

Day-2

11/2/11

Chapter - 8. Unit & Batch Costing

PANKAJ
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#. Classification of Cost

Based on Behaviour

Variable Cost

It remains constant in per unit

eg →

- Material
- Labour

Fixed Cost

It remains constant in total

eg →

- Rent
- Salary of Supervisor

Semi Variable Cost

Partly variable & partly constant

eg →

- Electricity
- Fuel of car

Example →

Particulars.	100 units	120 units	GPU
Material → VC	1500	1200	10 → 10
Labour Rent → FC	2000	2000	2000
Electricity → SVC	700	740	7 → 6.17
	<u>3700</u>	<u>3940</u>	

Calculate the total cost if company produces 150 units.

Classification of Cost	Particulars	100 units	150 units
VC	Material	1500	?
FC	Rent → Fixed cost	2000	?
SVC	Electricity	700	?

Ans:- Classification of Cost

WN1

(a) FC remains constant in total

∴ Rent is Fixed Cost (£2000)

(b) VC remains constant in per unit

	100 units	120 units	
Material	10 pu	10 pu	→ pu = 5000
Electricity	7 pu	6.17 pu	

∴ Material is variable cost (£10 pu)

(c) Electricity is semi-variable cost

WN2

	100 units	120 units	150 units
Electricity	700	740	800
Variable (2 pu)	200	240	300
Fixed	500	500	500
<u>Total</u>	<u>700</u>	<u>740</u>	<u>800</u>

+ 20 units + 30 units

+ 240

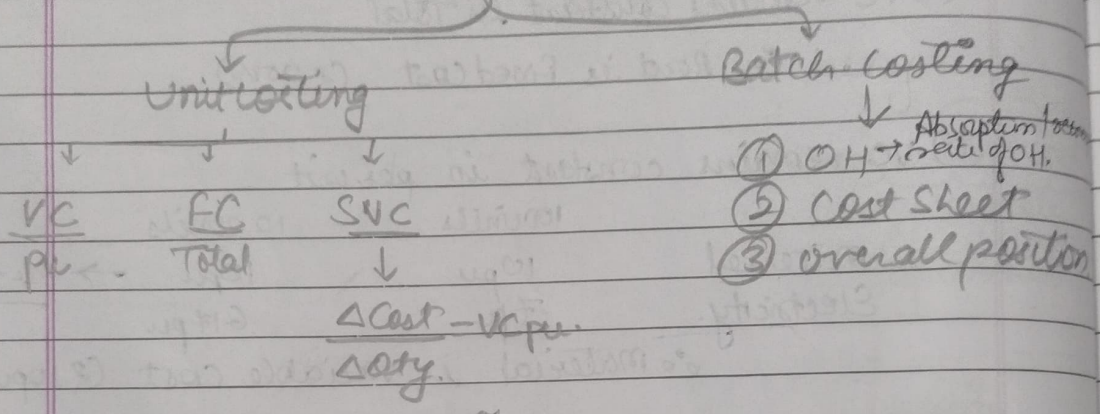
$$\text{Variable Cost per unit} = \frac{\text{Change in Cost}}{\text{Change in Qty}} = \frac{740 - 700}{120 - 100} = \frac{40}{20} = 2 \text{ pu}$$

1. Statement showing Total Cost:-

Particulars	£
Rent	2000
Material (10 x 150)	1500
Electricity (WN2)	800
	<u>4300</u>

SUMMARY

Chapter



WN1: Classification of cost
WN2: SVC

no. of batches
unit - 1 batch

Recovery rate of OH = $\frac{\text{Budgeted OH}}{\text{Budgeted Labour}}$

Overhead = $\frac{\text{Recovery rate}}{\text{Per hour}} \times \text{Labour for one Batch}$

Statement Showing Profit

(a) total sales = unit per Batch x SP

(b) total cost = mat + lab + OH.

a - b = Profit per Batch

total cost per unit = $\frac{\text{cost}}{\text{unit}}$

Profit Percent = $\frac{\text{Profit}}{\text{cost}}$