Cost Accounting

TY. B. COM Semester V
Chp 3- Labour Cost

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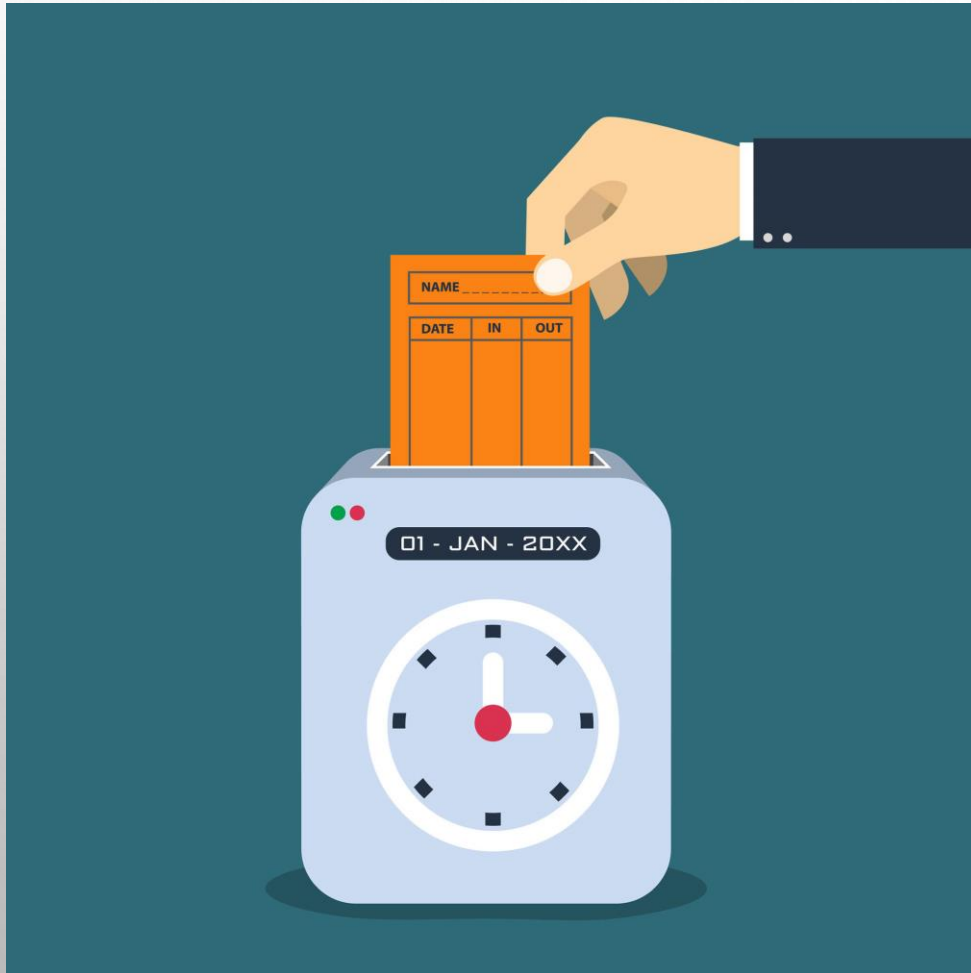### SIES College of Commerce and Economics

TERMINOLOGIES:

- TIME KEEPING- TIME KEEPING MEANS KEEPING A RECORD OF THE ATTENDANCE OF THE WORKERS AND THE TIME SPENT BY THEM IN ACTUAL WORK, IDLE TIME, OVERTIME, ETC. TIME KEEPING REFERS TO TOTAL TIME SPENT BY WORKERS IN THE FACTORY.

- TIME BOOKING- TIME BOOKING MEANS THE RECORDING OF THE TIME SPENT BY A WORKER ON DIFFERENT JOBS DURING HIS ATTENDANCE AT THE FACTORY.

- PAYROLL

- OVERTIME- OVERTIME MEANS THE WORK DONE BY A WORKER BEYOND HIS NORMAL WORKING HOURS.

- OVERTIME PREMIUM- THE EXCESS RATE OVER NORMAL WAGE.

- IDLE TIME

- LABOUR TURNOVER- LABOUR TURNOVER IS THE RATE OF CHANGE IN THE COMPOSITION OF LABOUR FORCE DURING A SPECIFIED PERIOD MENTIONED AGAINST A SUITABLE INDEX

I] MANUAL TIME KEEPING RECORDS:

A) Attendance Register (Muster)

						Summary												
Sl#	Employee Name	Emp ID	Department	Designation	31-May	Present	Absent	Over Time	Late	Sick Leave	Earned Leave	Paid Leave	Casual Leave	Maternity Leave	National Holiday	Festive Holiday	Holiday	Training
29						0	0	0	0	0	0	0	0	0	0	0	0	0
30						0	0	0	0	0	0	0	0	0	0	0	0	0
31						0	0	0	0	0	0	0	0	0	0	0	0	0
32						0	0	0	0	0	0	0	0	0	0	0	0	0
33						0	0	0	0	0	0	0	0	0	0	0	0	0
34						0	0	0	0	0	0	0	0	0	0	0	0	0
35						0	0	0	0	0	0	0	0	0	0	0	0	0
36						0	0	0	0	0	0	0	0	0	0	0	0	0
37						0	0	0	0	0	0	0	0	0	0	0	0	0
38						0	0	0	0	0	0	0	0	0	0	0	0	0
39						0	0	0	0	0	0	0	0	0	0	0	0	0
40						0	0	0	0	0	0	0	0	0	0	0	0	0
41						0	0	0	0	0	0	0	0	0	0	0	0	0
42						0	0	0	0	0	0	0	0	0	0	0	0	0
43						0	0	0	0	0	0	0	0	0	0	0	0	0
44						0	0	0	0	0	0	0	0	0	0	0	0	0
45						0	0	0	0	0	0	0	0	0	0	0	0	0
46						0	0	0	0	0	0	0	0	0	0	0	0	0
47						0	0	0	0	0	0	0	0	0	0	0	0	0
48						0	0	0	0	0	0	0	0	0	0	0	0	0
49						0	0	0	0	0	0	0	0	0	0	0	0	0
50						0	0	0	0	0	0	0	0	0	0	0	0	0
			Daily Employee Strength		0													

www.ExceDataPro.com — Attendance Sheet Template — Month: January — Wed

B) Token, Disc or Check Method

II] Mechanical Method (Time Clock Method)

III] Punch Card Attendance System
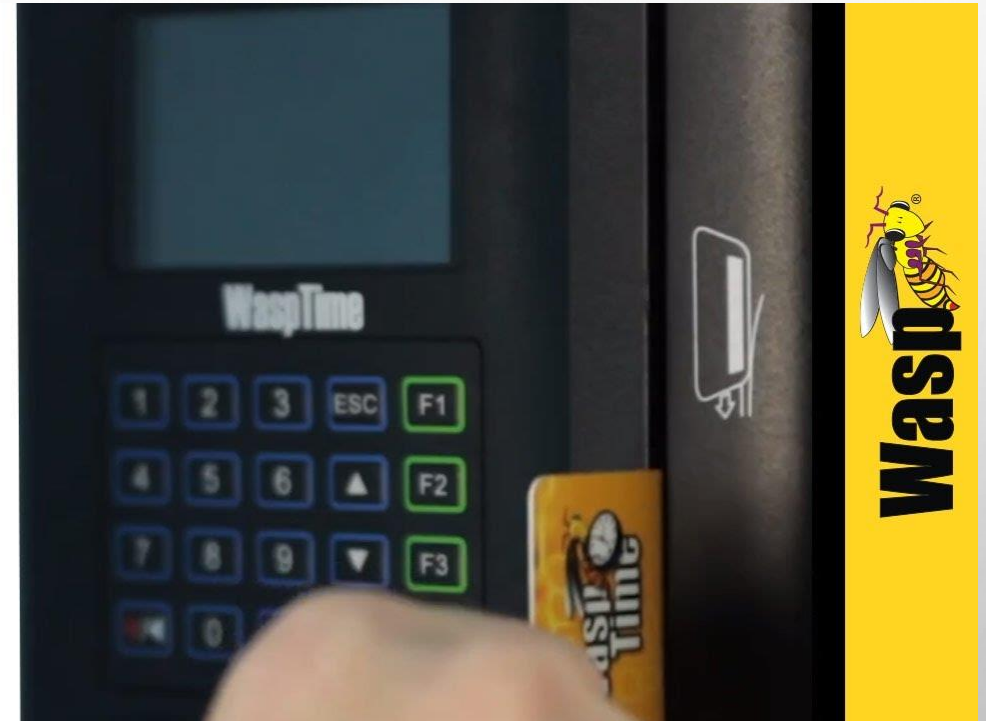
IV] Bio Metric Attendance System

Time Booking Methods

EXHIBIT 2 : SPECIMEN OF JOB CARD FOR EACH WORKER

ABC Company

Job Card

Name of Worker x x x x   Token No. : x x

Department : x x   Wage Rate : x x   Week Ended : x x

Day	Job No.		Job No.		Job No.		Total		Cost
	On	Off	On	Off	On	Off	Normal	O.T.	₹
Monday	X	X	X	X	X	X	X X	X X	X X
……….	X	X	X	X	X	X	X X	X X	X X
Saturday	X	X	X	X	X	X	X X	X X	X X
Total	X	X	X	X	X	X	X X	X X	X X

Checked with Attendance Records

xx	xx	xx
Signature	Signature	Signature
(Supervisor)	(Labour Dept.)	(Cost Dept.)

EXHIBIT 3 : SPECIMEN OF JOB CARD FOR EACH JOB

ABC Company
Job Card

Description of Job x x

Job No. : x x

Job Started On : x x

Job Completed On : x x

Dept.	Workers Name/ Token No.	Work Done	Time On	Off	Cost ₹
x x	x x x		x		x
x x	x x x	x x	x	x	x

Total Checked

xx
Signature
Supervisor

xx
Signature
Labour Dept.

xx
Signature
Costing Dept.

TERMINOLOGIES:

- UTILISATION OF LABOUR- UTILISATION OF LABOUR INCLUDES THE ACTUAL TIME PAID FOR, THE STANDARD TIME ALLOWED FOR PRODUCTION AND THE ABNORMAL IDLE TIME ANALYSED FOR CAUSES THEREOF FOR EACH DEPT.

- EFFICIENCY RATING PROCEDURES- THIS HELPS IN MEASURING THE PERFORMANCE OF AN INDIVIDUAL WORKER BY COMPARING THE TIME TAKEN WITH THE STANDARD TIME ALLOTTED TO PERFORM THE GIVEN JOB/ TASK.

- REMUNERATION SYSTEMS

    TIME RATE SYSTEM   PIECE RATE SYSTEM

TIME RATE SYSTEM: WAGES= LABOUR HOURS X LABOUR RATE PER HOUR

PIECE RATE SYSTEM: WAGES= PIECES COMPLETED X RATE PER PIECE

- INCENTIVE SCHEMES

OVERTIME

Illustration 1 : (Computation and Accounting)

A company's basic wage rate is 1.50 per hour and its overtime rates are :

Evening	Time plus one-third time
Weekends	Double the time

During a year the following hours were worked :

Normal time	2,20,000 hours
Evenings	20,000 hours
Weekends	10,000 hours

You are required to compute and explain how overtime is treated in each of the following circumstances :

(a) Where overtime is worked regularly throughout the year as company policy due to labour shortage.

(b) Where overtime is worked irregularly to meet urgent production requirements from time to time.

(c) Where overtime is worked specifically at the customer's request for quicker delivery.

IDLE TIME

Illustration 2 : (Normal Idle Time)

'X' an employee of ABC Co. gets the following emoluments and benefits :

(a) Basic pay ₹ 1,000 p.m.

(b) Dearness allowance ₹ 200 p.m.

(c) Bonus ₹ 20% of salary and D.A.

(d) Other allowances ₹ 250 p.m.

(e) Employee's contribution to P.F. 10% of salary and D.A.

'X' works for 2,400 hours per annum, out of which 400 hours are non-productive and treated as normal idle time. You are required to find out the effective hourly cost of employee 'X'.

LABOUR TURNOVER

Illustration 3 : (Labour Turnover)

From the following information, calculate Labour turnover rate and Labour flux rate:
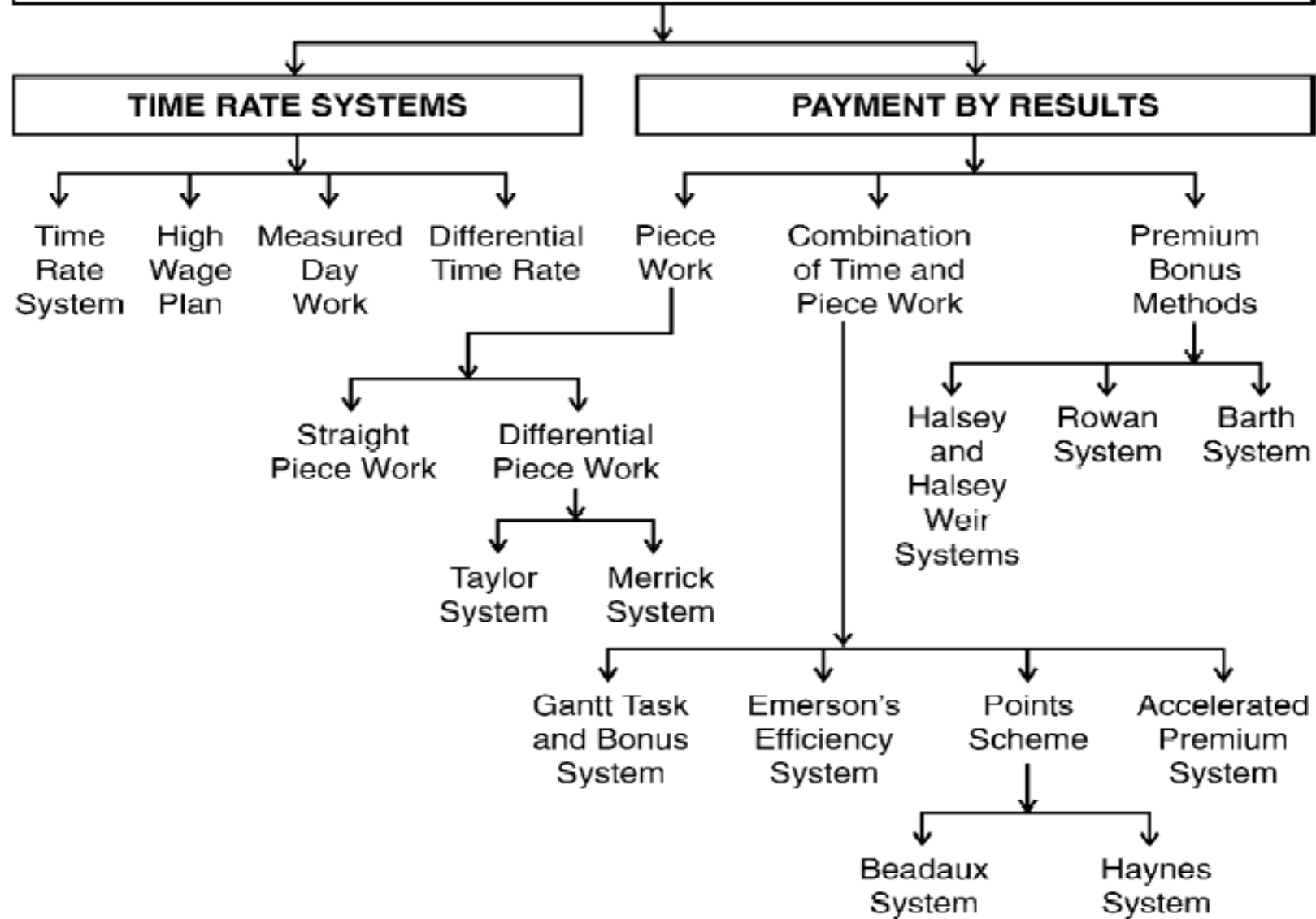
No. of workers as on 01.01.2013 = 7,600

No. of workers as on 31.12.2013 = 8,400

During the year, 80 workers left while 320 workers were discharged 1,500 workers were recruited during the year, of these, 300 workers were recruited because of exits and the rest were recruited in accordance with expansion plans.

(CA-PCC, May 2001)

INCENTIVE SCHEMES

SYSTEMS OF WAGE PAYMENT & INCENTIVES

TIME RATE SYSTEMS
- Time Rate System
- High Wage Plan
- Measured Day Work
- Differential Time Rate
  - Straight Piece Work
  - Differential Piece Work
    - Taylor System
    - Merrick System

PAYMENT BY RESULTS
- Piece Work
- Combination of Time and Piece Work
  - Gantt Task and Bonus System
  - Emerson's Efficiency System
  - Points Scheme
    - Beadaux System
    - Haynes System
  - Accelerated Premium System
- Premium Bonus Methods
  - Halsey and Halsey Weir Systems
  - Rowan System
  - Barth System

FORMAT OF STATEMENT SHOWING LABOUR COST PER HOUR AND PER UNIT

Statement Showing the Labour Cost Per Hour and Per Unit

Particulars		₹
A. Normal Wages	... .	xx
B. Dearness Allowances (D / A)	... .	xx
C. Bonus	... .	xx
D. Any Other Allowance Payable in Cash	... .	xx
(e.g. House Rent Allowance, City Compensatory Allowance)		
E. Employer's Contribution to P.F.	... .	xx
F. Employer's Contribution to ESI	... .	xx
G. Leave Salary [Based on Normal wages and D / A]	... .	xx
H. Expenditure on Benefits / Amenities	... .	xx
I. Total Labour Cost	... .	xxx
J. Working Hours	... .	xx
K. Output	... .	xx
L. Labour Cost per Hour [I / J]	... .	xx
M. Labour Cost per Unit of Output [I / K]	... .	xx