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Theory Q&A

Chp9 Job Costing

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Chp9. Job Costing

Theory Q&A

(c) Define Job costing and explain differences between job and batch Costing.

(4 Marks)

- (c)** Job Costing is defined as “the category of basic costing methods which is applicable where the work consists of separate contracts, jobs or batches, each of which is authorised by specific order or contract.” According to this method, costs are collected and accumulated according to jobs, contracts, products or work orders. Each job or unit of production is treated as a separate entity for the purpose of costing.

Difference between job and batch costing

Sr. No.	Job Costing	Batch Costing
1.	Method of costing used for non- standard and non-repetitive products produced as per customer specifications and against specific orders.	Homogeneous products produced in a continuous production flow in lots.
2.	Cost determined for each Job	Cost determined in aggregate for the entire Batch and then arrived at on per unit basis.
3.	Jobs are different from each other and independent of each other. Each Job is unique.	Products produced in a batch are homogeneous and lack of individuality

(c) *Distinguish between Job costing and Process Costing. (Any five points of differences)*

(5 Marks)

Job Costing	Process Costing
(i) A Job is carried out or a product is produced by specific orders.	The process of producing the product has a continuous flow and the product produced is homogeneous.
(ii) Costs are determined for each job.	Costs are compiled on time basis i.e., for production of a given accounting period for each process or department.
(iii) Each job is separate and independent of other jobs.	Products lose their individual identity as they are manufactured in a continuous flow.
(iv) Each job or order has a number and costs are collected against the same job number.	The unit cost of process is an average cost for the period.

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(v) Costs are computed when a job is completed. The cost of a job may be determined by adding all costs against the job.	Costs are calculated at the end of the cost period. The unit cost of a process may be computed by dividing the total cost for the period by the output of the process during that period.
(vi) As production is not continuous and each job may be different, so more managerial attention is required for effective control.	Process of production is usually standardized and is therefore, quite stable. Hence control here is comparatively easier.

- (e) *Identify the methods of costing from the following statements:*
- (i) *Costs are directly charged to a group of products.*
 - (ii) *Nature of the product is complex and method cannot be ascertained.*
 - (iii) *Costs ascertained for a single product.*
 - (iv) *All costs are directly charged to a specific job.*
 - (v) *Costs are charged to operations and averaged over units produced.*

(e) Method of costing followed:

Situation	Method of costing
(i) Costs are directly charged to a group of products.	Batch costing
(ii) Nature of the product is complex and method cannot be ascertained.	Multiple costing
(iii) Cost is ascertained for a single product.	Unit/ Single/Output costing
(iv) All costs are directly charged to a specific job.	Job costing
(v) Costs are charged to operations and averaged over units produced.	Process costing

(d) *Explain 'Job Costing' and 'Batch Costing'.*

(d) Job costing: In this method of costing, cost of each job is ascertained separately. It is suitable in all cases where work is undertaken on receiving a customer's order like a printing press, motor work shop, etc. This method of costing is used for non- standard and non- repetitive products produced as per customer specifications and against specific orders. Jobs are different from each other and independent of each other. Each Job is unique.

Batch Costing: It is the extension of Job costing. Homogeneous products are produced in a continuous production flow in lots. A batch may represent a number of small orders passed through the factory in batch. Each batch here is treated as a unit of cost and thus separately costed. Here cost per unit is determined by dividing the cost of the batch by number of units produced in the batch.