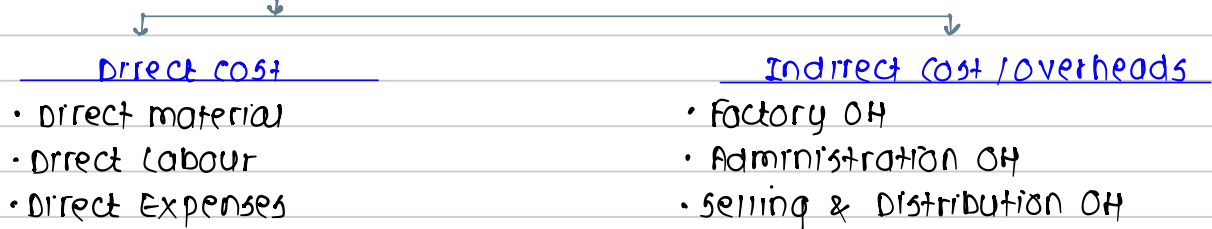


COST SHEET

1. Costing:

It is a technique to calculate cost of a product.

2. Cost of a product:



3. FORMAT OF COST SHEET.

Cost sheet for the period ended

Particulars	Total	CPU
Direct Material / Raw material Consumed	x	x
Direct Labour / Direct wages / Productive wages	x	x
Direct Expenses	x	x
Prime cost	x	x
Factory overheads / works OH / Production OH	x	x
Gross factory cost / Gross works cost	x	x
+ Opening WIP	x	-
- Closing WIP	(x)	-
Net factory cost / Net works cost	x	x
Q : Quality control	x	
R : Research & Development	x	
A : Administration (Related to Production)	x	
P : Primary Packing	x	
- Scrap : sale of scrap.	(x)	x
Cost of Production	x	x
+ Opening FG	x	-
- Closing FG	(x)	-
Cost of Goods sold	x	x
General Administration OH	x	x
Selling & Distribution OH	x	x
Interest	x	x
Cost of Sales	x	x
+ Profit	x	x
Sales	x	x

* Notes for Cost sheet:

4. Finished Goods Quantity: (Should be prepared before cost sheet)

Opening FG	x	Quantity Sold	x
Quantity Produced	<u>x</u>	Closing FG	<u>x</u>
	x		x

5. Cost per unit (CPU):

a) CPU column will be prepared only if Finished Goods quantity is given in the question.

b) Calculation of CPU

↓	↓	↓
<u>from RMC to COP</u>		<u>from COGS to Sales</u>
Total Cost ÷ Quantity Produced		Total Cost ÷ Quantity Sold.

c) CPU will not be calculated for

- i) Opening WIP
- ii) Closing WIP
- iii) Opening FG
- iv) Closing FG

d) CPU shall be rounded off upto 2 decimals.

6. Valuation of Closing Stock of FG:

IF FG is valued at cost of Production (FIFO method)

Closing Stock x Cost of Production
 Quantity per Unit

7. Administration OH:

Given in the question : Classification

- a) Administration OH : General Administration OH
- b) Administration OH 10% : Administration (RTP)
of Labour / Factory Cost

8. Scrap:

Given in the question : Classification

- a) Scrap of Material : Less From Raw material Consumed.
- b) Scrap : QRAP- scrap.
- c) Scrap during production : QRAP- scrap.
- d) Leather Bag manufacturing : QRAP- scrap.
company has sold
leather cuttings

9. Raw material Consumed:

a) Opening stock of RM	x
b) + Purchase of RM	x
- Purchase return	(x)
- Trade Discount	(x)
(Ignore Cash Discount)	
c) + Expenses on Purchase	
• Freight Inward	x
• Insurance attributable to Procurement (Insurance in transit)	x
• Duties & Taxes if credit is not available	x
(Ignore duties & taxes if credit is available)	
d) - Closing stock of RM	(x)
e) - Scrap of material	(x)
	x

10. Direct Labour:

- a) wages & salary
- b) overtime
- c) Allowances & Incentives
- d) Bonus / ex-gratia.
- e) Employer's contribution to
 - i) Provident fund (PF)
 - ii) Employees State Insurance (ESI)
- f) other benefits
 - i) leave with pay
 - ii) free or subsidised food.
 - iii) leave travel concession.
 - iv) Retirement benefits.
 - v) medical etc.

11. Direct Expenses:

- **U** : Cost of Utilities
 - a) Power & fuel
 - b) steam
 - c) Diesel etc.
- **R** : Royalty paid for production.
- **specific** :
 - a) specific software
 - b) specific design / drawing
 - c) specific equipment (Hire charges)
- **T** : Fees for Technical assistance and know-how
- **M** : Amortised cost of moulds, patterns, patents etc.
- **salary of Job worker.**

Factory OH

Administration OH

S&D OH

a) Rent, Hire charges, Depreciation, Insurance, Repairs & maintenance of

- | | | |
|--------------------------------|----------------------|-------------------------|
| • factory Building | • Office Building | • sales office Building |
| • Plant & machinery | • Directors vehicles | • Delivery vehicles . |
| • Pollution control Equipment. | • Directors Laptop | |
| | • Furniture | |

b) Salary paid to: [or Travelling Allowance (TA) or Dearness Allowance (DA)]

- | | | |
|--------------------|------------------------|----------------------|
| • supervisor | • manager | • sales staff |
| • Plant supervisor | • Accountant | • sales manager |
| | • Auditor | • marketing manager |
| | • secretary | • Distribution staff |
| | • legal Advisor | |
| | • Director | |
| | • Independent Director | |

c) Other cost:

- | | | |
|--|-----------------------------|---------------------------|
| • stores & spares | • Printing & Stationery | • Market Research |
| • Drawing & designing Department cost . | • Corporate office Expenses | • Maintenance of web site |
| • Amortized cost of jigs, fixtures & tooling etc . | • Rent, rates & taxes | • Advertisement |
| • service department cost such as | • Insurance | |
| i) Tool room | • Lighting | |
| ii) Engineering | • Office supplies . | |
| iii) maintenance | • Meeting Expenses . | |

Salary paid to production manager: Administration (RTP)

PYQ MAY 18_10M_2b

RTP M19

Following information relate to a manufacturing concern for the year ended 31st March, 2019:

	(₹)
Raw Material (opening)	2,28,000
Raw Material (closing)	3,05,000
Purchases of Raw Material	42,25,000
Freight Inwards	1,00,000
Direct wages paid	12,56,000
Direct wages-outstanding at the end of the year	1,50,000
Factory Overheads	20% of prime cost
Work-in-progress (opening)	1,92,500
Work-in-progress (closing)	1,40,700
Administrative Overheads (related to production)	1,73,000
Distribution Expenses	₹16 per unit
Finished Stock (opening)- 1,217 Units	6,08,500
Sale of scrap of material	8,000

The firm produced 14,000 units of output during the year. The stock of finished goods at the end of the year is valued at cost of production. The firm sold 14,153 units at a price of ₹618 per unit during the year. PREPARE cost sheet of the firm. [RTP May '19]

Solution:

(WN-1): FG Quantity:

opening FG	1217	Quantity sold	14153
Quantity Produced	14000	closing FG	1064
	15217		15217

Cost sheet for the year ended 31st march 2019.

Particulars	Total	CPU
Raw material consumed:		
Opening RM	228000	
Purchase of RM	4225000	
Freight inwards	100,000	
closing RM	(305000)	
sale of scrap of RM	(8000)	
	4240,000	302.86
Direct wages (1256000 + 150,000)	1406000	100.43
Prime Cost	5646000	403.29
factory OH (5646000 × 20%)	1129200	80.66
Gross factory cost	6775200	483.94
+ opening wip	192500	-
- closing wip	(140700)	-
Net factory cost	6827000	487.64
Administration OH (Related to Production)	173000	12.36
Cost of Production (14000 units)	70,00,000	500



Particulars	Total	CPU
Cost of Production (14000 units)	70,00,000	500
+ opening FG	608500	-
- closing FG (1064 units x 500)	(532000)	-
Cost of Goods sold	7076500	500
Distribution Expenses (16 x 14153)	226448	16
Cost of Sales	73,02,948	516
+ Profit	1443606	102
Sales (14153 units x 618)	8746554	618

PYQ NOV 18_10M_2b

- (a) Following details are provided by M/s ZIA Private Limited for the quarter ending 30 September, 2018:

(i)	Direct expenses	₹ 1,80,000
(ii)	Direct wages being 175% of factory overheads	₹ 2,57,250
(iii)	Cost of goods sold	₹ 18,75,000
(iv)	Selling & distribution overheads	₹ 60,000
(v)	Sales	₹ 22,10,000
(vi)	Administration overheads are 10% of factory overheads	

Stock details as per Stock Register:

Particulars	30.06.2018 ₹	30.09.2018 ₹
Raw material	2,45,600	2,08,000
Work-in-progress	1,70,800	1,90,000
Finished goods	3,10,000	2,75,000

You are required to prepare a cost sheet showing:

- (i) Raw material consumed
- (ii) Prime cost
- (iii) Factory cost
- (iv) Cost of goods sold
- (v) Cost of sales and profit

(10 Marks)

Solution:

Cost Sheet
(for the quarter ending 30 September 2018)

	Amount (₹)
(i) Raw materials consumed	
Opening stock of raw materials	2,45,600
Add: Purchase of materials	12,22,650*
Less: Closing stock of raw materials	(2,08,000)
Raw materials consumed	12,60,250
Add: Direct wages (1,47,000×175%)	2,57,250
Direct Expenses	1,80,000
(ii) Prime cost	16,97,500
Add: Factory overheads (2,57,250/175%)	1,47,000
Gross Factory cost	18,44,500
Add: Opening work-in-process	1,70,800
Less: Closing work-in-process	(1,90,000)
(iii) Factory cost	18,25,300
Add: Administration overheads (10% of factory overheads)	14,700
Add: Opening stock of finished goods	3,10,000
Less: Closing stock of finished goods	(2,75,000)
(iv) Cost of goods sold	18,75,000
Add: Selling & distribution overheads	60,000
Cost of sales	19,35,000
(v) Net Profit	2,75,000
Sales	22,10,000

* $(18,75,000 + 2,75,000 - 3,10,000 - (1,47,000 \times 10\%) + 1,90,000 - 1,70,800 - (2,57,250 \times 100/175\%) - 1,80,000 - 2,57,250 + 2,08,000 - 2,45,600) = 12,22,650$

Working notes

Purchase of raw materials = Raw material consumed + Closing stock - opening stock of raw material

Raw material consumed = Prime cost - Direct wages - Direct expenses

PYQ MAY 19_10M_2b

(a) M/s Areeba Private Limited has a normal production capacity of 36,000 units of toys per annum. The estimated costs of production are as under:

- (i) Direct Material ₹ 40 per unit
- (ii) Direct Labour ₹ 30 per unit (subject to a minimum of ₹ 48,000 p.m.)
- (iii) Factory Overheads:
 - (a) Fixed ₹ 3,60,000 per annum
 - (b) Variable ₹ 10 per unit
 - (c) Semi-variable ₹ 1,08,000 per annum up to 50% capacity and additional ₹ 46,800 for every 20% increase in capacity or any part thereof.
- (iv) Administrative Overheads ₹ 5, 18,400 per annum (fixed)
- (v) Selling overheads are incurred at ₹ 8 per unit.
- (vi) Each unit of raw material yields scrap which is sold at the rate of ₹ 5 per unit.
- (vii) In year 2019, the factory worked at 50% capacity for the first three months but it was expected that it would work at 80% capacity for the remaining nine months.
- (viii) During the first three months, the selling price per unit was ₹ 145.

You are required to:

- (i) Prepare a cost sheet showing Prime Cost, Works Cost, Cost of Production and Cost of Sales.
- (ii) Calculate the selling price per unit for remaining nine months to achieve the total annual profit of ₹ 8,76,600. **(10 Marks)**

Solution:

(i) **Cost Sheet of M/s Areeba Pvt. Ltd. for the year 2019.**

Normal Capacity: 36,000 units p.a.

Particulars	3 Months 4,500 Units		9 Months 21,600 units	
	Amount (₹)	Cost per unit (₹)	Amount (₹)	Cost per unit (₹)
Direct material	1,80,000		8,64,000	
Less: Scrap	(22,500)		(1,08,000)	
Materials consumed	1,57,500	35	7,56,000	35
Direct Wages	1,44,000	32	6,48,000	30
Prime Cost	3,01,500	67	14,04,000	65
Factory overheads:				
- Fixed	90,000		2,70,000	
- Variable	45,000		2,16,000	
- Semi variable	27,000	36	1,51,200	29.50
Works Cost	4,63,500	103	20,41,200	94.50
Add: Administrative overheads	1,29,600	28.80	3,88,800	18
Cost of Production	5,93,100	131.80	24,30,000	112.5
Selling Overheads	36,000	8	1,72,800	8
Cost of Sales	6,29,100	139.80	26,02,800	120.5

Working Notes:

1. Calculation of Costs

Particulars	4,500 units	21,600 units
	Amount (₹)	Amount (₹)
Material	1,80,000 (₹ 40 × 4,500 units)	8,64,000 (₹40 × 21,600 units)
Wages	1,44,000 (Max. of ₹ 30 × 4,500 units = ₹1,35,000 and ₹ 48,000 × 3 months = ₹1,44,000)	6,48,000 (21600 Units×30)
Variable Cost	45,000 (₹10 × 4,500 units)	2,16,000 (₹10 × 21,600 units)
Semi-variable Cost	27,000 ($\frac{₹ 1,08,000}{12 \text{ Months}} \times 3 \text{ Months}$)	1,51,200[$(\frac{₹ 1,08,000}{12 \text{ Months}} \times 9 \text{ Months})$]
		+46,800(for 20 % increase) +23,400(for 10% increase)
Selling Overhead	36,000 (₹8 × 4,500 units)	1,72,800(₹ 8 × 21,600 units)

Notes:

- Alternatively scrap of raw material can also be reduced from Work cost.
- Administrative overhead may be treated alternatively as a part of general overhead. In that case, Works Cost as well as Cost of Production will be same i.e. ` 4,63,500 and Cost of Sales will remain same as ` 6,29,100.

(ii) Calculation of Selling price for nine months period

Particulars	Amount (₹)
Total Cost of sales ₹ (6,29,100+26,02,800)	32,31,900
Add: Desired profit	8,76,600
Total sales value	41,08,500
Less: Sales value realised in first three months (₹145 × 4,500 units)	(6,52,500)
Sales Value to be realised in next nine months	34,56,000
No. of units to be sold in next nine months	21,600
Selling price per unit (₹ 34,56,000 ÷ 21,600 units)	160



PYQ NOV 18_10M_2b

XYZ a manufacturing firm, has revealed following information for September ,2019:

	1 st September	30 th September
	(₹)	(₹)
Raw Materials	2,42,000	2,92,000
Works-in-progress	2,00,000	5,00,000

The firm incurred following expenses for a targeted production of 1,00,000 units during the month :

	(₹)
Consumable Stores and spares of factory	3,50,000
Research and development cost for process improvements	2,50,000
Quality control cost	2,00,000
Packing cost (secondary) per unit of goods sold	2
Lease rent of production asset	2,00,000
Administrative Expenses (General)	2,24,000
Selling and distribution Expenses	4,13,000
Finished goods (opening)	Nil
Finished goods (closing)	5000 units

Defective output which is 4% of targeted production, realizes ₹ 61 per unit.

Closing stock is valued at cost of production (excluding administrative expenses)

Cost of goods sold, excluding administrative expenses amounts to ₹ 78,26,000.

Direct employees cost is 1/2 of the cost of material consumed.

Selling price of the output is ₹ 110 per unit.

You are required to :

(i) Calculate the Value of material purchased

(ii) Prepare cost sheet showing the profit earned by the firm.

(10 Marks)

(b) Workings:

1. Calculation of Sales Quantity:

Particular	Units
Production units	1,00,000
Less: Defectives (4%×1,00,000 units)	4,000
Less: Closing stock of finished goods	5,000
No. of units sold	91,000

2. Calculation of Cost of Production

Particular	Amount (₹)
Cost of Goods sold (given)	78,26,000
Add: Value of Closing finished goods $\left(\frac{₹ 78,26,000}{91,000 \text{ units}} \times 5,000 \text{ units} \right)$	4,30,000
Cost of Production	82,56,000

3. Calculation of Factory Cost

Particular	Amount (₹)
Cost of Production	82,56,000
Less: Quality Control Cost	(2,00,000)
Less: Research and Development Cost	(2,50,000)
Add: Credit for Recoveries/Scrap/By-Products/ misc. income (1,00,000 units × 4% × ₹ 61)	2,44,000
Factory Cost	80,50,000

4. Calculation of Gross Factory Cost

Particular	Amount (₹)
Cost of Factory Cost	80,50,000
Less: Opening Work in Process	(2,00,000)
Add: Closing Work in Process	5,00,000
Cost of Gross Factory Cost	83,50,000

5. Calculation of Prime Cost

Particular	Amount (₹)
Cost of Gross Factory Cost	83,50,000
Less: Consumable stores & spares	(3,50,000)
Less: Lease rental of production assets	(2,00,000)
Prime Cost	78,00,000

6. Calculation of Cost of Materials Consumed & Labour cost

Let Cost of Material Consumed = M and Labour cost = 0.5M

Prime Cost = Cost of Material Consumed + Labour Cost

$$78,00,000 = M + 0.5M$$

$$M = 52,00,000$$

Therefore, Cost of Material Consumed = ₹ 52,00,000 and

Labour Cost = ₹ 26,00,000

(i) Calculation of Value of Materials Purchased

Particular	Amount (₹)
Cost of Material Consumed	52,00,000
Add: Value of Closing stock	2,92,000
Less: Value of Opening stock	(2,42,000)
Value of Materials Purchased	52,50,000

Cost Sheet

Sl.	Particulars	Total Cost (₹)
1.	Direct materials consumed:	
	Opening Stock of Raw Material	2,42,000
	Add: Additions/ Purchases [balancing figure as per requirement (i)]	52,50,000
	Less: Closing stock of Raw Material	(2,92,000)
	Material Consumed	52,00,000
2.	Direct employee (labour) cost	26,00,000



3.	Prime Cost (1+2)	78,00,000
4.	Add: Works/ Factory Overheads	
	Consumable stores and spares	3,50,000
	Lease rent of production asset	2,00,000
5.	Gross Works Cost (3+4)	83,50,000
6.	Add: Opening Work in Process	2,00,000
7.	Less: Closing Work in Process	(5,00,000)
8.	Works/ Factory Cost (5+6-7)	80,50,000
9.	Add: Quality Control Cost	2,00,000
10.	Add: Research and Development Cost	2,50,000
11.	Less: Credit for Recoveries/Scrap/By-Products/misc. income	(2,44,000)
12.	Cost of Production (8+9+10-11)	82,56,000
13.	Add: Opening stock of finished goods	-
14.	Less: Closing stock of finished goods (5000 Units)	(4,30,000)
15.	Cost of Goods Sold (12+13-14)	78,26,000
16.	Add: Administrative Overheads (General)	2,24,000
17.	Add: Secondary packing	1,82,000
18.	Add: Selling Overheads& Distribution Overheads	4,13,000
19.	Cost of Sales (15+16+17+18)	86,45,000
20.	Profit	13,65,000
21.	Sales 91,000 units@ ₹ 110 per unit	1,00,10,000