

Cost Sheet

1. Cost Sheet

It is a statement which shows the break-up and build-up of costs for a particular period.

2. Statement of Cost/Cost Sheet

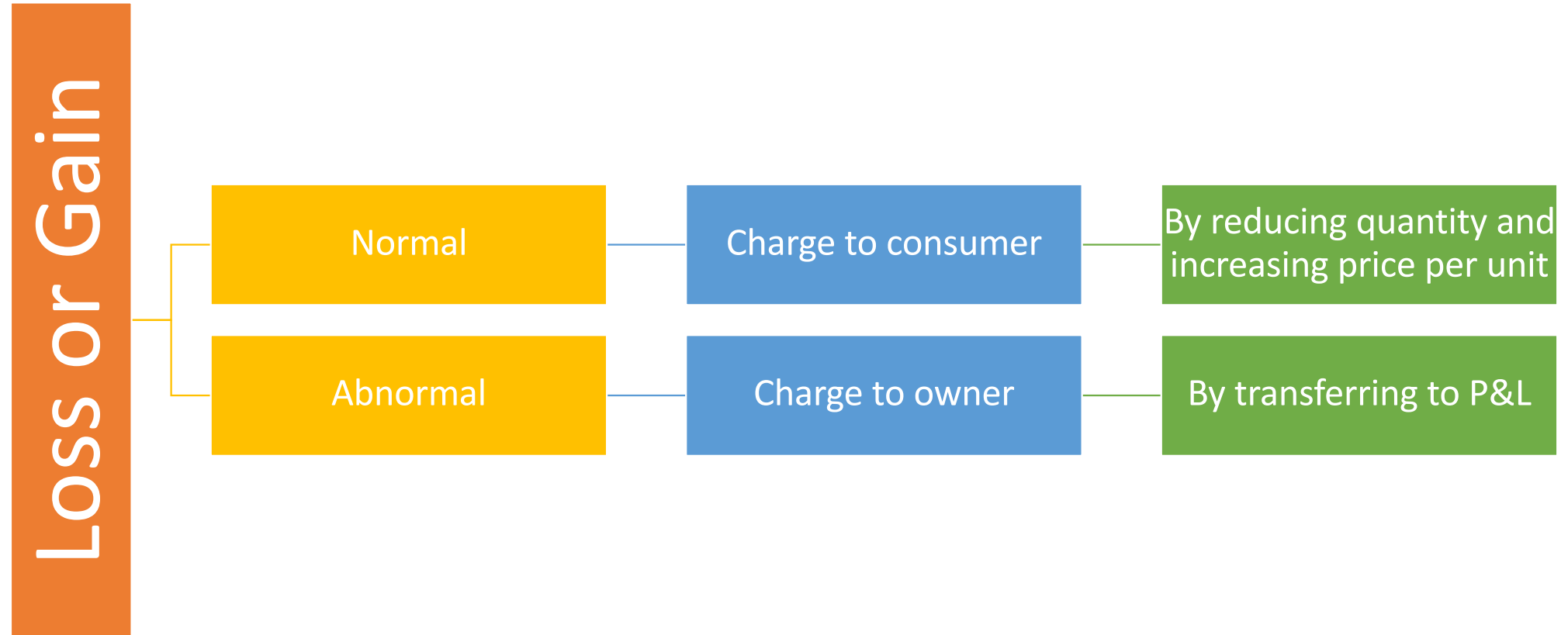
Particulars	Total Cost (Rs.)	Cost per unit (Rs.)
Opening stock of Raw Material		
Add: Purchases		
Less: Closing stock of Raw Material		
Add: Carriage/Freight inward		
Less: Raw material purchase return		
Less: Sale value of scrap of raw material		
Direct Material Consumed		
Add: Direct labour cost		
Add: Direct expenses or chargeable expenses		
Prime Cost		

Cost Sheet

Particulars	Total Cost (Rs.)	Cost per unit (Rs.)
Prime Cost		
Add: Factory/Work Overheads		
Gross Factory/Work Cost		
Add: Opening stock of WIP		
Less: Closing stock of WIP		
Net Factory/Work cost		
Add: Quality control cost		
Add: Research and Development cost		
Add: Administrative overheads (related to production)		
Add: Packing cost (primary)		
Less: Credit for recoveries/Scap/Defectives/By-Product		
Cost of Production		
Add: Opening stock of finished goods		
Less: Closing stock of finished goods		
Cost of Goods Sold		
Add: Administrative overheads (general)		
Add: Selling and distribution overheads		
Cost of Sales		

Cost Sheet

3. Points to Remember (PTR)



Cost Sheet

(B) Certain expenses not appear in cost sheet:

- Goodwill or preliminary expenses written off
- Income tax
- Loss on sale of assets or investment
- Cost pertaining to or arising out of a pandemic e.g. COVID-19
- Penalty, fines, damages etc.

(C) Work = Factory

Work Overheads = Factory Overheads

Work Cost = Net Factory Cost

(D) Cost of goods available for sale = Opening stock of FG + Cost of Production

(E) Cost of goods processed during the period = Opening stock of WIP + Gross Factory Cost

Cost Sheet

(G) Employee/Labour cost: It includes-

- Wages
- Bonus
- Allowances
- Overtime
- Employer contribution to PF/ESI/SSS
- Any other benefit

(H) Direct Expenses

- Royalty for production
- Cost of utilities such as power & fuel, steam etc.
- Fee for technical know-how
- Cost of product/service specific design or drawing
- Cost of product/service specific software
- Amortized cost of moulds, patterns, patents etc.
- Job charges paid to job workers
- Hire charges paid for hiring specific equipment
- Other expenses which are directly related with production

Cost Sheet

4. Treatment of Expenses

Expenses	Treatment
Drawing office expenses	Factory Overheads
Haulage	Factory Overheads
Stores Related Expenses	Factory Overheads
Stores Consumed = Opening + Purchases – Closing	
Warehouse or Godown Expenses	Selling & Distribution Overheads
Loose tools written off	Factory Overheads
Bank charges	Administration Overheads
Salesmen commission	Selling & Distribution Overheads
Cost of Samples	Selling & Distribution Overheads
Audit Fee	Administration Overheads
General Expenses	Administration Overheads
Counting House Salaries	Administration Overheads

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Expenses	Treatment
Production planning expenses in office	Administration Overheads related to Production
Director's fees	Administration Overheads
Fee for exhibition participation	Selling & Distribution Overheads
Pollution control expenses	Factory Overheads
Carriage on raw material return	Factory Overheads
Bad Debts	Ignore
Packaging	
Primary Packaging	Add after NFC
Secondary Packaging	Selling & Distribution Overheads
GST	
GST Output	Add after Sales value
GST Input	
ITC Available	Ignore
ITC Not Available	Add to the cost of item to which it relates

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Expenses	Treatment
Custom Duty	Add to the cost of item to which it relates
Discount	
Trade Discount	Deduct if not already deducted
Cash Discount	Ignore
Other discount or discount on sales	Selling & Distribution Overheads
Waste/Scrap	
Scrap for which amount is received on sale	
Related to raw material	Deduct from Raw Material consumed
Arises during production	Deduct after NFC
Scrap for which disposal cost is to be incurred	Add to Factory Overheads

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Expenses	Treatment
Defectives	
Sold as it is at discount	
When low discount	Add with sales value
When high discount	Deduct after NFC
Goods are rectified by incurring rectification cost	Add rectification cost to Factory Overheads

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5. Administration Overheads

If administration overheads is ___% of NFC

or

If administration overheads is ₹ ___ per unit produce

then in both situation consider them as related to production.

6. Conversion Cost

It is the cost to convert raw material into finished goods. It is sum total of direct labour, direct expenses and factory overheads.

Cost Sheet

7. Valuation of Stock

Stock can be valued either on FIFO basis or LIFO basis or Weighted average method. Unless otherwise provided FIFO method will be used for valuation of stock.

According to FIFO Method,

Value of cl. stock of raw material = $\frac{\text{Amount of raw material purchased}}{\text{Raw material purchase quantity}} \times \text{Cl. stock raw material units}$

Value of closing stock of finished goods = $\frac{\text{Cost of Production}}{\text{Units produced}} \times \text{Closing stock finished goods units}$

According to Weighted Average Method,

Value of cl. stock of raw material = $\frac{\text{RM purchase} + \text{Op. Stock of RM}}{\text{RM purchase units} + \text{Op. stock RM units}} \times \text{Cl. stock raw mat. units}$

Value of closing stock of finished goods = $\frac{\text{Cost of Production} + \text{Op. stock FG}}{\text{Units produced} + \text{Op. stock FG units}} \times \text{Closing stock FG units}$

Cost Sheet

For raw material,

Raw material consumed units = Op. stock RM units + RM Purchase units – Cl. stock RM

For finished goods,

Finished goods units sold = Op. stock FG units + FG units produced – Cl. stock FG units

If there is NIL Opening stock

$$\text{Cost per unit of finished goods} = \frac{\text{Cost of Production}}{\text{Units produced}} = \frac{\text{Cost of Goods Sold}}{\text{Units Sold}}$$

8. Calculation of per unit data and vice versa

(A) For calculating per unit data

- Divide all values by Units Produced upto cost of production
- Divide all values by Units Sold from COGS and onwards

(B) If factory overheads or administration overheads (production related) per unit is given then multiply it with number of units produced to get total value.

(C) If administration overheads (general) and selling and distribution overheads per unit is given then multiply it with number of units sold to get total value.

Cost Sheet

9. Recovery Rate

It is the rate which is used to recover/absorb/charge overheads from the products being manufactured or services being provided.

Unless otherwise provided, following basis will be used for recovery of overheads:

Factory overheads	Direct labour
Administration overheads	Net factory cost or work cost
Selling and distribution overheads	Net factory cost or work cost

10. Change in Cost Effects

$$\text{Total Cost} = \underbrace{\text{No. Of units}}_{\substack{\text{Quantity} \\ \text{Effect}}} \times \underbrace{\text{Cost per unit}}_{\substack{\text{Price} \\ \text{Effect}}}$$

Cost Sheet

	Total VC	Total FC
Quantity Effect	YES	NO
Price Effect	YES	YES

Relation between:

- (A) Quantity and Variable cost - Direct Relation
- (B) Price and Variable cost - Direct Relation
- (C) Price and Fixed cost - Direct Relation
- (D) Wages and Efficiency - Inverse Relation
- (E) Efficiency and Output - Direct Relation

Cost Sheet

Unless otherwise provided, following points are to be assumed:

- (a) VC per unit will remain same
- (b) Total FC will remain same
- (c) All direct cost are considered to be variable in nature
- (d) All overheads are considered to be fixed in nature