

# Cost Accounting

**T.Y.B.Com.**  
(Semester – V)

## CLASSIFICATION OF COSTS AND COST SHEET

1. From the books of accounts of M/s. Avdhoot Enterprises, the following details have been extracted for the Quarter ending 31/03/2014 :

Particulars	(₹)
Stock of Materials (Opening)	2,70,000
Stock of Materials (Closing)	3,00,000
Purchases of Materials	12,48,000
Direct Wages	3,57,600
Direct Expenses	1,20,000
Indirect Wages	24,000
Salaries to Administrative Staff	60,000
Carriage Inwards	48,000
Carriage Outwards	37,500
Manager's Salary	72,000
General Charges	37,200
Legal charges for Criminal Suit	20,000
Commission on Sales	28,000
Fuel	96,000
Electricity charges (Factory)	72,000
Directors' Fees	36,000
Repairs to Plant & Machinery	63,000
Rent, Rates and Taxes (Factory)	18,000
Rent, Rates and Taxes (Office)	9,600
Depreciation on Plant & Machinery	45,000
Depreciation on Furniture	3,600
Salesmen's Salaries	50,000
Audit Fees	18,000

- (1) The Manager's time is shared between the factory and the office in the ratio of 20 : 80.  
(2) Carriage outwards include ₹ 7,500 being carriage inwards on Plant & Machinery.  
(3) Selling Price is 120% of the cost price.

From the above details prepare a detailed Cost Sheet for the quarter ended 31/12/2014 and ascertain sales.

2. The following particulars have been extracted from the books of M/s. Sohan Manufacturing Company for the year ended 31/03/2014 :

Particulars	(₹)
Opening Stock of Raw Materials	2,35,000
Closing Stock of Raw Materials	2,50,000
Raw Materials Purchase	10,40,000

Drawing Office Salaries	48,000
Royalty on production	70,000
Carriage inwards	41,000
Cash discount allowed	17,000
Repairs to Plant & Machinery	53,000
Rent, Rates and Taxes (Factory)	15,000
Rent, Rates and Taxes (Office)	8,000
Office Conveyance	15,500
Salesmen's Salaries and Commission	42,000
Productive Wages	7,00,000
Depreciation on Plant & Machinery	35,500
Depreciation on Office Furniture	3,000
Director's Fees	30,000
Gas and Water charges (Factory)	7,500
Gas and Water charges (Office)	1,500
Manager's Salaries	60,000
Cost of catalogue printing	10,000
Loose Tools written/off	8,000
Trade Fair expenses	10,000

Out of 48 hours in a week, Manager devotes 40 hours for factory and 8 hours for office per week for the whole year.

The management has fixed the Selling Price @ 110% of cost.

Prepare detailed Cost Statement for the year ended 31/03/2014.

3. The following data have been extracted from the books of Shri Ganesh Industries Ltd. for the year 2017 :

Particulars	(₹)
Opening Stock of Raw Materials	25,000
Purchases of Raw Materials	85,000
Closing Stock of Raw Materials	40,000
Carriage inwards	5,000
Wages (Direct)	75,000
Wages (Indirect)	10,000
Other Direct Wages	15,000
Rent & Rates : Factory	5,000
Office	500
Indirect consumption of Material	500
Depreciation on Plant	1,500
Depreciation on Office Furniture	100
Salary : Office	2,500
Salesman	2,000
Other Factory expenses	5,700

Other Office expenses	900
Managing Director's remuneration	12,000
Other Selling expenses	1,000
Travelling expenses of salesman	1,100
Carriage outwards	1,000
Sales	2,50,000
Advance Income Tax paid	15,000
Advertisement	2,000

The Managing Director's remuneration is to be allocated ₹ 4,000 to factory, ₹ 2,000 to the office and ₹ 6,000 to selling departments. From the above information, prepare a Statement of Cost showing : (a) Prime Cost; (b) Works Cost; (c) Cost of Production; (d) Cost of Sales; (e) Net Profit.

4. From the following particular you are required :

- to prepare a statement showing total cost
- to state what percentage : (i) the manufacturing cost; (ii) the management oncost; (iii) the selling oncost bear to the total cost of the goods sold.

Particulars	(₹)
Opening Stock of Direct Materials	61,700
Work-in-Progress at commencement	1,21,700
Purchase of Direct Materials	2,86,500
Direct Wages	3,57,000
Factory on Cost	1,99,500
Selling on Cost	70,000
Management on Cost	1,10,000
Sales	12,50,000
Closing Stock of Direct Materials	75,400
Closing Work-in-Progress	1,35,600
Sale of Scrap	1,350
Carriage on Direct Material	5,950

5. Dunkel Ltd. started a factory in Navi Mumbai on 1st April, 2013. Following details are furnished about its activity during the year ended 31st March, 2014.

Raw material consumed 40,000 units @ ₹ 7 per unit

Direct wages :

(a) Skilled worker ₹ 9 per unit

(b) Unskilled worker ₹ 6 per unit

Royalty (on raw material consumed) @ ₹ 3 per unit

Works overheads @ ₹ 8 per machine hour

Machine Hours worked : 25,000

Office Overheads at 1/3rd of works cost

Sales Commission @ ₹ 4 per unit

Units produced 40,000

Stock of units at the end : 4,000 units to be valued at cost of production per unit.

Sale price is ₹ 50 per unit.

Prepare Cost Sheet showing the various elements of cost, both in total and per unit.

6. Prepare a Cost Sheet showing the total and per tonne cost of paper manufactured by Times Paper Mills Ltd. for the month of March, 2014. There were 26 working days in the month. Also find the profit earned by the company. The details are as under :

Direct Raw materials :

Paper Pulp : 6,000 tons @ ₹ 900 per tonne

Direct labour :

280 Skilled workmen ₹ 250 per day

300 Semiskilled workmen ₹ 150 per day

470 Unskilled workmen ₹ 100 per day

Direction expenses :

Special equipments hire charges ₹ 12,000 per day

Special dyes ₹ 250 per tonne of total raw material input

Work overheads : Variable @ 50% of direct wages

Fixed ₹ 2,70,000 per month

Administration overheads @ 12% of works cost

Selling & distribution overheads ₹ 80 per tonne sold

Opening stock of paper 500 tonnes valued @ ₹ 2,501.60 per ton

Closing stock of paper 300 tonnes valued at cost of production

The paper is sold @ ₹ 3,000 per tonne.

7. Following details are furnished by MBA Ltd. of expenses incurred during the year ended 31st March, 2014.

Particulars	(₹)
Direct Material	3,40,000
Opening Stock of Finished Goods (1,000 units)	85,250
Closing Stock of Finished Goods (2,000 units)	?
Depreciation on Plant & Machinery	96,000
Loss on Sales of Machinery	17,500
Trade Fair expenses	85,500
Direct expenses	1,60,000
General Manager's Salary	3,80,000
Dividend paid	7,800
Direct Wages	2,60,000
Advertisement	1,85,250
Depreciation on Computers	1,72,000
Drawing and Designing Expenses	54,000
Purchase of Machinery	1,90,000
Depreciation on Delivery Van	1,14,000

Office Maintenance charges	1,88,000
Factory Rent	1,50,000
Sales (19,000 units)	22,80,000

Closing Stock of Finished Goods to be valued at Cost of Production.

You are required to prepare Cost Sheet showing various elements of cost both in total and per unit and also find out Total Profit and Per Unit Profit.

8. M/s. Vishal Manufacturing Company manufactures two types of products viz. A and B. The information for the year ended on 31st March, 2014 is as under :

Particulars	Product 'A'	Product 'B'
Direct material per unit	₹ 100	₹ 120
Direct Labour per unit	₹ 60	₹ 50
Direct expenses per unit	₹ 40	₹ 80

Additional information :

- (1) Factory expenses are charged at 20% of prime cost.
- (2) Office expenses are charged at 25% of works cost.
- (3) 2,000 units of product A were produced of which 1500 units were sold and 5000 units of product B were produced of which 4,500 units were sold.
- (d) Selling expenses are ₹ 15 per unit for product A and ₹ 20 per unit for product B.
- (e) Company charges a profit at 20% on sales for both the products.

Prepare a Cost Sheet showing the cost and profit in total as well as in per unit.

9. The Trading and Profit & Loss Account of Vijaya Manufacturing Co. for the year ending 31/12/2013 was as follows :

**Trading and Profit & Loss Account for the Year ended 31/12/2013**

Particulars	(₹)	Particulars	(₹)
To Raw Material Purchased	80,000	By Sales (2500 units)	2,50,000
To Direct Wages	30,000	By Closing Stock of Raw Materials	5,000
To Direct Expenses	25,000		
To Factory Expenses	40,000		
To Gross Profit c/f	80,000		
	<u>2,55,000</u>		<u>2,55,000</u>
To Office Salaries	25,000	By Gross Profit B/d	80,000
To Office Rent	12,000	By Dividend Received	10,000
To Selling Expenses	12,500	By Discount Received	7,500
To Preliminary Expenses written off	2,500		
To Goodwill written off	5,500		
To Net Profit c/f	40,000		
	<u>97,500</u>		<u>97,500</u>

For the year 2014, it is estimated that :

- (1) Units produced and sold will rise by 20%.
- (2) Prices of Raw Material per unit will rise by 10%.

- (3) Direct Wages per unit will increase by 25%.
- (4) Direct Expenses will increase by ₹ 5,000 in total.
- (5) Factory Expenses per unit will increase by 25%.
- (6) The Office premises which was on rental basis in 2013 would be purchased by the company, on which depreciation would be ₹ 6,000 in 2014.
- (7) Selling expenses per unit will remain same.

You are required to prepare a statement showing estimated cost and profit for the year ended 31/12/2014 considering that company shall charge a profit at 20% on sales.

**10.** Following information is available from cost records for the year ended 31st March, 2014 :

Direct Material	₹ 36 per unit
Direct Labour	₹ 28 per unit
Chargeable Expenses	₹ 11 per unit
Factory Overheads	Fixed ₹ 15,00,000 Variable ₹ 10 per unit
Office Overheads	Fixed ₹ 12,50,000
Selling Overheads	Fixed ₹ 5,00,000 Variable ₹ 25 per unit

Units produced and sold : 50,000

Selling Price per unit : ₹ 210

Following changes are anticipated during the year ended 31st March, 2015 :

- (1) Production and Sales will increase by 60%.
- (2) Direct Material cost per unit will increase by 12.5%.
- (3) Direct Labour per unit will decrease by 5%.
- (4) Chargeable expenses per unit will decrease by 10%.
- (5) Variable factory overheads per unit will increase by 25%.
- (6) Variable selling overheads will decrease by 25%.
- (7) All fixed overheads will increase by 20%.
- (8) 75% of the output will be sold in domestic market at a profit of 20% on sales.
- (9) Balance 25% output will be sold in export market at a profit of 50% on sales.

You are required to :

- (a) Prepare Cost Sheet for the year ended 31st March, 2014 and estimated Cost Sheet for the year ended 31st March, 2015 showing total and per unit cost.
- (b) Calculate total and per unit profit for the year ended 31st March, 2014.
- (c) Calculate total sales and profit for domestic market and export market.

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