARTICULARS	Rs.	Ps.	Rs.
Ex: 40		Cost sheet as on April 2007.			
		Particulars	unit cost		₹
		Raw material (15000 / 17100)	0.88		15000
		Direct labour (9000 / 17100)	0.52		9000
		Prime cost.	1.40		24000
		(+) Factory O.H.			
		Machine hour rate -			
		(900 × 5) (4500 / 17100)	0.26		4500
		works cost.	1.66		28500
		(+) Office O.H.			
		Office expenses 20% on WC.			
		(28500 × 20%) (5700 / 17100)	0.34		5700
		Cost of production	2.00		34200
		(→) closing stock (17100 - 16000 = 1100)			
		1100 × 2	-		2200
		Cost of production of goods sold	2		32000
		(+) Selling O.H.			
		Selling exp (16000 × 0.50) (8000 / 17100)	0.47		8000
		Cost of sales	2.47		40000
		Profit	1.53		24000
		Sales (16000 × 4)	4		64000
		a) Cost per unit			
		Cost = 40000			
		Sales unit 16000			
		= 2.5			
		b) Profit per unit			
		Profit = 24000			
		Sales unit 16000			
		= 1.5			

40) Prepare a statement showing a) prime cost b) works cost
c) cost of production d) cost of sales.

opening stock of finished goods	9750
closing stock of finished goods	11100
Raw material purchased	35250
Carriage on material purchased	850
Direct wages	18450
Factory expenses	2750
Selling expenses	2450
Office on cost	1850
Sales	75000
Sale of scrap	250

Also show by what percentage the average selling price in the above case should be increased in order to double the net profit.

Cost Sheet

Ex: 41

Particulars	₹	₹
Raw material	35250	
(+) Carriage on purchase	850	
(+) Direct wages	18450	
Prime cost.		54550
(+) Factory overheads.		
Factory expenses	2750	
(-) Sale of scrap	250	
Total factory o.H.		2500
works cost.		57050
(+) Office overheads.		
office on cost	1850	
(+) opening finished goods	9750	
	11600	
(-) closing finished goods	11100	
Total office o.H.		500
cost of production		57550
(+) Selling overheads.		
Selling expenses		2450
cost of sales		60000
Profit.		15000
Sales value		75000

∴ Percentage for doubles the profit
 current profit = 15000 doubled profit = 30000.
 current sales = 75000.

$$\% = \frac{15000}{75000} \times 100 = 20\%$$

Required sales for doubles the profit

$$\text{Sales} = \text{cost of sales} + \text{profit}$$

$$\text{current sales} = 60000 + 15000 = 75000$$

Required sales after doubles 2
the profit $\downarrow =$

$$60000 + 30000 = 90000$$

(doubled)

42) Prepare a cost sheet:

	<u>Opening</u>	<u>Closing</u>
Stock of raw materials	75000	78750
work in progress	24600	27300
Stock of finished	52080	47250
Purchase for the year	65700	
Sales	216930	
Direct wages	51450	
works expenses	25020	
Office expenses	20610	
Selling and distribution expenses	12630	
Scraps sold	990.	

Ex: 42

cost sheet

Particulars	₹	₹
opening raw material	75000	
(+) purchase of raw material	65700	
	140700	
(-) closing raw material	78750	
material consumed	61950	
(+) Direct wages	51450	
Prime cost.		113400
(+) Factory overheads:		
work expenses	25020	
(+) opening work in progress	24600	
	149620	
(-) closing work in progress	27300	
	22320	
(-) Sale of scrap	990	21330
works cost.		134730
(+) Office overheads:		
office expenses	20610	
(+) opening finished goods	52080	
	72690	
(-) closing finished goods	47250	25440
Cost of production		160170

(1) Selling overheads:

Selling expenses

12630

12630

Cost of Sales

172800

Profit

44130

Sales value

216930

43) Prepare the cost sheet for 31st December :

Stock of finished goods (Jan 1)	→	6000
Stock of raw material (Jan 1)	→	40000
work in progress (Jan 1)	→	15000
Purchase of raw materials	→	475000
Carriage inwards	→	12500
Factory rent & rates	→	7250
Other production expenses	→	43000
Stock of finished goods (Dec 31)	→	15000
wages	→	175000
work manager salary	→	30000
Factory employee's salary	→	60000
Power expenses	→	9500
General expenses	→	32500
Sales for the year	→	860000
Sales of raw material (Dec 31)	→	50000
work in progress	→	10000 .

Ex: 43

cost sheet as on 31. December

opening raw material	40000	
(+) purchase of raw material	475000	
(+) Carriage inwards	12500	
(+)	527500	
(-) closing raw material	50000	
Material consumed	477500	
(+) wages	175000	
Prime cost.		652500
(+) Factory overheads		
Factory rent rates	7250	
work manager salary	30000	
Factory employees salary	60000	
Power expenses	9500	
Other production expenses	43000	
(+) opening work in progress	15000	
	164750	
(-) closing work in progress	10000	Rs
total factory O.H		154750
works cost.		807250
(+) office overheads		
General expenses	32500	
(+) Opening finished goods	6000	
	38500	
(-) closing finished goods	15000	23500
cost of production		830750

DATE	FOLIO NO.	PARTICULARS	Rs.
		(4) Selling overheads	-
		Cost of Sales	830750
		Profit	29250
		Sales	860000

100000



100000.

44) A company produces two kinds of bikes 'A' and 'B'. The following details pertain to Oct 2010.

no. of bikes produced

Direct costs:

Material

labour

Power

Indirect costs:

Factory supervision

Packing expenses

General charges

Total cost

A	B	Total.
20	10	30
3000	2000	5000
6000	4000	10000
2000	1000	3000
-	-	3600
-	-	216
-	-	3000
-	-	24816.

you are required to prepare a statement of cost, taking the following details into consideration -

- a) Factory supervision to be charged in proportion to direct costs
- b) packing expenses to be apportioned in the ratio of the total
- c) General charges are to be divided in the ratio of number of bikes produced.

EX: 44

Statement of cost.

Particulars

₹ (A)

₹ (B)

Direct cost

Material

3000

2000

Labour

6000

4000

Power

2000

1000

Prime cost / Total cost

11000

7000

Indirect cost:

(11000 : 7000) Factory supervision (Ratio on prime cost)

$$3600 \times \frac{11}{7} = 2200 \quad (A)$$

2200

1400

$$3600 \times \frac{7}{7} = 1400 \quad (B)$$

3600

(11000 : 7000) Packing expenses (Ratio on tot. cost)

$$216 \times \frac{11}{7} = 132 \quad (A)$$

$$216 \times \frac{7}{7} = 84 \quad (B)$$

216

132

84

(20 : 10) General charges (Ratio on no. of bikes)

$$3000 \times \frac{2}{3} = 2000 \quad (A)$$

$$3000 \times \frac{1}{3} = 1000 \quad (B)$$

3000

2000

1000

Total cost

15332

9484