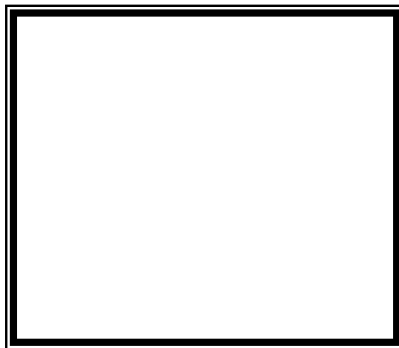


General Principal – Cost Sheet**What is the reason behind origin of Cost Accounting:-**

Cost Accounting has come in existence due to major limitations of Financial Accounting. Financial Accounting only provides information about overall business and not for a department or a unit. It only provides overall picture of a business and not the detail of cost incurred in producing an article or a component. Cost element always ignored in Financial Accounting. Financial Accounts only provides profit of a business but not provides the cost data.

Cost Accounting made from “Two Different Word”



And



In this subject, the concentration is on different element of Cost, different methods that determines cost of a product or service. Costing technique is mainly use in manufacturing unit

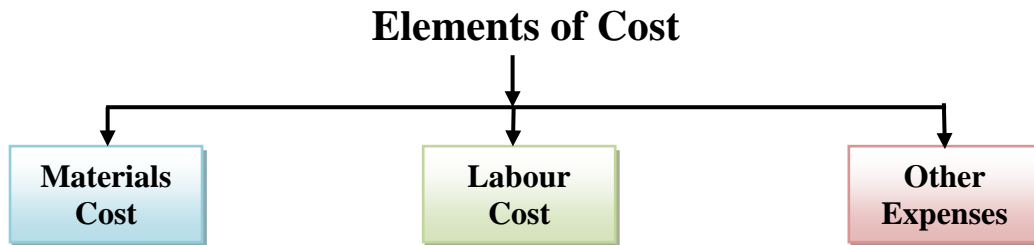
Introduction of Cost Accounting or why Cost Accounting is studied: -

In Cost Accounting, we have to learn

- What is the real cost of a Product and how the cost of a product is determined
- What will be the selling price of the Product
- How the cost of the product will be reduced or cost of the product will controlled
- What profit will earned by the organization from the sale of Product
- Which product will continue or the business is profitable. It means data which provide by Cost Accounting are helpful in Decision Making

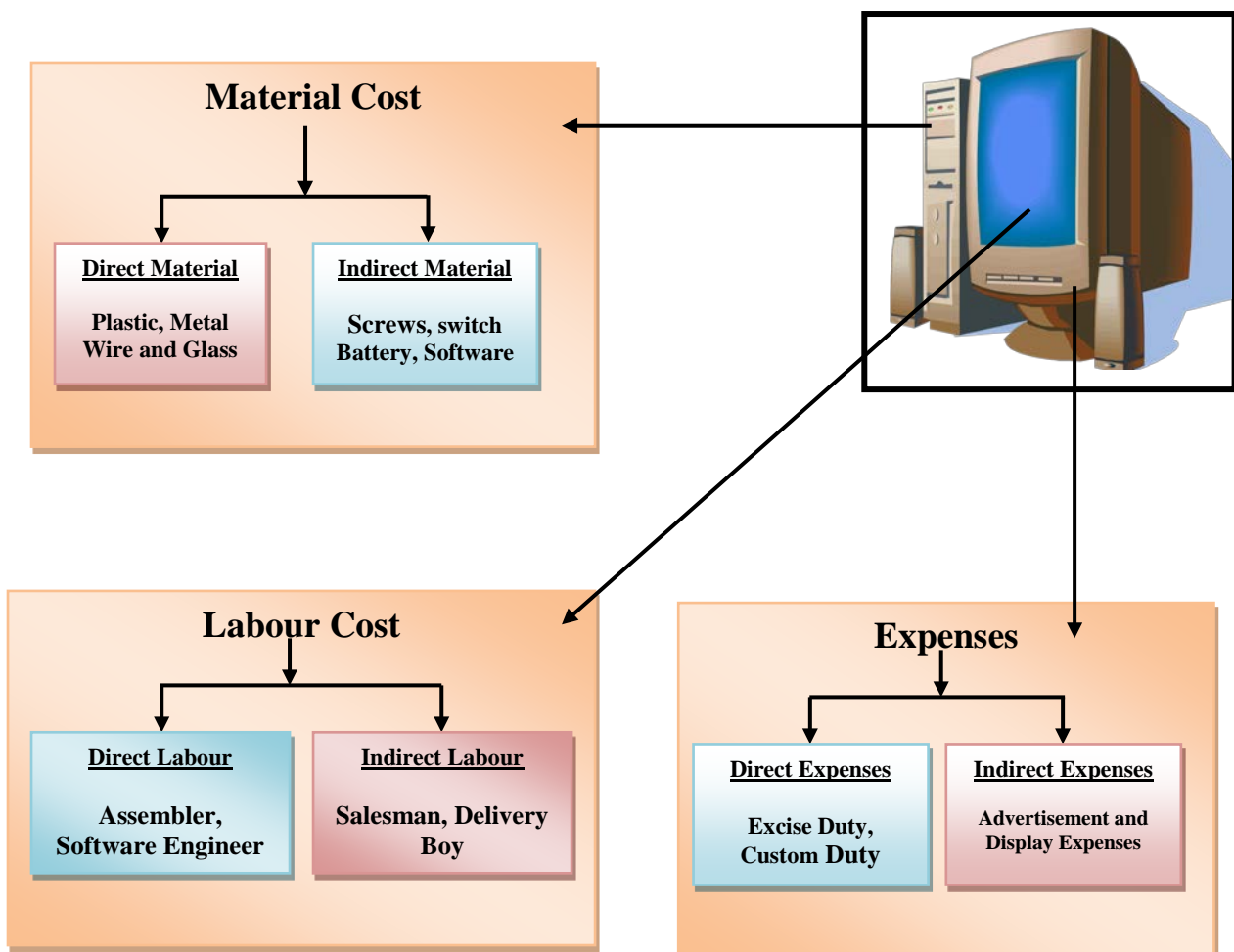
Total cost of a product is group under three main Categories in cost Accounting

- Materials Cost
- Labour Cost
- Expenses



In cost Accounting, it is possible to calculate what cost is incurred in manufacturing this computer

Three type of cost is involve in making this Computer



Meaning of “Element of Cost”:-

There are three broad elements of Cost – Materials Cost, Labour Cost and Expenses. Each of these three costs may be direct and indirect.

Materials:-

Substance by which the product is made are called materials. Materials may be Direct or Indirect

Direct Materials : - Materials by which a product is identified is called Direct Materials or Materials by which product is known in the market is called Direct Materials . For example, Cloth in Dress making; Plastic in Plastic Chair; Iron in Iron Chair

Indirect Materials: - Materials, which are also present in the product but not easily identified in the product is called indirect materials. It is use in very little quantity in the product. For example, Consumable Stores, Oil, Lubricant and Cotton waste and other factory Supplies, Materials of little value used in Production such as Screws, Nuts, Bolts, Enamel, Paints and Nails, Small tools, Printing and Stationery etc.

Labour:-

Workers which are engage in organization are called Labour or employees who do “Physical Work” are called Labour. Labour may be Direct or Indirect

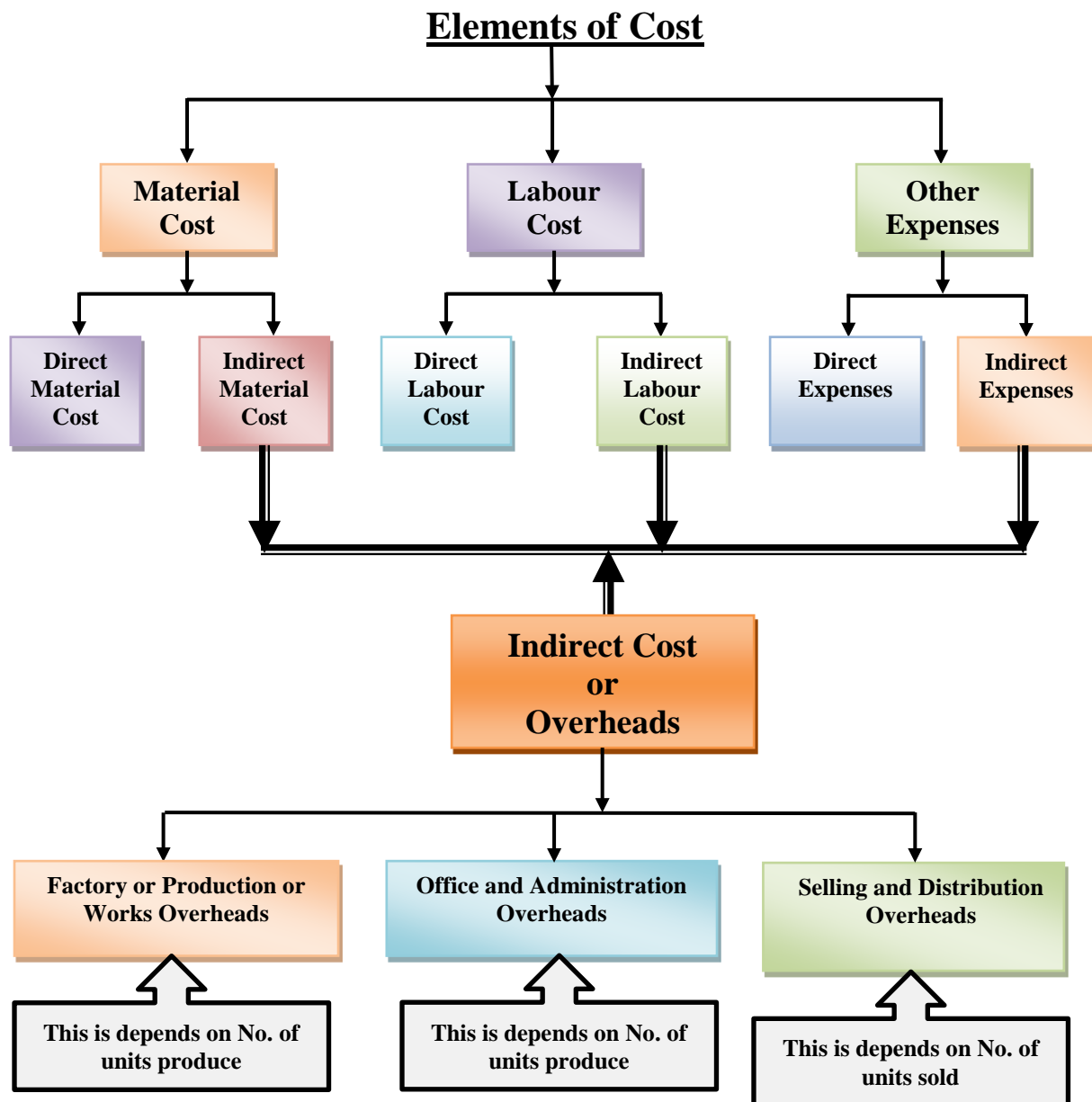
Direct Labour: - Labour Force which are directly engage in converting Raw Materials in to Finished goods or directly involve in producing goods are called Direct Labour Example of Direct Laborer are *Machine Operator, Carpenter, Weaver, Shoemaker, Baker, etc.* These wages can be conveniently identified with a Particular Product, Job or Process

Indirect Labour: - Labour Force which are not directly engage in producing goods are called Indirect Labour and wages paid to these workers are called Indirect Labour Cost. Examples of Indirect Laborer are *Supervisor, Inspector, Clerk, Cleaner, Storekeeper, Foremen, Maintenance worker, Directors, Manager, Salesman, Peon, etc.*

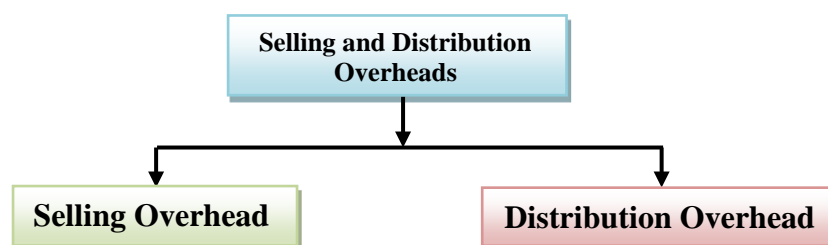
Expenses: - All Expenses incurred in producing goods other than Materials and Labour is calling Expenses. Expenses may be direct or indirect

Direct Expenses: - Expenses which are directly charged to the product is called Direct Expenses or expenses which can be identified on the product are called Direct Expenses. For Example: Excise Duty, Royalty, Surveyor’s Fees, Expenses – Direct- Factory, Hire Charges of some Special Machinery required for a particular Contract, Cost of Defective Work incurred in connection with a particular job or contract

Indirect Expenses: - Expenses, which are not charge on a particular product, is called Indirect Expenses. These are Common Expenses



Certain times Selling and Distribution Costs may be group separately



Cost Sheet:-

Cost Sheet is a periodical document, which is prepared weekly, fortnightly, monthly or quarterly. It is define as “a statement which provides for the assembly of the estimated detail cost of a cost centre or a cost unit”. Cost Sheet are prepared for the use of management

- (i) To compare the cost of two periods and
- (ii) To fix the selling price of the product

The total cost is analyzed in to Prime Cost, Factory Cost, Office Cost or Cost of Production

Format of “Cost Sheet”

Particulars	Rs.	Rs.
Direct Raw Materials		XXXX
Direct Labour		XXXX
Direct Expenses		XXXX
Prime Cost or Basic Cost		XXXXX
<u>Add:</u> Factory or Production or Manufacturing or Works Overheads		XXXX
Factory Cost or Works Cost or Manufacturing Cost		XXXXX
<u>Add:</u> Office and Administration Overhead		XXXXX
Total Cost of Production or Office Cost		XXXXX
<u>Add:</u> Selling and Distribution Overhead		XXXX
Cost of Sales or Total Cost		XXXXX
<u>Add:</u> Profit or Profit Margin		XXXX
Sales Revenue or Total Sales		XXXXX

Example 1:-

Prepare Cost Sheet from the following data provided by Aruna Industries Ltd. for the following year ended 31st March 2014;

Particulars	Rs.
Raw Materials	15,000
Direct Labour	9,000
Direct Expenses	2,000
Factory Expenses	11,000
Office Expenses	5,000
Selling Expenses	3,000
Sales	50,000

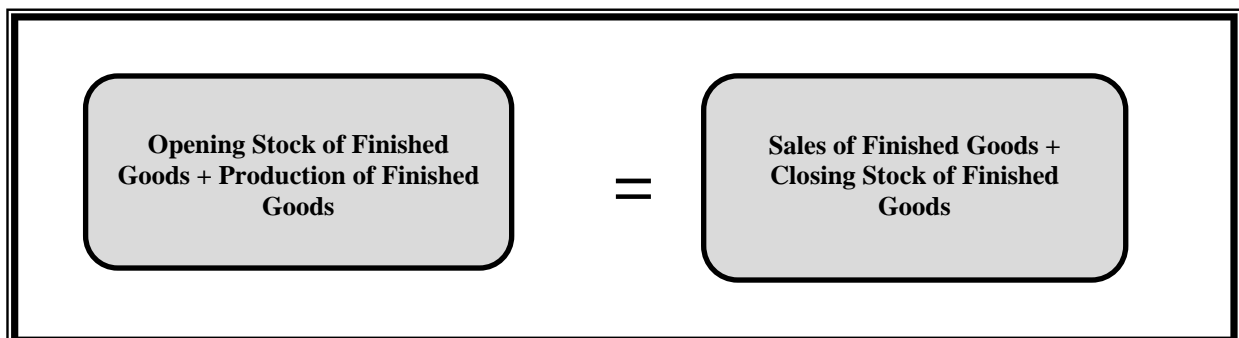
Cost Sheet

Particulars	Rs.
Raw Materials	15,000
Direct Labour	9,000
Direct Expenses	2,000
Prime Cost	26,000
Add: Factory Overhead	11,000
Factory Cost / Work Cost	37,000
Add: Office & Administration Overhead	5,000
Cost of Production	42,000
Add: Selling & Distribution Overhead	3,000
Total Cost / Cost of Sales	45,000
Add: Profit	5,000
Total Sales	50,000

Format of “Detailed Cost Sheet”

(When opening Stock and Closing Stock of Raw Materials, Semi Finished Goods / Work in progress and Finished Goods are given)

Particulars	Rs.	Rs.
Direct Raw Materials Consumed :-		
Opening Stock of Raw Materials	xxxx	
<u>Add:</u> Purchase of Raw Materials during the Period	xxxx	
Less: Closing Stock of Raw Materials	xxxx (xxxx)	xxxx
Direct Labour		xxxx
Direct Expenses		xxxx
Prime Cost or Basic Cost		xxxxxx
<u>Add:</u> Factory or Production or Manufacturing Overheads		xxxx
Gross Factory Cost or Gross Works Cost		xxxxxx
<u>Add:</u> Opening Semi Finished Goods or Work in Progress		xxxx
Processed Cost		xxxx
Less: Closing Semi Finished Goods or Work in Progress		xxxx
Factory Cost or Works Cost or Manufacturing Cost		xxxxxx
<u>Add:</u> Office and Administration Overhead		xxxxxx
Cost of Production or Office Cost		xxxxxx
<u>Add:</u> Opening Stock of Finished Goods		xxxx
Cost of Goods available for sale		xxxx
Less: Closing Stock of Finished Goods		xxxx
Cost of Goods Sold		xxxxxx
<u>Add:</u> Selling and Distribution Overhead		xxxx
Cost of Sales or Total Cost		xxxxxx
<u>Add:</u> Profit or Profit Margin		xxxx
Sales Revenue or Total Sales		xxxxxx



Example 2:-

From the followings information prepare Cost Sheet to find out the amount of profit

Particulars	Rs.
Raw Materials Purchased	28,800
Work Overheads	10,000
Stock :	
Raw Materials :	
1 st January 2014	4,000
31 st January 2014	4,800
Finished Goods (800 Quintals) as on 1 st January 2014	3,200
Work in progress :	
1 st January 2014	960
31 st January 2014	3,200
Direct Labour	20,000
Direct Expenses	2,000
Office and Administration Overheads	1,600
Sales (Finished Goods)	70,000

Advertising discount allowed and selling cost is Re. 0.40 per quintal. During the month 12,800 quintals of the commodity were produced

B.Com (P) 1998 Amended

Cost Sheet

Particulars	Rs.	Rs.
Direct Raw Materials Consumed		
Opening Stock of Raw Materials	4,000	
Add: Raw Materials purchased	28,800	
	32,800	
Less: Closing Stock of Raw Materials	4,800	28,000
Direct Labour		20,000
Direct Expenses		2,000
	Prime Cost	50,000
Add: Work overheads		10,000
	Gross Factory Cost	60,000
Add: Opening work in Progress		960
Less: Closing work in Progress		3,200
	Factory Cost	57,760
Add: Office and Administration Overheads		1,600
	Cost of Production	59,360
Add: Openings Stock of Finished Goods		3,200
	Cost of Goods sold	62,560
Add: Selling and Distribution Overheads:		
Advertising, Discount Allowed & Selling Cost (13,600 × 0.40)		5,440
	Total Cost	68,000
Add: Profit (Balancing Figure)		2,000
	Total Sales	70,000

Note: - Selling & Distribution expenses are incur on “No. of units sold”

Format of “Cost Sheet”

<p>Direct Materials</p> <ul style="list-style-type: none"> ➤ All Materials or components Specifically purchased, Produced or requisitioned from Stores ➤ Primary Packing Materials such as Carton, Wrapping, Cardboard, Boxes etc. ➤ Materials Used in Packing ➤ Purchased or Partly Produced Goods ➤ Freight on Materials or Carriage inward <p>Less:- Abnormal Loss of Raw Materials Purchase Returns Raw Materials Wastage</p> <p>(Direct Materials is also described as raw Materials, Process Materials, Prime Materials, Production Materials, Stores Materials, Construction Materials etc.)</p>	<p>XXXX</p> <p>XXXX</p> <p>XXXX</p> <p>XXXX</p> <p>XXXX</p> <p>(XXXX)</p> <p>(XXXX)</p> <p>(XXXX)</p>	<p>XXXX</p>
<p>Direct Labour</p> <ul style="list-style-type: none"> ➤ Wages paid to laborers ➤ Labour required to producing ➤ Manufacturing Wages ➤ Factory or Productive Wages ➤ Overtime Wages <p>(Direct Labour is also described as Process Labour, Productive Labour, Operating Labour, Manufacturing Labour, Direct Wages etc.)</p>	<p>XXXX</p> <p>XXXX</p> <p>XXXX</p> <p>XXXX</p> <p>XXXX</p>	<p>XXXX</p>
<p>Direct Expenses</p> <ul style="list-style-type: none"> ➤ Chargeable Expenses ➤ Excise Duty, Royalty, Surveyor’s Fees ➤ Expenses –Direct- Factory ➤ Hire Charges of some Special Machinery required for a particular Contract ➤ Cost of Defective Work incurred in connection with a particular job or contract 	<p>XXXX</p> <p>XXXX</p> <p>XXXX</p> <p>XXXX</p> <p>XXXX</p>	<p>XXXX</p>
Prime Cost or Basic Cost		XXXX
<p><u>Add:</u> Factory or Production or Manufacturing Overheads <u>Less:</u> Sale of Factory Wastage or Factory Scrap of Materials</p>	<p>XXXX</p> <p>(XXXX)</p>	XXXX
Factory Cost or Works Cost		XXXXX
<u>Add:</u> Office and Administration Overhead		XXXXX
Cost of Production		XXXXX
<u>Add:</u> Selling and Distribution Overhead		XXXX
Cost of Sales or Total Cost		XXXX
<u>Add:</u> Profit or Profit Margin		XXXX
Sales Revenue or Total Sales		XXXXX

<p>Factory or Production or Manufacturing Costs</p>	<p>Office and Administration Overheads</p>	<p>Selling and Distribution Overheads</p>
<p><u>Indirect Materials :-</u></p> <ul style="list-style-type: none"> ➤ Consumable Stores ➤ Oil, Lubricant and Cotton Waste and other factory Supplies ➤ Materials of little value used in Production such as Screws, Nuts, Bolts, Enamel, Paints and Nails, Small tools ➤ Cost of Moulds <p><u>Indirect Labour:-</u></p> <ul style="list-style-type: none"> ➤ Wages of Foreman ➤ Wages of Fire man ➤ Work Consultancy ➤ Indirect Wages ➤ Store-Keeper Wages ➤ Salary of Work Manager ➤ Unproductive Wages ➤ Wages of Indirect Worker ➤ Works Director's Salary ➤ Expenses of Training Staff <p><u>Indirect Expenses:-</u></p> <ul style="list-style-type: none"> ➤ Rent, Rates and Taxes for Factory Land and Buildings ➤ Insurance of Factory Building, Plant etc. ➤ Depreciation of Plant and Machinery, Loose Tools ➤ Factory Employees State Insurance ➤ Factory Employees Welfare Service ➤ Pay for Holiday and Sick Leave ➤ Contribution to Provident Fund of Factory Staff ➤ Works Stationery and telephone Expenses ➤ Repair and Maintenance of Factory ➤ Drawing Office Salaries ➤ Factory Lighting, Heating, Refrigeration and Air conditioning ➤ Designing Expenses ➤ Production Control, Progress department and inspection overhead ➤ Experimental Expenses ➤ Power or Electric Power or Motive Power, Power and Fuel ➤ Haulage ➤ Factory Cleaning ➤ Water Supply ➤ Estimating Expenses ➤ Insurance of Stock of Raw Materials 	<p><u>Indirect Materials :-</u></p> <ul style="list-style-type: none"> ➤ Office Printing and Stationery <p><u>Indirect Labour:-</u></p> <ul style="list-style-type: none"> ➤ Office Manager's Salary ➤ Company Secretary's Salary ➤ Fees of the Board ➤ Office Consultancy ➤ Salary of Office Staff ➤ Director's Fees ➤ Salary of Administrative Directors <p><u>Indirect Expenses:-</u></p> <ul style="list-style-type: none"> ➤ Rent, Rates and Taxes for Office Land and Buildings ➤ Insurance of Office Building ➤ Legal Charges ➤ Audit Fees ➤ Bank Charges ➤ General Expenses ➤ Office Expenses ➤ Financial Charges ➤ Telephone, Postage and Telegram ➤ Counting House Salaries ➤ Depreciation of Office Building ➤ Repair, Renewal and Maintenance of Office Building ➤ Office Lighting, Heating, Refrigeration and Air conditioning ➤ Certain type of Expenses on Subscription ➤ Counting office salary 	<p><u>Indirect Materials :-</u></p> <ul style="list-style-type: none"> ➤ Packing Materials ➤ Materials Used in selling the Product <p><u>Indirect Labour:-</u></p> <ul style="list-style-type: none"> ➤ Salaries of Sales men ➤ Salary of Godown Keepers ➤ Sales men's Commission ➤ Marketing Director's Salary ➤ Marketing Consultancy <p><u>Indirect Expenses:-</u></p> <ul style="list-style-type: none"> ➤ Advertisement and Display in Shop ➤ Price List, Catalogues etc. ➤ Carriage outward ➤ Entertainment of Marketing Division ➤ Sample, Free Gift etc ➤ Bad and Doubtful Debts ➤ Depreciation and Running Expenses of Delivery Van, Trucks etc ➤ Travelling Expenses of Marketing Staff ➤ Commission allowed to customers ➤ Legal Charges incurred for recovery of Debts ➤ Sales Designing Expenses ➤ Sales and Estimating office expenses ➤ Market Research Expenses ➤ Showroom Expenses ➤ Insurance of Godown ➤ Freight on Sales ➤ Rent of Warehouse ➤ Discount on sales ➤ Shortage in Stock s of Finished Goods ➤ Commission of Travelling Agents ➤ Sales Commission ➤ Lighting Sales Deptt. ➤ Printing and Stationery of Sales Deptt. ➤ Warehouse Charges ➤ Sales Promotion ➤ Distribution Deptt.'s Salary and Expenses ➤ Upkeep of Delivery Van ➤ Loading Charges ➤ Collection Charges ➤ Cost of Preparing Tenders ➤ Agent's Commission

Items Excluded From Cost Accounts

Appropriation of Profits	Items of Pure Finance	Abnormal Gain and Losses
<ul style="list-style-type: none"> ➤ Appropriation of Sinking Fund ➤ Dividends Paid ➤ Taxes on Incomes or Profits ➤ Transfer to General Reserve ➤ Amount Written off such as Goodwill, Preliminary Expenses, Underwriting Commission, etc. ➤ Capital Expenditure Specifically charged to Revenue 	<ul style="list-style-type: none"> ➤ Provision for Bad Debts ➤ Charitable Donations ➤ Interest Received on Bank Deposits ➤ Penalty Payable under Law ➤ Losses due to Scrapping of Machine ➤ Transfer Fees received ➤ Interest, Dividend etc. received on Investment ➤ Cash Discount ➤ Interest on Hire Purchase Instalment 	<ul style="list-style-type: none"> ➤ Loss on sale of Plant or any other Fixed Assets ➤ Profit on sale of Plant or any other Fixed Assets

Items Included in the Cost Accounts only

(Notional Expenses)

- ⇒ Charges in lieu of Rent Where Premises are owned
- ⇒ Interest on Capital employed in Production, but upon which no Interest is actually paid if the firm decided to treat Interest as part of Cost
- ⇒ Salary for the Proprietor where he works but does not charged as a salary

IMPORTANT POINTS:-

- Stock or Inventory consists three items
 1. Raw Materials
 2. Work in Progress or Semi-Finished Goods
 3. Finished Goods
- Cost of Production means cost incurred to Producing Finished Goods

$$\text{Cost of Production Per Unit} = \frac{\text{Cost of Production}}{\text{No.of Units Produced}} = \text{Rs. Per unit}$$

If Cost of Production is Rs.1,50,000 and Goods produced is 15,000 units then Cost of Production per unit is Rs. 10 or $\frac{1,50,000}{15,000}$

- Closing Stock of Finished Goods are Valued at current period of “Cost of Production per unit”
- Opening Stock of Finished Goods are valued at previous period of Cost of Production per unit (but certain time Cost of production per unit of previous period is not given then it is also calculated at current period of Cost of Production per unit).

Easy Rules of Relationship between Profits on Cost & Profits on Sale

<u>Profit on Cost</u> Numerator divided by Denominator minus Numerator Minus	<u>Profit on Sales</u> Numerator divided by Denominator Plus Numerator Plus
20 % on Cost or 1/5 on Cost	1/6 on Sales or $16\frac{2}{3}$ % on Sales
25 % on Cost or 1/4 on Cost	1/5 on Sales or 20 % on Sales
$33\frac{1}{3}$ % on Cost or 1/3 on Cost	1/4 on Sales or 25% on Sales
50 % on Cost or 1/2 on Cost	1/3 on Sales or $33\frac{1}{3}$ % on Sales
$66\frac{2}{3}$ % on Cost or 2/3 on Cost	2/5 on Sales or 40 % on Sales
100 % on Cost or 1/1 on Cost	1/2 on Sales or 50 % on Sales
200 % on Cost or 2/1 on Cost	2/3 on Sales or $66\frac{2}{3}$ % on Sales
300 % on Cost or 3/1 on Cost	3/4 on Sales or 75 % on Sales
400 % on Cost or 4/1 on Cost	4/5 on Sales or 80 % on Sales

Example 3:-

The cost of the sales product P is made up as follows:

Particulars	Rs.
Materials used in manufacturing	54,000
Materials used in primary packing	10,000
Materials used in selling the product	1,500
Materials used in the factory	750
Materials used in the office	1,250
Labour required in producing	10,000
Labour required for factory supervision	2,000
Direct expenses	5,000
Indirect expenses (factory)	1,000
Administration expenses	1,250
Depreciation on office building and equipment	750
Depreciation on factory building	1,750
Selling expenses	3,500
Freight on Materials purchased	6,000
Advertising	1,250

Assuming that all goods manufactured are sold, what should be the selling price to obtain a profit of 20% on selling price?

B.Com (P) 2012 External (9 Marks)

Cost Sheet of Product P

Particulars	Rs.	Rs.
Direct Materials		
Materials used in manufacturing	54,000	
Materials used in primary packing	10,000	
Freight on Materials purchased	6,000	70,000
Direct Labour		
Labour required in producing		10,000
Direct Expenses		5,000

	Prime Cost	85,000
Add: Factory Overheads		
Materials used in factory		750
Labour required for factory supervision		2,000
Indirect expenses (factory)		1,000
Depreciation on factory building		1,750
	Factory Cost	90,500
Add: Office and Administration Overheads		
Materials used in the office		1,250
Administration expenses		1,250
Depreciation on office building and Equipment		750
	Cost of Production	93,750
Add: Selling and Distribution overheads:		
Materials used in selling the product		1,500
Selling expenses		3,500
Advertising		1,250
	Cost of Sales	1,00,000
	Profit	25,000
	Selling Price	1,25,000

Profit = 20% on selling Price = 1/5th on selling price = 1/4th on cost
 = $\frac{1}{4} \times 1,00,000 = \text{Rs. } 25,000$

Computation of Raw Materials Purchased - (By Using Reserve Method)

When Prime Cost is Given

Prime Cost	xxx
Less: Direct Labour or Direct Wages	(xxx)
Less: Direct Expenses	(xxx)
Direct Materials Consumed	xxxx
Add: Closing Stock	xxx
Less: Opening Stock	(xxx)
Less: Expenses on Purchase such as Carriage (if any)	(xxx)
Raw Materials Purchased	xxxx

Example 4:-

Compute cost of raw Materials Purchased from the data given below:

	Rs.
Opening Stock of Raw Materials	10,000
Closing Stock of Raw Materials	15,000
Expenses of purchases	5,000
Direct Wages	50,000
Prime Cost	1,00,000

Solution:-

Computation of Raw Materials Purchased

	Rs.
Prime Cost	1,00,000
Less: Direct wages	<u>50,000</u>
Direct Materials consumed	50,000
Add: Closing Stock	<u>15,000</u>
	65,000
Less: Opening Stock	10,000
Expenses on purchases	<u>5,000</u> <u>15,000</u>
Materials Purchased	50,000

Example 5:-

Find out the cost of raw Materials purchased from the data given below:

	Rs.
Prime Cost	2,00,000
Closing Stock of raw materials	20,000
Direct labour cost	1,00,000
Expenses on purchases	10,000

Solution:-

Computation of Raw Materials Purchased

	Rs.
Prime Cost	2,00,000
Less: Direct labour	<u>1,00,000</u>
	1,00,000
Add: Closing Stock of Raw Materials	<u>20,000</u>
	1,20,000
Less: Expenses on Purchases	<u>10,000</u>
Cost of raw Materials Purchased	1,10,000

Computation of Raw Materials Purchased - (By Using Reserve Method)

When “Cost of Goods sold” is Given

Cost of Goods Sold	xxx
Add: Closing Stock of Finished Goods	xxx
Less: Opening Stock of Finished Goods	(xxx)
Cost of Production	xxxx
Less: office and Administration Overhead	(xxx)
Factory Cost	xxxx
Add: Closing Stock of Work in Progress	xxx
Less: Opening Stock of Work in Progress	(xxx)
Gross Factory Cost	xxxx
Less : Factory Overhead	(xxx)
Prime Cost	xxxx

Example 6:-

Compute manufacturing expenses from the data given below:

	Rs.
Opening Stock of raw Materials	5,000
Purchases	25,000
Expenses on Purchases	1,000
Direct wages	20,000
Direct Expenses	1,000
Closing Stock of Raw Materials	7,000
Manufacturing Cost	80,000

Solution:-

Computation of Manufacturing Overheads

Particulars	Rs.	Rs.	Rs.
Manufacturing Cost			80,000
Less:- Prime Cost			
Raw Materials Consumed			
Opening Stock	5,000		
Add: Purchases	25,000		
Expenses on purchases	1,000		
	<u>31,000</u>		
Less: Closing Stock	7,000	24,000	
Direct Wages		20,000	
Direct Expenses		1,000	45,000
Manufacturing Overheads			35,000

Assignments (25)

Type 1:- Simple Questions **15 Questions**

Type 2:- Complex Questions **10 Questions**

Type 1:- Simple Questions

15

Q.1

Prepare a **Cost Sheet** from the following:

Particulars	Rs.
Sales	8,00,000
Materials 1-1-2014	40,000
Materials 31-12-2014	32,000
Work-in-progress 1-1-2014	55,000
Work-in-progress 31-12-2014	72,000
Finished Goods 1-1-2014	64,000
Finished Goods 31-12-2014	1,51,300
Materials Purchased	1,52,000
Direct Labour	1,45,000
Manufacturing Overheads	1,08,000
Selling Expenses	50,000
General Office Expenses	40,000

B.Com (P) 2011(External) [9 Marks]

Cost Sheet

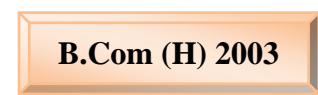
Particulars	Rs.	Rs.
Raw Materials Consumed :		
Opening Stock	40,000	
Add: Materials Purchased	1,52,000	
	1,92,000	
Less: Closing Stock	32,000	1,60,000
Direct Labour		1,45,000
	Prime Cost	3,05,000
Add: Manufacturing Overheads		1,08,000
	Gross Factory Cost	4,13,000
Add: Opening Work-in-Progress		55,000
		4,68,000
Less: Closing Work-in-Progress		72,000
	Factory Cost	3,96,000
Add: General Office Expenses		40,000
	Cost of Production	4,36,000
Add: Opening Stock of Finished Goods		64,000
		5,00,000
Less: Closing Stock of Finished Goods		1,51,300
	Cost of Goods Sold	3,48,700
Add: Selling Expenses		50,000
	Cost of Sales	3,98,700
Profit		4,01,300
	Sales	8,00,000

Q.2

The Vardhman Ltd. manufactures one product. The summary of its activities for the year 2014 is below.

	Unit	Rs.
Sales	80,000	8,00,000
Materials inventory 1-1-2014		40,000
Materials inventory 31-12-2014		32,000
W.I.P. 1-1-2014		55,000
W.I.P. 31-12-2014		72,000
Finished goods 1-1-2014	16,000	64,000
Finished goods 31-12-2014	34,000	
Materials purchased		1,52,000
Direct labour		1,45,000
Manufacturing overheads		1,08,000
Selling expenses		50,000
General expenses		40,000

Prepare a **Cost Sheet**.



Cost Sheet

	Rs.	Rs.
Direct Raw Materials Consumed		
Opening Stock of Raw Materials	40,000	
Add: Raw Materials purchased	1,52,000	
	1,92,000	
Less: Closing Stock of Raw Materials	32,000	1,60,000
Direct Labour		1,45,000
	Prime Cost	3,05,000
Add: Manufacturing overheads		1,08,000
	Gross Factory Cost	4,13,000
Add: Opening Work in Progress		55,000
Less: Closing Work in Progress		72,000
	Factory Cost	3,96,000
Add: Office and administration overheads General Expenses		40,000
	Cost of Production of 98,000 units	4,36,000
Add: Openings Stock of Finished Goods		64,000
Less: Closing Stock of Finished Goods (34,000 units @4.45 per unit)		1,51,300
	Cost of Goods sold	3,48,700
Add: Selling and distribution overheads:		50,000
	Total Cost	3,98,700
Add: Profit (Balancing Figure)		4,01,300
	Total Sales	8,00,000

Working Note: -

1. Cost of production per unit = $\frac{\text{Total cost of Production}}{\text{No. of units produced}} = \frac{4,36,000}{98,000} = \text{Rs.4.45 per unit}$

2. Calculation of No. of units produced

Opening Stock + Production = Closing Stock + Sales
 ⇒ 16,000 + Production = 34,000 + 80,000
 ⇒ Production = 1,14,000 – 16,000 = 98,000 units

Q.3

Prepare **Cost Sheet** from the following data provided by Aruna Industries Ltd. for the year ending 31st March 2014:

Particulars	Rs.
Raw Materials	Rs. 15,000
Direct Labour	Rs. 9,000
Machine Hours	900
Machine Hour Rate	Rs.5
Production	17,100 units
Sales	16,000 units
Selling price per unit	Rs. 4
Selling overheads per unit 50 paise	
Office overheads are 20% of works cost	

B.Com (P) 2007(Regular) [6 Marks]

Cost Sheet

Particulars	Rs.
Raw Materials	15,000
Direct Labour	9,000
	Prime Cost
	24,000
Factory overheads (900 × Rs. 5)	4,500
	Work Cost
	28,500
Office overheads 20% of work cost	5,700
	Cost of Production
	34,200
Less: Closing Stock of finished goods (1,100 × Rs. 2)	2,200
	Cost of goods sold
	32,000
Selling overheads (0.50 paise × 16,000)	8,000
	Total Cost
	40,000
Profit (Balancing Figure)	24,000
	Sales (Rs. 4 × 16,000)
	64,000

Working Note:-

$$\text{Cost of Production per unit} = \frac{\text{Total Cost of Production}}{\text{Total Output}} = \frac{34,200}{17,100} = \text{Rs. 2 Per unit}$$

Units produced = 17,100 units

Units sold = 16,000 units

Closing Stock of Finished Goods = 17,100 – 16,000 = 1,100 units

Q.4

From the following prepare a **Cost Sheet** and quote a suitable Price:

Particulars	Rs.
Total Production	5,000 tons
Cost of raw Materials	20,00,000
Carriage Inwards	2,00,000
Direct Wages	20,00,000
Indirect Wages	1,00,000
Office Expenses	10,00,000
Selling Expenses	10,00,000
Payment of Income Tax	3,00,000
Dividend paid	5,00,000

A profit margin of 50% on cost is desired.

B.Com (P) 2009 (Regular) [6 Marks]

Cost Sheet

Particulars		Rs.
Direct Materials		
Cost of Raw Materials	20,00,000	
Add: Carriage Inwards	<u>2,00,000</u>	22,00,000
Direct wages		20,00,000
	Prime Cost	42,00,000
Factory Overheads:		
Indirect wages		1,00,000
	Factory Cost	43,00,000
Office and Administration overheads:		
Office Expenses		10,00,000
	Cost of Production	53,00,000
Selling and Distribution overheads:		
Selling Overheads		10,00,000
	Total Cost	63,00,000
Profit (50% on Cost)		31,50,000
	Sales	94,50,000

Selling Price to be quoted = $\frac{94,50,000}{5,000} = \text{Rs. } 1,890$ per tonne

Note: - Income Tax and Dividend paid are appropriations of profits and hence not consider in Cost Sheet

Q.5

From the following Prepare a **Cost Sheet**:-

- (i) Cost of Materials @ Rs. 13 per unit
- (ii) Labour Cost @ Rs. 7.50 per unit.
- (iii) Factory Overheads Rs. 45,000
- (iv) Administration Overheads Rs. 50,000
- (v) Selling Overheads Rs. 2.50 per unit sold.
- (vi) Opening Stock of Finished goods – 500 unit @ Rs. 19.75
- (vii) Closing Stock of Finished goods – 250 units
- (viii) Sales - 10,250 units at a Profit of 20% on sales.

B.Com (P) 2009(External) [7 Marks] 2013 Regular [7 Marks]

Cost Sheet

Particulars		Rs.
Cost of Materials (10,000 × Rs. 13)		1,30,000
Labour Cost (10,000 × Rs. 7.50)		75,000
	Prime Cost	2,05,000
Add: Factory Overheads		45,000
	Factory Cost	2,50,000
Add: Administration overheads:		50,000
	Cost of Production of 10,000 units	3,00,000
Add: Opening Stock of Finished Goods (500 units @ Rs. 19.75)		9,875
		3,09,875
Less: Closing Stock of Finished Goods (3,00,000 / 10,000) × 250		7,500
	Cost of Goods sold	3,02,375
Add: Selling Overheads (10,250 × Rs. 2.50)		25,625
	Cost of Sales	3,28,000
Profit (Rs. 3,28,000 × $\frac{1}{4}$)		82,000
	Sales	4,10,000

Working Note: -

Calculation of Units Produced:-

Opening Stock + Production = Closing Stock + Sales

⇒ 500 + Production = 250 + 10,250

⇒ Production = 10,500 – 500 = 10,000 units

Q.6

From the following information Prepare a **Cost Sheet**:-

- (i) Cost of Materials @ Rs. 15 per unit
- (ii) Labour Cost @ Rs. 7 per unit.
- (iii) Factory Overheads Rs. 40,000
- (iv) Administration Overheads Rs. 40,000
- (v) Selling Overheads Rs. 2.50 per unit sold.
- (vi) Opening Stock of Finished goods – 500 unit @ Rs. 20
- (vii) Closing Stock of Finished goods – 250 units
- (viii) Sales - 10,250 units at a Profit of 20% on sales.

B.Com (P) 2013(External) [9Marks]

[C.OG.S. Rs. 3,02,500 ; Profit Rs.82,031]

Q.7

X Ltd. has received an enquiry for the Supply of 1,000 Premium Shirts.

The costs are estimated as under:

Raw Materials	2,500 Mtrs @ Rs. 40 per Mtr
Direct Wages	10,000 Hrs @ Rs. 4 per hours
Variable Overheads:	Factory Rs. 2.40 per labour hours
	Selling and Distribution Rs. 16,000.
Fixed Overheads:	Factory Rs. 6,000
	Selling and Distribution Rs. 14,000

Prepare a **Cost Sheet** showing the Price to be quoted per Shirt, which results in a Profit of 20% on Selling Price.

B.Com (P) 2010(Regular) [6Marks]

Cost Sheet

Particulars	Rs.
Raw Materials (2,500 Mtrs @ 40 per mtr)	1,00,000
Direct Wages (10,000 Hrs @ Rs. 4 Per hr)	40,000
Prime Cost	1,40,000
Factory Overheads Variable (10,000 hrs @ Rs. 2.4 per labour hrs)	24,000
Fixed	6,000
Factory Cost	1,70,000
Selling and Distribution Overheads Variable	16,000
Fixed	14,000
Cost of Sales	2,00,000
Profit (25% on cost)	50,000
Sales	2,50,000

Price to be quoted per Shirt = $\frac{2,50,000}{1,000} = \text{Rs. } 250 \text{ per shirt}$

Profit = 20% on selling price = $\frac{20}{100}$ on selling price = $\frac{20}{80}$ on cost or 1/4 on cost

Q.8

Below is the enumerated expenditure in the manufacturing of a product:

Particulars	Rs.
Raw Materials	28,000
Fuel	6,900
Electric power	1,340
Process and general wages	63,500
Repairs	2,400
Haulage	1,060
Light and water	400
Rent	2,000
Rates and insurances	300
Office salaries and general expenses	7,000
Administration (office)	5,000
Depreciation on machinery	2,500
Total	1,20,000
Quintals manufactured	17,200

Prepare a **Cost Sheet** showing the cost per each item of expenses and the total cost per quintal.

Cost Sheet

Particulars	Rs.
Raw Materials	28,000
Direct wages – Process and general wages	63,500
Prime Cost	91,500
Factory Overheads:	
Fuel	6,900
Electric Power	1,340
Repairs	2,400
Haulage	1,060
Light and Water	400
Rent	2,000
Rates and Insurance	300
Depreciation on Machinery	2,500
Factory / Works Cost	1,08,400
Office and Administration Overheads:	
Office Salaries and General Expenses	7,000
Administration (office)	5,000
Total Cost	1,20,400

Total Cost per quintal = $\frac{1,20,400}{17,200} = \text{Rs.7 per quintal}$

Q.9

From the following, prepare a **Cost Sheet**:

Particulars	Rs.
Raw Materials	6,000
Direct Wages	5,000
Factory Overheads	2,400
Opening Stock of Finished Goods	800 [200kg]
Closing Stock of Finished Goods [400 kg]
Sale of Finished Product	20,000 [3,000 kg]
Advertisement & Selling Expenses	1,475
Profit desire is 30% on Sales.	

B.Com (P) 2010(External) [7Marks]

Cost Sheet

Particulars	Rs.
Raw Materials	6,000
Direct Wages	5,000
	Prime Cost
Factory Overheads	2,400
	Factory Cost /Cost of Production
Add: Opening Stock of Finished Goods	800
	14,200
Less: Closing Stock of Finished Goods	1,675
	Cost of goods Sold
Add: Advertisement & Selling Expenses	1,475
	Cost of Sales
Add: Profit (30/70 of 20,000)	6,000
	Sales
	20,000

Working Note: -

1. Calculation of Units Produced:-

$$\text{Opening Stock} + \text{Production} = \text{Sales} + \text{Closing Stock}$$

$$\Rightarrow 200 + \text{Production} = 3,000 + 400$$

$$\Rightarrow \text{Production} = 3,400 - 200 = 3,200 \text{ units}$$

2. Profit = 30% on selling Price = 30/100 of selling price = 30/70 of cost

Q.10

Prepare a **Cost Sheet** from the following data to find out profit and cost per unit:

	Rs.
Raw Materials consumed	1,60,000
Direct Wages	80,000
Factory Overhead	16,000
Office Overhead 10% of factory cost	
Selling overhead	12,000
Units Produced	4,000
Unit Sold	3,600
Selling Price Rs.100 per unit	

Cost Sheet

Particulars	Rs.
Raw Materials consumed	1,60,000
Direct Wages	80,000
	Prime Cost
Add: Factory Overhead	16,000
	Factory Cost
Add: Office Overhead (10% of Factory Cost)	25,600
	Cost of Production of 4,000 units
Less: Closing Stock of Finished Goods ($\frac{2,81,600}{4,000} \times 400$)	28,160
	Cost of Goods Sold
Add: Selling Overhead	12,000
	Total Cost
Add: Profit (Balancing Figure)	94,560
	Sales (3,600 units @ Rs. 100 per unit)
	3,60,000

Calculation of Closing Stock:-

$$\text{Opening Stock} + \text{Production} = \text{Closing Stock} + \text{Sales}$$

$$\Rightarrow 0 + 4,000 = \text{Closing Stock} + 3,600$$

$$\Rightarrow \text{Closing Stock} = 4,000 - 3,600 = 400 \text{ units}$$

Q.11

Vijay industries manufactures a product X. On 1st January, 2014 there were 5,000 units of finished product in Stock. Other Stock on 1st January, 2014 were as follows:

	Rs.
Work-in-Progress	57,400
Raw Materials	1,16,200

The Information available from Cost records for the year ended 31st December, 2014 was as follows:

Direct Materials	9,06,900
Direct Labour	3,26,400
Freight on Raw Materials Purchased	55,700
Indirect Labour	1,21,600
Other Factory Overheads	3,17,300
Stock of Raw Materials on 31-12-2014	96,400
Work-in-Progress on 31-12-2014	78,200
Sales (1,50,000 units)	30,00,000
Indirect Materials	2,13,900

There are 15,000 units of finished Stock in hand on 31st December, 2014. You are required to prepare:

A statement of cost and profit for 2014 assuming **that opening Stock of finished goods is to be valued at the same cost per unit as the finished Stock at the end of the period.**

B.Com (P)

Statement of Cost and Profit

Particulars	Rs.	Rs.
Raw Materials Consumed		
Opening Stock of Raw Materials	1,16,200	
Add: Direct Materials Purchased	9,06,900	
Add: Freight on Purchases	55,700	
	10,78,800	
Less: Closing Stock of Raw Materials	96,400	9,82,400
Direct Wages		3,26,400
Prime Cost		13,08,800
Add: Factory Overheads:		
Indirect Wages	2,13,900	
Indirect Materials	1,21,600	
Other Overheads	3,17,300	
Gross Factory Cost		6,52,800
Add: Opening Stock of WIP		57,400
Less: Closing Stock of WIP		(78,200)
Factory Cost / Cost of Production		19,40,800
Add: Opening Stock of Finished Goods (5,000 × Rs.12.13)		60,650
Less: Closing Stock of Finished Goods (15,000 × Rs.12.13)		(1,81,950)
Cost of goods sold / Total Cost		18,19,500
Profit		11,80,500
Sales		30,00,000

Working Notes:-

Opening Stock + Production = Closing Stock + Sales

⇒ 5,000 + Production = 15,000 + 1,50,000

⇒ Production = 1,65,000 – 5,000 = 1,60,000 units

Cost of Production per unit = $\frac{\text{Total Cost of Production}}{\text{Total Output}} = \frac{19,40,800}{16,000} = \text{Rs. 12.13 per unit}$

Q.12

A Factory Produce a Statement Products. The following information is given to you from which you are required to Prepare **“Cost Sheet”** for the ended 31st July 2014.

Particulars	Rs.
Consumable Materials :	
Opening Stock	10,000
Purchases	85,000
Closing Stock	4,000
Direct Wages	20,000
Other Direct Expenses	10,000
Factory Overheads	100% of direct labour
Office Overheads	10% of work Cost
Selling and Distribution Expenses	Rs. 2 per units sold
Units of Finished products:	
In hand at the beginning of the period	Units 1,000 (value of Rs. 16,000)
Produced during the period	10,000 units
In Hand at the end the period	2,000 units

Also, find out the selling price per unit on the basis that profit – mark up is uniformly made, to yield a profit of 20% of the selling price. There was no work –in progress either at the beginning or at the end of the period.

B.Com (P) 2012-13 Internal Khalsa College [10 Marks]

Cost Sheet for the period ended on 31-3-2014

Output 10,000 Units

Particulars	Rs.	Rs.
Consumable Materials :		
Opening Stock	10,000	
Add: Purchases	85,000	
	95,000	
Less: Closing Stock	4,000	
Cost of Raw Materials Consumed		91,000
Direct wages		20,000
Other Direct Expenses		10,000
	Prime Cost	1,21,000
Factory Overheads – 100 of Direct Labour		20,000
	Factory Cost	1,41,000
Office overheads – 10% of works Cost		14,100
	Cost of Production	1,55,100
Add: Opening Stock of finished products		16,000
Less: Closing of finished products @ Rs. 15.51 per unit		(31,020)
	Cost of goods sold	1,40,080
Add: Selling and Distribution Overheads @ Rs. 2 per unit sold		18,000
	Cost of Sales	1,58,080
Profit (20% on selling price)		39,520
	Selling Price	1,97,600

Q.13

Calculate the **Prime Cost, Factory Cost, Total Cost of Production and Cost of Sales** from the following particulars.

Particulars	Rs.	Rs.
Raw Materials		45,000
Materials Used in Packing		1,000
Purchased of Partly Produced Goods		2,000
Freight on Materials		500
Sale of Wastage of Materials		300
Wages Paid to Labour		1,000
Directly chargeable expenses		1,500
Oil & Waste		300
Wages of Foreman		2,000
Store Keeper's wages		1,500
Electric Power		800
Lighting :		
Factory	800	
Office	1,100	
Warehouse	600	2,500
Rent :		
Factory	6,000	
Office	12,000	
Warehouse	9,000	27,000
Repairs & Renewals:		
Factory Plant & Machinery	2,200	
Office Premise	1,800	
Warehouse	2,600	
Delivery Van	3,000	9,600
Depreciation:		
Office Premises	3,000	
Plant & Machinery	4,500	
Warehouse	6,500	
Delivery Van	2,500	14,500
Consumable Stores		3,000
Manager's Salary		10,000
Director's Fees		5,100
Drawing officer Salary		2,100
Office Printing & Stationary		500
Designing Expenses		600
Telephone Charges, Postage & Telegram		2,500
Salesman's Commission & Salary		1,500
Travelling Expenses		2,000
Advertising		1,500
Carried Outwards		500

Cost Sheet

Particulars	Rs.	Rs.
Raw Materials	45,000	
Raw Materials used in Packing	1,000	
Purchase of partially Produced goods	2,000	
Freight on Materials	500	
	48,500	
Less: Sale of Wastage of Materials	300	48,200
Wages paid to labour		1,000
Directly Chargeable expenses		1,500

Prime Cost		50,700
Add: Factory Overheads		
Oil and Waste		
Wages of foreman	300	
Stores keeper's wages	2,000	
Electric Power	1,500	
Factory Lighting	800	
Factory Rent	800	
Repairs & Renewals of Factory Plant and Machinery	6,000	
Depreciation on Plant & Machinery	2,200	
Consumable Stores	4,500	
Drawing officer's salary	3,000	
Designing Expenses	2,100	23,800
Factory or Work Cost	600	
Add: Office and Administration Overheads:-		74,500
Office Printing and Stationary		
Manager's Salary	500	
Director Fees	10,000	
Office lighting	5,100	
Office Rent	1,100	
Repairs and renewals of office premises	12,000	
Depreciation on office Premise	1,800	
Telephone Charges , Postage & Telegrams	3,000	
Total Cost of Production	2,500	36,000
Add: Selling & Distribution Overheads:-		1,10,500
Salesman's commission and salary		
Advertisement	1,500	
Travelling expenses	1,500	
Carriage outward	2,000	
Lighting of Warehouse	500	
Rent of Warehouse	600	
Repairs and Renewals of Warehouse	9,000	
Repairs and renewal of Delivery Van	2,600	
Depreciation on warehouse	3,000	
Depreciation on Delivery Van	6,500	
Cost of Sales	2,500	29,700
		1,40,200

Q.14

Calculate the **Prime Cost, Factory Cost, Total Cost of Production and Cost of Sales** from the following particulars:

Particulars	Rs.	Rs.
Raw Materials Consumed		12,000
Directly Chargeable Expenses		500
Wages paid to Labourers		2,500
Grease, oil cotton waste etc.		25
Salary of Factory Manager and Clerk		1,750
Insurance of Stock of Raw Materials		300
Consumable Stores		400
Printing and Stationary:		
Factory	50	
Office	200	
Sales Department	100	350
Rent of Office Building		150
Depreciation:		
Factory Premises	200	
Office Furniture	50	
Delivery Vans	75	325
Power and Fuel		500
Contribution to provident fund of factory employee		1,000
Salaries of administrative directors		100
Bank charges		75
Cost of samples		250
Salaries of sales manager		300
Advertising		500
Packing Materials		350
Shortage in Stock of finished goods		20

Cost Sheet

Particulars	Rs.	Rs.
Raw Materials consumed		12,000
Wages paid to labour		2,500
Directly Chargeable Expenses		500
Prime Cost		15,000
Add: Factory Overheads		
Grease, Oil, Cotton waste etc.	25	
Salary of Factory Manager and Clerk	1,750	
Insurance of Stock of Raw Materials	300	
Consumable Stores	400	
Printing Stationary – Factory	50	
Depreciation of Factory Premises	200	
Power and fuel	500	
Contribution to Provident Fund of Factory Employees	1,000	4,225
Factory or Work Cost		19,225
Add: Office and Administration Overheads:-		
Printing and Stationary – Office	200	
Rent of Office Building	150	
Depreciation on Office Furniture	50	
Salaries of Administrative Directors	100	
Bank Charges	75	575
Cost of Production		19,800
Add: Selling & Distribution Overheads:-		
Printing and Stationary – Sales Department	100	
Depreciation on Delivery Van	75	
Salary of Sales Manager	300	
Advertising	500	
Shortage in Stock of Finished goods	20	
Cost of Samples	250	
Packing Materials	350	1,595
Cost of Sales		21,395

Q.15

From the understated particulars, you are required to prepare a monthly Cost Sheet of soap manufactures Ltd. showing therein:

(i) Prime Cost (ii) Works Cost (iii) Cost of Production (iv) Cost of Sales and, (v) Profit per unit

Opening Inventory (1-1-2014)	
Raw Materials	6,000
Work in Progress	9,620
Finished goods (1,000 units)	13,680
Closing inventory (31-1-2014):	
Raw Materials	7,000
Work-in-progress	8,020
Finished goods	?
Donations to home for destitute	2,100
Raw Materials purchased	72,000
Import duty on raw Materials purchased	14,400
Productive wages	18,000
Machine hours worked	21,600 hours
Machine hours rate	Rs. 1.50
Chargeable expenses	Rs. 2000
Office and administration Expenses	Re. 1 per unit
Selling Expenses	Re.0.90 per unit
Units sold	8,000 units
Units produced	8,200 unit
Profit on sales	10%

B.Com (P) 2005 (External) [9 Marks]

Cost Sheet for January 2004

Particulars	Rs.	Rs.
Raw Materials consumed		
Opening Stock of Raw Materials	6,000	
Add: Purchases	72,000	
Add: Import duty on purchase	14,400	
	92,400	
Less: Closing Stock of Raw Materials	7,000	85,400
Productive wages		18,000
Chargeable Expenses		2,000
		1,05,400
	Prime Cost	
Add: Factory Overheads		
Machinery Expenses (21,600 hours @ Rs. 1.50)		32,400
	Gross Work Cost	1,37,800
Add: Opening WIP		9,620
		1,47,420
Less: Closing WIP		8,020
	Work Cost	1,39,400
Add: Office and administrative expenses (8,200 units) @ Re. 1		8,200
	Cost of Production	1,47,600
Add: Opening Stock of finished goods (1,000 units)		13,680
		1,61,280
Less: Closing Stock of finished goods (1,200 units)		21,600
	Cost of goods sold	1,39,680
Add: Selling Expenses (8,000 units @ Re. 0.90)		7,200
	Cost of sales	1,46,880
Profit (10% on sales or $\frac{1}{9}$ on cost (i.e. $\frac{1}{9} \times 1,46,880$))		16,320
	Sales	1,63,200

Profit per unit = $\frac{16,320}{8,000}$ = Rs. 2.04.

Working Note:

No of unit sold = Opening Stock (in units) + Production – Closing Stock (in units)
 = 8,000 + 1,200 – 1,000

Closing Stock = 9,200 – 8,000 = 1,200 units

Value of Closing Stock = $\frac{1,47,600}{8,200} \times 1,200$ units = Rs. 21,600

Q.16

From the books of account of ABC Co. Ltd., the following details have been extracted for the year ending 31st March 2014.

Particulars	Rs.
Stock – Opening	1,88,000
Closing	2,00,000
Materials Purchased during the year	8,32,000
Direct Wages Paid	2,38,400
Indirect Wages	16,000
Salaries to Administrative staff	40,000
Freight – Inward	32,000
Outward	20,000
Cash Discount allowed	14,000
Bad debts written off	18,800
Repairs of Plant and Machinery	42,400
Rent, Rates, and Taxes:	
Factory	12,000
Office	6,400
Travelling Expenses	12,400
Salesman’s Salary and Commission	33,600
Depreciation written off: Plant and Machinery	28,900
Furniture	2,400
Director’s Fees	24,000
Electricity Charges (Factory)	48,000
Fuel (for boiler)	64,000
Sale of Scrap	500
General Charges	24,800
Manager’s Salary	48,000
Sales	16,00,000

The manager’s time is shared between the factory and the office in the ratio 20:80

From the following details, you are required to prepare a Cost Sheet to show:

(i) Prime Cost (ii) Factory Cost (iii) Cost of Production (iv) Total Cost (v) Profit.

Cost Sheet
For the ending 31st March 2014

Particulars	Rs.	Rs.
Raw Materials Consumed		
Opening Stock of Materials	1,88,000	
Add: Purchases	8,32,000	
Freight inwards	32,000	
	10,52,000	
Less: Closing Stock of Materials	2,00,000	8,52,000
Direct wages		2,38,400
Prime Cost		10,90,400
Factory Overheads:		
Indirect wages	16,000	
Repairs of Plant and Machinery	42,400	
Factory Rent , Rates, and Taxes	12,000	
Depreciation of Plant and Machinery	28,900	
Electricity charges	48,000	
Fuel	64,000	
Manager's Salary ($48,000 \times \frac{20}{100}$)	9,600	
Less: Sale of Scrap	(500)	2,20,400
Factory Cost		13,10,800
Administration Overheads:		
Salary to Administrative staff	40,000	
Office Rent, Rates, and Taxes	6,400	
Depreciation of Furniture	2,400	
Director's Fees	24,000	
General Charges	24,800	
Manager's Salary ($48,000 \times \frac{80}{100}$)	38,400	1,36,000
Cost of Production		14,46,800
Selling and Distribution Overheads:		
Freight Outwards	20,000	
Travelling Expenses	12,400	
Salesman's Salaries and Commission	33,600	
Bad debts	18,800	84,800
Cost of Sales / Total Cost		15,31,600
Profit		68,400
Sales		16,00,000

Type 2:- Complex Questions

10

Q.17

In respect of a Factory, the following particulars have been extract for the year 2013:

Particulars	Rs.
Cost of Materials	6,00,000
Wages	5,00,000
Factory Overheads	3,00,000
Administrative charges	3,36,000
Selling Charges	2,24,000
Distribution charges	1,40,000
Profit	4,20,000

A work order has to be executed in 2014 and the estimated expenses are Materials Rs. 8,000; Wages Rs. 5,000.

Assuming that in 2014 the rate of factory overheads has gone up by 20% Distribution charges have gone down by 10% and selling and administration charges have gone each up 15%. At what price should the product be sold so as to earn the same rate of profit on the selling price as in 2013.

Factory Overheads are based on Wages and Administration, Selling and Distribution overheads on Factory Cost.

B.Com (P) 2007(External) [15 Marks]

Cost Sheet for the year 2013

Particulars	Rs.
Materials	6,00,000
Wages	5,00,000
	Prime Cost
	11,00,000
Add: Factory Overheads	3,00,000
	Factory Cost
	14,00,000
Add: Office & Administration Overhead	
Administrative Charges	3,36,000
	Cost of Production
	17,36,000
Add: Selling & Distribution Overhead	
Selling Charges	2,24,000
Distribution Charges	1,40,000
	Cost of sales / Total Cost
	21,00,000
Profit	4,20,000
	Sales
	25,20,000

Computation of Overheads:

1. Factory Overheads as a % of Wages

$$\text{(In 2013)} = \frac{3,00,000}{5,00,000} \times 100 = 60\%$$

$$\text{(In 2014)} = 60 + 20\% \text{ of } 60 = 60 + 12 = 72\%$$

2. Administration Charges as a % of Factory Cost

$$\text{(In 2013)} = \frac{3,36,000}{14,00,000} \times 100 = 24\%$$

$$\text{(In 2014)} = 24 + 15\% \text{ of } 24 = 24 + 3.60 = 27.60\%$$

3. Selling charges as a % of Factory Cost

$$\text{(In 2013)} = \frac{2,24,000}{14,00,000} \times 100 = 16\%$$

$$\text{(In 2014)} = 16\% + 15\% \text{ of } 16 = 16 + 2.40 = 18.40\%$$

4. Distribution charges as a % of Factory Cost

$$\text{(In 2013)} = \frac{1,40,000}{14,00,000} \times 100 = 10\%$$

$$\text{(In 2014)} = 10\% - 10\% \text{ of } 10 = 10 - 1 = 9\%$$

5. Profit as a % Total Cost of Sales

$$\text{(In 2013)} = \frac{4,20,000}{21,00,000} \times 100 = 20\%$$

Statement of Estimated Price for 2014

Particulars		Rs.
Materials		8,000
Wages		5,000
	Prime Cost	13,000
Add: Factory Overheads (72% of wages)		3,600
	Factory Cost	16,600
Add: Office & Administration Overhead		
Administration Charges (27.60 % of Factory Cost)		4,581
	Cost of Production	21,181
Add: Selling & Distribution Overhead		
Selling Charges (18.40 % of Factory Cost)		3,054
Distribution Charges (9% of Factory Cost)		1,494
	Cost of sales / Total Cost	25,729
Profit		5,146
	Selling Price	30,875

Q.18

The Particulars obtained from the record of M/s Jain Industries for the year 2014 are given below, from which you are required to **prepare a Cost Sheet and a statement showing estimated cost for 1000 unit** in future:

Particulars	Rs.
Opening Stock :	
Raw Materials	1,40,000
Finished products	20,000
Purchases	2,10,000
Direct Wages	3,80,000
Factory Overheads	70,000
Office overheads	40,000
Closing Stock :	
Raw Materials	19,600
Finished Goods	1,60,000
Sales	7,56,000

At the end of the year, the number of unit produced including the closing Stock and the number of unit sold was 4,000. On the Basis of the above the Industry wanted to supply 1,000 units in future. **It is estimated that the prices of raw materials and labour may rise by 15% and 10% respectively.** Assume that the same percentages of profits on sales will be made.

B.Com (P) 2008(Regular) [7 Marks]

Cost Sheet

Particulars	Rs.	Rs.
Raw Materials Consumed :		
Opening Stock	1,40,000	
Add: Purchases	2,10,000	
	3,50,000	
Less: Closing Stock	19,600	3,30,400
Direct Wages		3,80,000
	Prime Cost	7,10,400
Factory Overheads		70,000
	Factory Cost	7,80,400
Office Overheads		40,000
	Cost of Production	8,20,400
Add: Opening Stock of Finished Goods		20,000
		8,40,000
Less: Closing Stock of Finished Goods		1,60,000
	Total Cost	6,80,400
Profit		75,600
	Sales	7,56,000

$$\text{New Materials cost per unit} = \frac{3,30,400}{4,000} \times \frac{115}{100} = \text{Rs. 94.99 per unit}$$

$$\text{New Wages per unit} = \frac{3,80,000}{4,000} \times \frac{110}{100} = \text{Rs. 104.50 per unit}$$

$$\text{Factory Overheads per units} = \frac{70,000}{4,000} = \text{Rs.17.5 per unit}$$

$$\text{Office Overheads per units} = \frac{40,000}{4,000} = \text{Rs.10 per unit}$$

$$\text{Profit on Sales \%} = \frac{76,600}{7,56,000} \times 100 = 10\%$$

Profit on Cost = 1/9 of Cost (10% on Selling Price = 10/100 of Selling Price = 1/9 of cost)

Statement of Quotation of Price for 1,000 units

Particulars	Rs.
Materials Cost @ Rs. 94.99 p. u.	94,990
Factory wages @ Rs. 104.50 p. u.	1,04,500
	Prime Cost
	1,99,490
Factory Overheads @ Rs. 17.50 p. u.	17,500
	Factory Cost
	2,16,990
Office Overheads @ Rs. 10 p. u.	10,000
	Total Cost
	2,26,990
Profit 10% of Sales (1/9 of Cost)	25,221
	Selling Price
	2,52,211

Q.19

The Particulars obtained from the records of M/s Jeevan Industries for the year 2014 are given below:

Particulars	Rs.
Opening Stock :	
Raw Materials	1,40,000
Finished Goods (1,000 Units)	20,000
Purchases	2,10,000
Factory Wages	3,80,000
Factory Overheads	70,000
Office Overheads	40,000
Selling Overheads	9,600
Sales (3,200 units)	9,28,000
Closing Stock	19,600
Raw Materials	1,64,080
Finished Goods (900 Units)	

Prepare a Cost Sheet showing **Prime Cost, Factory Cost, Cost of Production, Total Cost and Sales per unit.**

During 2015 the industry expects to receive an order for 5,000 units. It is estimated that:

- (i) The prices of raw Materials and factory wages will rise by 15% and 10% respectively.
- (ii) There will be no change in the total factory overheads and office overheads.
- (iii) Selling overheads per unit will remain the same.

Prepare an estimated Cost Sheet. The factory intends to earn the same rate of profit on cost.

B.Com (H) 2010

Cost Sheet of the year 2014

Particulars	Rs.	Rs.
Raw Materials Consumed		
Opening Stock of Raw Materials	1,40,000	
Add: Purchases	2,10,000	
Less: Closing Stock of Raw Materials	19,600	3,30,400
Factory Wages		3,80,000
	Prime Cost	7,10,400
Factory Overheads		70,000
	Factory Cost	7,80,400
Office Overheads		40,000
	Cost of Production	8,20,400
Add: Opening Stock of Finished Goods (1,000 units)		20,000
		8,40,400
Less: Closing Stock of Finished Goods (900 units)		1,64,080
	Cost of Goods sold	6,76,320
Selling Overheads		9,600
	Total Cost	6,85,920
Profit (Balancing Figure)		2,42,080
	Sales (3,200 units)	9,28,000

$$\text{Sales per unit} = \frac{9,28,000}{3,200} = \text{Rs. } 290$$

Estimated Cost Sheet for the year 2015

Output = 5000 Unit:

Particulars	Rs.
Raw Materials @ Rs. 122.57 per unit	6,12,850
Factory Wages @ Rs. 134.84 per unit	6,74,200
	Prime Cost
	12,87,050
Factory Overheads	70,000
	Factory Cost
	13,57,050
Office Overheads	40,000
	Cost of Production
	13,97,050
Selling and Overheads @ Rs. 3 per unit	15,000
	Total Cost
	14,12,050
Profit @ 35.29% on Total cost	4,98,350
	Sales
	19,10,400

$$\text{Sales per unit} = \frac{19,10,400}{5,000} = \text{Rs. } 382.08$$

Working Note: -

Calculation of Units Produced:-

$$\text{Opening Stock} + \text{Production} = \text{Closing Stock} + \text{Sales}$$

$$\Rightarrow 1,000 + \text{Production} = 900 + 3,200$$

$$\Rightarrow \text{Production} = 4,100 - 1,000 = 3,100 \text{ units}$$

$$\text{New Materials cost per unit} = \frac{3,30,400}{3,100} \times \frac{115}{100} = \text{Rs. } 122.57 \text{ per unit}$$

$$\text{New Factory wages per unit} = \frac{3,80,000}{3,100} \times \frac{110}{100} = \text{Rs. } 134.84 \text{ per unit}$$

$$\text{Selling Overheads per unit} = \frac{9,600}{3,200} = \text{Rs. } 3 \text{ per unit}$$

$$\text{Profit on Cost (\%)} = \frac{2,42,080}{6,85,920} \times 100 = 35.29\%$$

Q.20

With Foot Cold Limited Manufactured and sold 1,000 Refrigerators in the year ending 31st March 2013. The Summarized Trading, Profit and Loss Account is set out below:

Particulars	Rs.	Particulars	Rs.
To Cost of Materials	80,000	By Sales	4,00,000
To Direct Wages	1,20,000		
To Manufacturing Expenses	50,000		
To Gross Profit c/d	1,50,000		
	4,00,000		4,00,000
To Management and Staff Salaries	60,000	By Gross Profit b/d	1,50,000
To Rent, Rates, Insurance	10,000		
To Selling Expenses	30,000		
To General Expenses	20,000		
To Net Profit	30,000		
	1,50,000		1,50,000

For the year ended 31st March 2014 it is estimated that:

- (1) Output and Sales will be 1,200 Refrigerators.
- (2) Prices of Raw Materials will rise by 20% on the previous year’s level.
- (3) Wages rates will rise by 5%
- (4) Manufacturing cost will rise in proportion to the combined cost of materials and wages
- (5) Selling cost per unit will remain unchanged.
- (6) **Other expenses will remain unaffected by** the rise in output.

You are required to submit a statement for the board of directors showing the price at which the Refrigerator should be marketed so as to show a profit of 10% on selling price.

B.Com (P) 2011 (Regular) [7 Marks]

Statement Showing the Price at which Refrigerator should be market in 2013-14

Particulars	Rs.
Materials	96.00
Direct Wages	126.00
Prime Cost	222.00
Manufacturing Expenses (1/4 of Combined cost of Materials & Wages)	55.50
Work Cost	277.50
Management and Staff salary (Rs. 60,000 / 1,200)	50.00
Rent ,Rates and Insurance (Rs. 10,000 / 12,000)	8.33
General Expenses (Rs. 20,000 / 1200)	16.67
Cost of Production	352.50
Selling Expenses (Rs. 30,000 /1,000)	30.00
Cost of Sales	382.50
Profit 10% on selling Price or (1/9 on cost)	42.50
Selling Price	425.00

New Materials cost per unit = $(80,000 / 1,000) \times (120 / 100) = \text{Rs. } 96 \text{ per unit}$

New Factory Wages per unit = $(1,20,000 / 1,000) \times (105 / 100) = \text{Rs. } 126 \text{ per unit}$

During the year ending on 31st March 2013 the combined cost of Materials and wages was Rs. 200 per unit manufacturing expenses were Rs. 50 per unit.

Manufacturing Expenses in proportion of combined cost of Materials and wages = $50 / 200 = 1/4$

Q.21

Walson Ltd. produced and sold 1,000 Washing machine during the year ending 31st March 2013, the summarized trading and Profit & Loss Account is given below.

Particulars	Rs.	Particulars	Rs.
To Cost of Materials consumed	2,00,000	By Sales	8,00,000
To Direct Wages	2,00,000		
To Works Expenses	1,00,000		
To Gross Profit c/d	3,00,000		
	8,00,000		8,00,000
To Selling and Distribution Expenses	1,00,000	By Gross Profit b/d	3,00,000
To Net Profit	2,00,000		
	3,00,000		3,00,000

The management estimated the following for the year ending 31st March 2014

- (i) Output and sales will be of 2000 Washing machines
- (ii) Price of Materials and Wages will go up by 25% on the previous year's level.
- (iii) Work expenses will rise in proportion to the combined cost of Materials and wages.
- (iv) Selling and distribution expenses per unit is estimated at Rs. 50.

Prepare a cost statement showing the price at which washing machines would be marketed so as to yield a profit of 10% on selling price.

B.Com (P) 1986

**Cost Statement
For the year ending 31st March 1987**

	Per Machine	2,000 Machine
Direct Materials	250	5,00,000
Direct Wages	250	5,00,000
Prime Cost	500	10,00,000
Work expenses	125	2,50,000
Work Cost	625	12,50,000
Selling and distribution expenses	50	1,00,000
Total Cost	675	13,50,000
Profit (10% on selling price)	75	1,50,000
Sales	750	15,00,000

Q.22

The Following Inventory Data related to XYZ Ltd.

Inventory	Beginning	Ending
Finished Goods	Rs. 1,10,000	95,000
Work in Progress	Rs. 70,000	80,000
Raw Materials	Rs. 90,000	95,000
Additional information:		
Cost of good available	Rs. 6,84,000	
Total goods Processed during the period	Rs. 6,54,000	
Factory Overheads	Rs. 1,67,000	
Direct Materials used	Rs. 1,93,000	

Requirement:

- (i) Determine the raw Materials Purchase.
- (ii) Determine the Direct Labour Cost incurred.
- (iii) Determine the Cost of goods sold.

B.Com (H) 1999

(i) Computation of Raw Materials Purchase

Raw Materials Used = Opening Stock + Purchases – Closing Stock

$$\Rightarrow 1,93,000 = 90,000 + \text{Purchases} - 95,000$$

$$\Rightarrow \text{Purchases} = 1,93,000 - 90,000 + 95,000 = \text{Rs.}1,98,000$$

(ii) Computation of Direct Labour Cost incurred

Particulars		Rs.
Cost of goods Processed during the year		6,54,000
Less: Opening work in progress		70,000
	Gross Factory Cost	5,84,000
Less: Factory Overheads		1,67,000
	Prime Cost	4,17,000
Less: Raw Materials Used		1,93,000
	Direct Labour Cost	2,24,000

(iii) Computation of Cost of goods Sold

$$\begin{aligned} \text{Cost of goods Sold} &= \text{Cost of goods available for Sales} - \text{Closing Stock of Finished Goods} \\ &= 6,84,000 - 95,000 = \text{Rs.} 5,89,000 \end{aligned}$$

Q.23

The books and records of the Anand Manufacturing Co. Present the following data for the month of August 2014:

Direct Labour cost (160% of factory overheads)	Rs. 16,000	
Cost of goods sold	Rs. 56,000	
Inventory account showed these opening and closing balance:	August 1	August 31
Raw Materials	8,000	8,600
Work-in-Progress	8,000	12,000
Finished goods	14,000	18,000
Other data		
Selling expenses		3,400
General and Administration expenses		2,600
Sales for the month		75,000

You are required to prepare a statement showing cost of goods Manufactured and sold and profit earned.

B.Com (H) 1993

Anand Manufacturing Company
Statement of cost of goods Manufactured and Sold and profit earned
For the month of August 2015

	Rs.	Rs.
Direct Raw Material Consumed		
Opening Stock of Raw Material	8,000	
Add: Purchases of Raw Material	36,000	
	44,000	
Less: Closing Stock of Raw Material	8,600	35,400
Direct Labour		16,000
	Prime Cost	51,400
Factory overheads		10,000
	Gross work cost	61,400
Add: Opening work-in-progress		8,000
		69,400
Less: Closing Work-in-progress		12,000
	Work Cost	57,400
Add: General & Administration Expenses		2,600
Cost of Production (of goods manufactured)		60,000
Add: Opening Stock of Finished Goods		14,000

Less: Closing Stock of Finished Goods		74,000
		18,000
	Cost of Production of goods sold	56,000
Add: Selling expenses		3,400
	Cost of Sales	59,400
	Profit	15,600
	Sales	75,000

Working Note:-

The Value of Raw Materials Consume has been calculated as follows:

Particulars	Rs.	Rs.
Cost of goods Sold		56,000
Add: Closing Stock of Finished Goods		18,000
		74,000
Less: Opening Stock of Finished Goods		(14,000)
	Cost of Production	60,000
Less: Administration overheads		(2,600)
	Factory Cost	57,400
Add: Closing Stock of Work-in-progress		12,000
		69,400
Less: Opening Stock of Work-in-progress		8,000
	Gross Factory Cost	61,400
Less: Factory Overheads		10,000
	Prime Cost	51,400
Less: Direct Labour Cost		16,000
	Direct Raw Material Consumed	35,400
Add: Closing Stock of Raw Material		8,600
		44,000
Less: Opening Stock of Raw Material		8,000
	Cost of Raw Materials Purchased	36,000

Q.24

On June 30, 2014 a flash flood damaged the warehouse and factory of ABC Corporation completely destroying **the work in progress inventory**. There was no damage to either the raw materials or finished goods inventories. A physical verification taken after the flood revealed the following valuations.

Raw Materials	Rs. 62,000
Work-in-progress	Rs.0
Finished Goods	Rs.1,19,000

The inventory on January 1, 2014 consisted of the following:

Raw Materials	Rs. 30,000
Work-in-progress	Rs. 1,00,000
Finished goods	<u>Rs. 1,40,000</u>
	Rs. 2,70,000

A review of the books and records disclosed that the gross profit margin historically approximated 25% of sales. The sales for the first six month of 2014 were Rs. 3,40,000. Raw Materials purchases were Rs. 1,15,000. Direct Labour Cost for this period were Rs. 80,000 and manufacturing overhead has historically been 50% of direct labour.

Compute the cost of work-in-progress inventory lost on June 30, 2014 by preparing statement of cost and profit.



Cost Sheet if ABC Corporation

Particulars	Rs.	Rs.
Raw Materials Consumed		
Opening Stock of Raw Materials	30,000	
Add: Purchases	1,15,000	
	1,45,000	
Less: Closing Stock of Raw Materials	62,000	83,000
Direct labour		80,000
	Prime cost	1,63,000
Factory overheads (50% of Rs. 80,000)		40,000
Add: Opening work-in- Progress		2,03,000
		1,00,000
Less: Closing work in Progress (Lost)		3,03,000
	Factory cost	69,000
Add: Opening Finished Stock		2,34,000
		1,40,000
Less: Closing Finished Stock		3,74,000
	Total cost	1,19,000
Profit (1/3 rd of Cost)		2,55,000
	Sales	85,000
		3,40,000

Profit = 25% on selling price = 25 / 100 of selling price = 25 / 75 of cost or 1/3 on cost

Working Note: -

Calculation of Work in Progress (Closing)

Particulars	Rs.
Sales	3,40,000
Less: Profit	85,000
	Total Cost
Add: Finished Stock (Closing)	2,55,000
	1,19,000
Less: Finished Stock (Opening)	3,74,000
	Factory Cost
Less: Cost Before Closing WIP	1,40,000
Closing WIP	2,34,000
	3,03,000
	69,000

Q.25

The managing director of a company producing consumer durable seeks your assistance in the matter of fixation of selling price for one of its products called X . The cost structure of products X the unit-selling price of which is Rs. 45,000 is as under.

Direct Materials	50%
Direct labour	20%
Overheads	30%

An increase of 15% in the cost of materials and 25% in the cost of labour is anticipated. These increased cost in relation to the present selling price would cause a 25% decrease in the amount of present profit per unit of X.

- (i) Prepare a statement of profit per unit as at present.
- (ii) Find out the revised selling price to produce the same percentage of profit to sale as before.

B.Com (H) 2002

Suppose total cost of product X is = Rs. x

	Present cost	Increased cost
Direct Materials	$0.5x$	$0.575x$
Direct labour	$0.2x$	$0.250x$
Overheads	$0.3x$	$0.300x$
Total cost	x	$1.125x$
Selling cost	45,000	45,000
Profit	$45,000 - x$	$45,000 - 1.125x$

As the increased cost in relation to the present selling price would cause a 25% decrease in the present profit per unit of the product the following equation can be made.

$$(45,000 - x) - (45,000 - 1.125x) = 11,250 - 0.25x$$

$$\Rightarrow 45,000 - x - 45,000 + 1.125x = 11,250 - 0.25x$$

$$\Rightarrow 0.125x = 11,250 - 0.25x$$

$$\Rightarrow 0.125x + 0.250x = 11,250$$

$$\Rightarrow 0.375x = 11,250$$

$$\Rightarrow x = \frac{11,250}{0.375} = 30,000$$

The Total Cost = Rs. 30,000

Profit = Rs. 45,000 - 30,000 = Rs. 15,000

So profit is 50% of the total cost

Calculation of Revised selling price

Particulars	Rs.
Materials (Rs. 15,000 + 15%)	17,250
Labour (Rs. 6,000 + 25%)	7,500
Prime Cost	24,750
Overheads (30% of Rs. 30,000)	9,000
Total	33,750
Profit (50% of Total Cost)	16,875
Selling Price	50,625

Q.26

In a factory, two types of articles are manufactured No. 1 and No. 2. From the following particulars, prepare a statement of cost showing total cost of production of each variety and ascertain the total profit. There are no opening and closing stock and no selling and distribution overheads:

	No.1	No.2
Materials (Rs.)	30,000	50,000
Labour (Rs.)	60,000	70,000
Selling price (Rs. / article)	1,200	1,500
Articles sold (units)	180	200

Works overheads are charged as 40% of works cost and office overheads are charged as 20% of cost of production.

B.Com (H) 2014 External (10Marks)

[Cost of Production No. 1 and No. 2 Rs. 1,87,500 and Rs. 2,50,000 ; Profit No. 1 and No. 2 Rs.28,500 and Rs. 50,000]