

**1. COST SHEET**

NO. OF PROBLEMS IN 40E OF CA INTER: CLASSROOM – 07, ASSIGNMENT – 02

NO. OF PROBLEMS IN 41E OF CA INTER: CLASSROOM – 07, ASSIGNMENT – 02

NO. OF PROBLEMS IN 42E OF CA INTER: CLASSROOM – 06, ASSIGNMENT – 05

**MODEL - WISE ANALYSIS OF PREVIOUS EXAMINATIONS**

No.	Model Name	M - 11	N - 11	M - 12	N - 12	M - 13	N - 13	M - 14	N - 14	M - 15	N - 15	M - 16	N - 16	M - 17	N - 17	M - 18(O)	M - 18(N)	N - 18(O)	N - 18(N)	M - 19(O)	M - 19(N)
1.	COST SHEET	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-	10	-	10

**SIGNIFICANCE OF EACH PROBLEM COVERED IN THIS MATERIAL**

Problem No. in this material	Problem No. in new SM	Problem No. in old SM	Problem No. in old PM	RTP	MTP	PQ	Previous Exams	Remarks
CR-1	ILL-2	-	-	-	-	-	-	
CR-2	-	-	-	M18(N)	-	-	-	
CR-3	-	-	-	N18(N)	M18(N)	-	-	
CR-4	-	-	-	-	-	-	M18(N)	
CR-5	PQ-1	-	-	-	-	-	-	
CR-6	-	-	-	-	-	-	M19(N)	
ASG - 1	ILL-1	-	-	-	-	-	-	
ASG - 2	-	-	-	-	-	-	-	
ASG - 3	-	-	-	-	-	-	-	
ASG - 4	-	-	-	-	-	-	-	
ASG - 5	-	-	-	-	-	-	-	

A Cost Sheet or Cost Statement is "a document which provides detailed cost information. In a typical cost sheet, cost information are presented on the basis of functional classification. However, other classification may also be adopted as per the requirements of users of the information.

Generally, for the purpose of cost sheet preparation, costs are classified on the basis of functional classification of elements of cost i.e.,

- i) Direct Material Cost
- ii) Direct Employee (labour) Cost
- iii) Direct Expenses
- iv) Production/ Manufacturing Overheads
- v) Administration Overheads
- vi) Selling Overheads
- vii) Distribution Overheads
- viii) Research and Development costs etc.

**COST SHEET / STATEMENT**

	Particulars	Total Cost (Rs.)	Cost per unit (Rs.)
1	Direct materials consumed:		
	- Opening Stock of Raw Material	Xxx	
	- Add: Additions/ Purchases	xxx	

	- Less: Closing stock of Raw Material	(xxx)	
		xxx	
2	Direct employee (labour) cost	xxx	
3	Direct expenses	xxx	
4	<b>Prime Cost (1+2+3)</b>	xxx	
5	Works/ Factory Overheads	xxx	
6	Gross Works Cost (4+5)	xxx	
7	Add: Opening Work in Process	xxx	
8	Less: Closing Work in Process	(xxx)	
9	<b>Works/ Factory Cost (6+7-8)</b>	xxx	
10	Quality Control Cost	xxx	
11	Research and Development Cost	xxx	
12	Administrative Overheads (relating to production activity)	xxx	
13	Less: Credit for Recoveries / Scrap / By-Products / Misc. income	(xxx)	
14	Add: Packing cost (primary)	Xxx	
15	<b>Cost of Production (9+10+11+12-13+14)</b>	xxx	
16	Add: Opening stock of finished goods	xxx	
17	Less: Closing stock of finished goods	xxx	
18	<b>Cost of Goods Sold (15+16-17)</b>	xxx	
19	Add: Administrative Overheads (General)		
20	Add: Marketing overheads		
	- Selling Overheads	xxx	
	- Distribution Overheads	Xxx	
21	<b>Cost of Sales (18+19+20)</b>	xxx	

#### Advantages of cost sheet or cost statement:

The main advantages of a Cost Sheet are as follows:

- It provides the total cost figure as well as cost per unit of production.
- It helps in cost comparison.
- It facilitates the preparation of cost estimates required for submitting tenders.
- It provides sufficient help in arriving at the figure of selling price.
- It facilitates cost control by disclosing operational efficiency.

#### ITEMS OF PURE FINANCE

1. TREATMENT: Ignore

2. MEANING:

- Any expenditure incurred in connection with raising & serving the capital. (E.g. public issue expenses, dividend, interest).
- Any expenditure/loss incurred in connection with collection of debtors. (E.g. discount, bad debts, provision for bad debts).

#### NON COST RELATED ITEMS:

1. TREATMENT: Ignore

2. MEANING: Expenses having no direct or indirect relationship with production.

3. E.G.'s: Write off's (like Goodwill written off), Capital losses/profits, Appropriation of profits (like transfer to reserve, dividends paid), Income Tax (Income tax paid, Advance tax, TDS, Provision for tax, Income tax refund, Interest on refund), Donations etc.

QUALITY CONTROL COST: This is the cost of resources consumed towards quality control procedures.

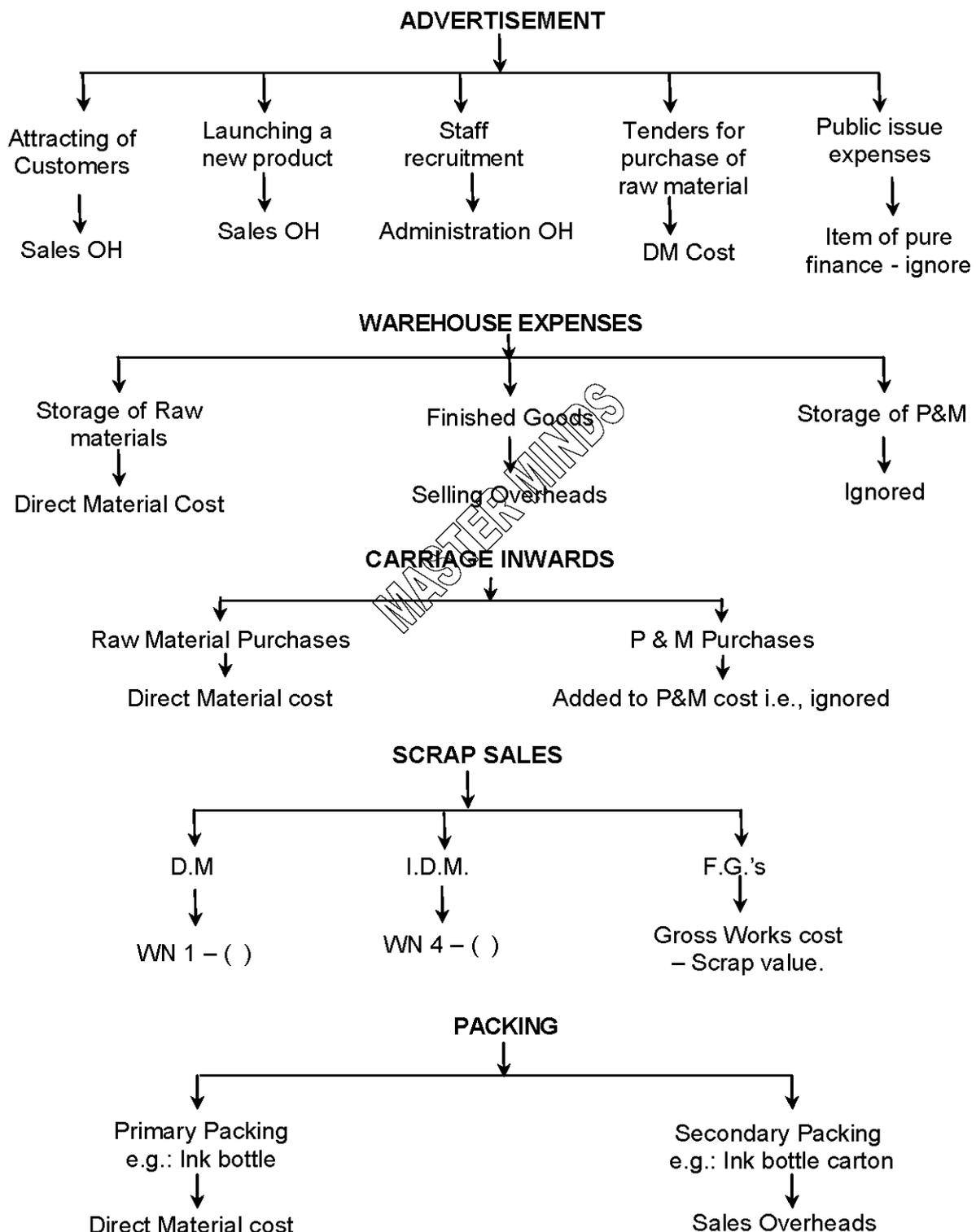
**Example:** A manufacturer has set-up a lab for testing of products for compliance with standards, salary of this lab staffs are part of Quality Control Cost

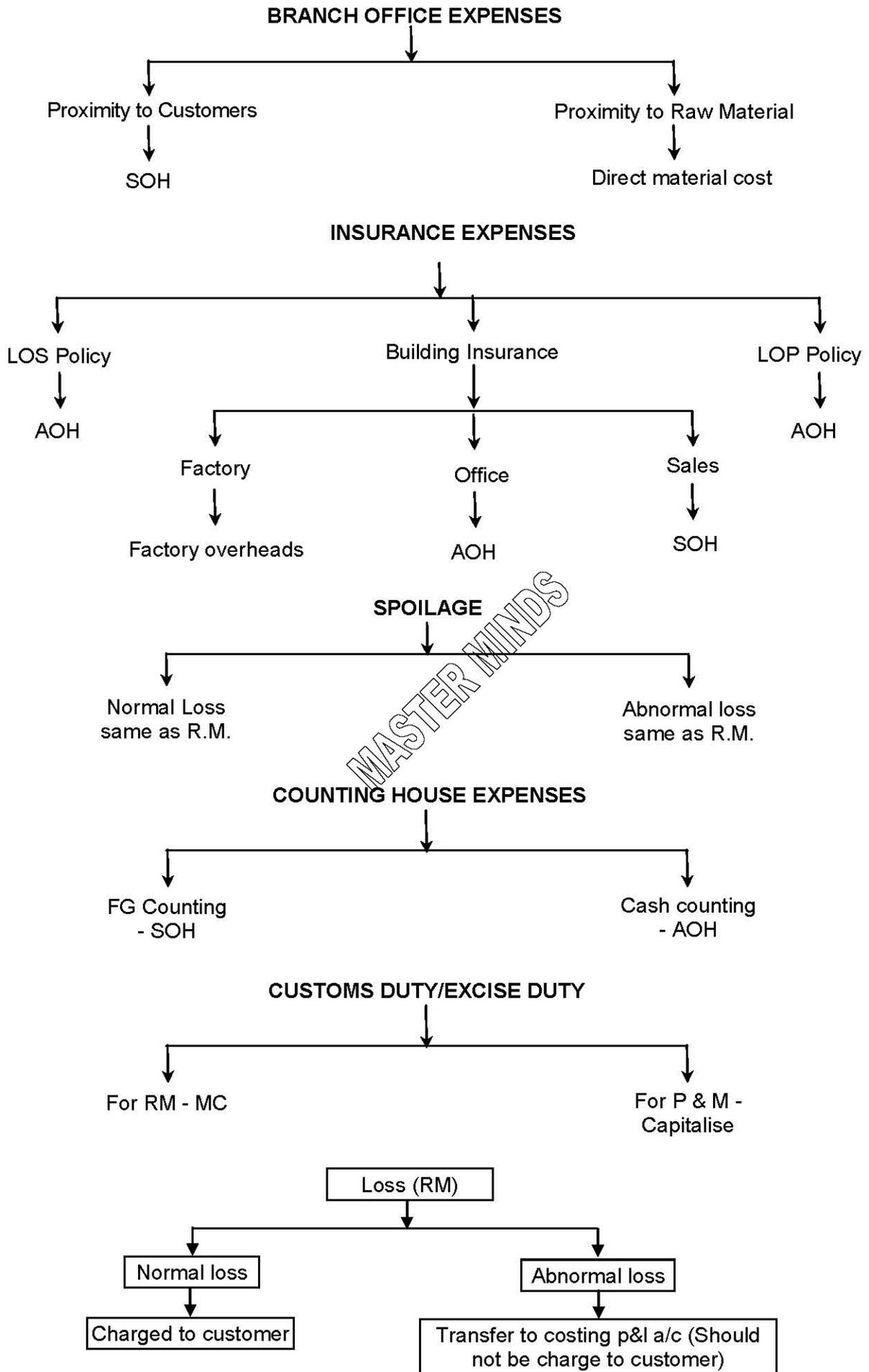
**RESEARCH AND DEVELOPMENT COST:** It includes only those researches and development related cost which with is incurred to improvement of process, system, product or services.

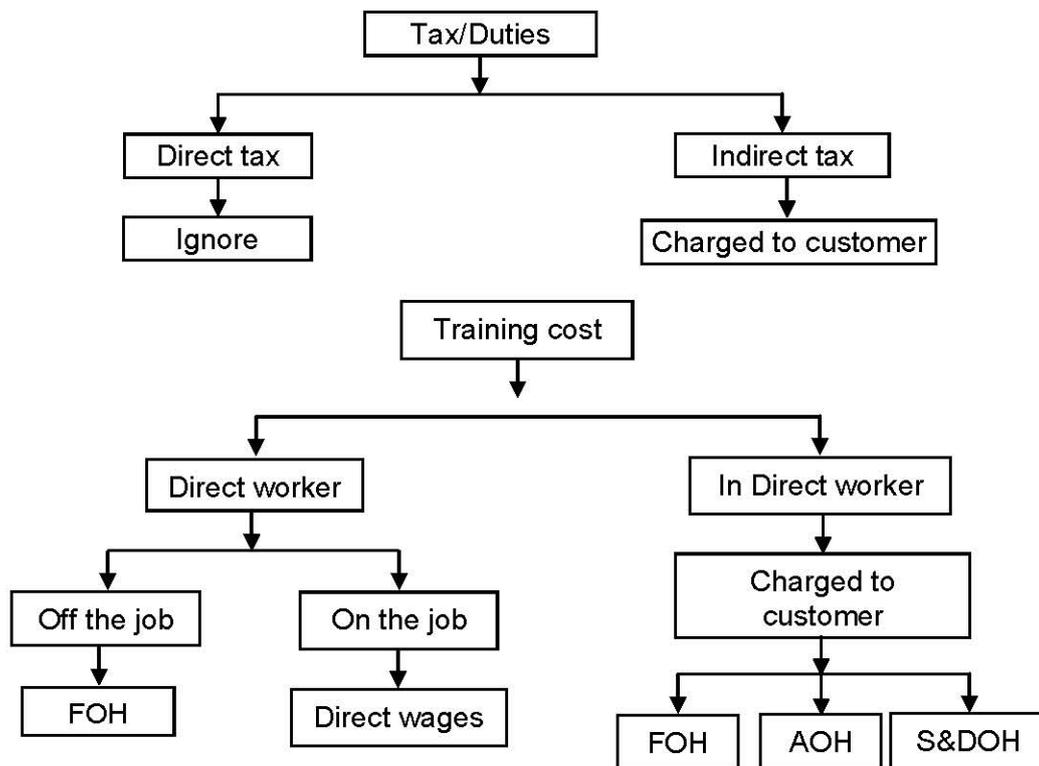
**CREDIT OF RECOVERIES:** The realized or realizable value of scrap or waste is deducted.

**PACKING COST (PRIMARY):** Packing material which is essential to hold and preserve the product for its use by the customer.

### TREATMENT OF VARIOUS EXPENSES







### PROBLEMS FOR CLASS ROOM DISCUSSION

**PROBLEM 1:** The following information has been obtained from the records of ABC Corporation for the period from June 1 to June 30, 20X8.

	On June 1, 20X8 (Rs.)	On June 30, 20X8 (Rs.)
Cost of raw materials	60,000	50,000
Cost of work-in-process	12,000	15,000
Cost of stock of finished goods	90,000	1,10,000
Purchase of raw materials during June' 20X8		4,80,000
Wages paid		2,40,000
Factory overheads		1,00,000
Administration overheads (related to production)		50,000
Selling & distribution overheads		25,000
Sales		10,00,000

Prepare a statement giving the following information:

- Raw materials consumed;
- Prime cost;
- Factory cost;
- Cost of goods sold; and
- Net profit.

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#### Concept questions:

- What is the sale value, if it requires a profit of 20% on sales? [Ans: 11,02,500]
- What is the sale value, if it requires a profit of 10% on cost? [Ans: 9,70,200]

(A) (NEW SM) (ANS.: (A) RAW MATERIALS CONSUMED = 4,90,000 ; (B) PRIME COST = 7,30,000; (C) FACTORY COST = 8,27,000; (D) COST OF GOODS SOLD = 8,57,000; (E) NET PROFIT = 1,18,000)

(SOLVE PROBLEM NO. 1 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 2:** From the following figures, Calculate cost of production and profit for the month of March 2018.

	Amount (Rs)		Amount (Rs)
Stock on 1st March, 2018		Purchase of raw materials	28,57,000
- Raw materials	6,06,000	Sale of finished goods	1,34,00,000
- Finished goods	3,59,000	Direct wages	37,50,000
Stock on 31st March, 2018		Factory expenses	21,25,000
- Raw materials	7,50,000	Office and administration expenses	10,34,000
- Finished goods	3,09,000	Selling and distribution expenses	7,50,000
Work-in-process:		Sale of scrap	26,000
- On 1st March, 2018	12,56,000		
- On 31st March, 2018	14,22,000		

(B) (MTP1 - M19 (NEW)), (ANS: C.O.P-83,96,000; PROFIT: 31,70,000)

(SOLVE PROBLEM NO. 2 OF ASSIGNMENT PROBLEMS AS REWORK)

### Concept questions

(a) Find cost of production if above office and administration expenses are related to production  
[Ans: 94,30,000]

Note: \_\_\_\_\_

**PROBLEM 3:** From the following data of ABC Ltd., Calculate Cost of production:

		Amount (Rs)
i)	Repair & maintenance paid for plant & machinery	9,80,500
ii)	Insurance premium paid for inventories	26,000
iii)	Insurance premium paid for plant & machinery	96,000
iv)	Raw materials purchased	64,00,000
v)	Opening stock of raw materials	2,88,000
vi)	Closing stock of raw materials	4,46,000
vii)	Wages paid	23,20,000
viii)	Value of opening Work-in-process	4,06,000
ix)	Value of closing Work-in-process	6,02,100
x)	Quality control cost for the products in manufacturing process	86,000
xi)	Research & development cost for improvement in production process	92,600
xii)	Administrative cost for:	
	- Factory & production	9,00,000
	- Others	11,60,000
xiii)	Amount realised by selling scrap generated during the manufacturing process	9,200
xiv)	Packing cost necessary to preserve the goods for further processing	10,200
xv)	Salary paid to Director (Technical)	8,90,000

(A) RTP N18(N), MTP II - M18 (N) (ANS: C.O.P-1,05,48,000)

(SOLVE PROBLEM NO. 3 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 4:** Following information relate to a manufacturing concern for the year ended 31<sup>st</sup> March, 2018:

	Rs.
Raw material (opening)	2,28,000
Raw material (closing)	3,05,000
Purchase of raw material	42,25,000
Freight inwards	1,00,000
Direct wages paid	12,56,000
Direct wages o/s 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	Rs.16 per unit
Finished stock (opening) – 1217 units	6,08,500
Sale of scrap of material	8,000

The firm produced 14000 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 14153 units at a price of Rs.618 per unit during the year, Prepare cost sheet of the firm.

(A)( RTP 2019(NEW))(ANS: C.O.P – 70,00,000 ; PROFIT – 14,43,606)

(SOLVE PROBLEM NO. 4 OF ASSIGNMENT PROBLEMS AS REWORK Pg no:5.10)

### Concept questions

- (a) Find closing stock, if closing stock units include opening stock of 364 units (Ans: 5,32,000)

Note: \_\_\_\_\_

**PROBLEM 5:** The books of Adarsh manufacturing company present the following data for the month of April, 2019

- Direct Labour cost of Rs.17,500 being 175 % of works overheads.
- The cost of goods sold excluding administrative expense Rs.56,000
- Inventory accounts showed the following opening and closing balances:

Particulars	April 1	April 30
Raw Material	8,000	10,600
Work-In-Progress	10,500	14,500
Finished Goods	17,600	19,000
Selling expenses		3,500
General and administration expenses		2,500
Sales for the month		75,000

Compute the value of materials purchased and prepare a cost statement showing the various elements of cost and also calculate the profit earned.

(A) (NEW SM)

(ANS: VALUE OF MATERIALS PURCHASED IS RS.36,500; COST OF SALES IS 62,000; PROFIT EARNED IS 13,000)

(SOLVE PROBLEM NO. 5 OF ASSIGNMENT PROBLEMS AS REWORK)

### Concept questions

- (a) Find purchase of material if administrative overhead relating to production is RS.6500 (Ans: 30,000)

Note: \_\_\_\_\_

**PROBLEM 6:** 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:

- a) Direct Material Rs 40 per unit
- b) Direct Labour Rs 30 per unit (subject to a minimum of Rs 48,000 p.m)
- c).Factory overheads
  - i) Fixed 3,60,000 per annum
  - ii) Variable Rs 10 per unit
  - iii) Semi - Variable Rs 1,08,000 per annum up to 50% capacity and additional Rs. 46,800 for every 20% increase in capacity or any part thereof.
- d) Administrative Over Heads Rs 5,18,400 per annum(fixed)
- e) Selling overheads are incurred at Rs 8 per unit
- f) Each unit of Raw material yields scrap which is sold at the rate of 5 per unit
- g) In year 2019, the factory at 50% capacity for the first three months but it is expected that it would work at 80% capacity for the remaining nine months
- h) During the first three months the selling price per unit was Rs 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 Rs.8,76,600.

(MAY – 2019(NEW)) (ANS.: (i) Prime cost:17,05,500, Works Cost: 25,04,700, Cost of production: 30,23,100, Cost of sale: 32,31,900, (ii) Cost of S.P RS160 p. u- )

CONCEPT QUESTION:

IF SEMI VARIABLE =108000 IS UP TO 50% CAPACITY AND ADDITIONAL 46,800 FOR EVERY 50% INCREASE IN CAPACITY OR ANY PART THERE OF. (ANS:COP=26,36,100)

## ASSIGNMENT PROBLEMS

**PROBLEM 1:** The following data relates to the manufacture of a standard product during the month of April, 20X8:

Raw materials	Rs 1,80,000
Direct wages	Rs 90,000
Machine hours worked (hours)	10,000
Machine hour rate (per hour)	Rs.8
Administration overheads	Rs.35,000
Selling overheads (per unit)	Rs.5
Units produced	4,000
Units sold	3,600
Selling price per unit	Rs.125

You are required to prepare a cost sheet in respect of the above showing:

- i) Cost per unit
- ii) Profit for the month.

(A) (NEW SM)(ANS.: COST PER UNIT = RS. 101.25; PROFIT FOR THE MONTH = RS.82,000)

**PROBLEM 2:** From the following figures calculate cost of Production and the profit for the month of March 2019

Particulars	Amount	Particulars	Amount
Stock on 1 <sup>st</sup> March 2019		Purchase of Raw material	39,52,000

Raw material	89,000	Sales of finished goods	2,57,56,000
Finished Goods	1,80,000	Direct wages	1,37,98,000
Stock on 31 <sup>st</sup> March 2019		Factory Expenses	42,55,300
Raw material	5,00,000	Office & Administration Expenses	30,20,200
Finished Goods	2,00,000	Selling & Distribution Expenses	3,70,600
Work in progress		Sale of Scrap	50,000
On 1 <sup>st</sup> March 2019	1,50,000		
On 31 <sup>st</sup> March 2019	59,000		

(Ans: Total cost of Production: 2,16,35,300, Profit:7,49,900)

**PROBLEM 3:** From the following data of ABC Ltd., Calculate Cost of production:

	Amount (Rs)
i) Repair & maintenance paid for plant & machinery	10,000
ii) Insurance premium paid for inventories	3,000
iii) Insurance premium paid for plant & machinery	2,000
iv) Raw materials purchased	58,000
v) Opening stock of raw materials	5,000
vi) Closing stock of raw materials	4,000
vii) Wages paid	23,000
viii) Value of opening Work-in-process	2,500
ix) Value of closing Work-in-process	7,500
x) Quality control cost for the products in manufacturing process	15,000
xi) Research & development cost for improvement in production process	50,000
xii) Administrative cost for:	
- Factory & production	30,000
- Others	70,000
xiii) Amount realised by selling scrap generated during the manufacturing process	2,000
xiv) Packing cost necessary to preserve the goods for further processing	5,000
xv) Salary paid to Director (Technical)	5,000

(A) (RTP N18(N), MTP II – M18 (N)) (ANS: C.O.P-1,90,000)

Note: \_\_\_\_\_

**PROBLEM 4:** Prepare the cost sheet to show the total cost of production and cost per unit of goods manufactured by a company for the month of July 2017. Also find out the cost of sales.

Particulars	(in RS.)
Stock of raw material 1.7.2017	3,000
Raw materials purchased	28,000
Stock of raw materials 31.7.2017	4500
Manufacturing wages	7,000
Depreciation on plant	1,500
Loss on sale part of plant	300
Factory rent and rates	3,000
Discount on sales	300
Advertisement expenses to be charged fully	600
Income tax paid	2,000

Administrative overhead (relating to production) 900

The number of units produced during July, 2017 was RS.3000.

The stock of finished goods was 200 and 400 units on 1.7.2017 and 31.07.2017 respectively.

The total cost of units on hand on 1.7.2017 was RS.2,800. All these had been sold during the month.

(Ans: Total cost of production :38,900, cost per unit:RS.12.96, cost of sales; 37,460)

Note: \_\_\_\_\_

**PROBLEM 5:** The books of Ganapathi manufacturing company present the following data for the month of April, 2019.

- d) Direct Labour cost of Rs.10,000 being 200 % of works overheads.  
 e) The cost of goods sold excluding administrative expense Rs.75,000  
 f) Inventory accounts showed the following opening and closing balances:

Particulars	April 1	April 30
Raw Material	5,000	15,000
Work-In-Progress	30,000	21,000
Finished Goods	3,500	1,000
Selling expenses		2,500
General and administration expenses		1,000
Sales for the month		100,000

Compute the value of materials purchased and prepare a cost statement showing the various elements of cost and also calculate the profit earned. (A) (NEW SM)

(ANS: VALUE OF MATERIALS PURCHASED IS RS.58,500; COST OF SALES IS 78,500; PROFIT EARNED IS Rs. 21,500)

Note: \_\_\_\_\_

## ADDITIONAL PROBLEMS FOR SELF PRACTICE

**PROBLEM 1:** A Ltd. Co. has capacity to produce 1,00,000 units of a product every month. Its works cost at varying levels of production is as under:

Level	Works cost per unit (Rs)
10%	400
20%	390
30%	380
40%	370
50%	360
60%	350
70%	340
80%	330
90%	320
100%	310

Its fixed administration expenses amount to Rs 1,50,000 and fixed marketing expenses amount to Rs 2,50,000 per month respectively. The variable distribution cost amounts to Rs 30 per unit.

It can sell 100% of its output at Rs 500 per unit provided it incurs the following further expenditure:

- a) It gives gift items costing Rs 30 per unit of sale;

- b) It has lucky draws every month giving the first prize of Rs 50,000; 2nd prize of Rs 25,000, 3rd prize of Rs 10,000 and three consolation prizes of Rs 5,000 each to customers buying the product.
- c) It spends Rs 1,00,000 on refreshments served every month to its customers;
- d) It sponsors a television programme every week at a cost of Rs 20,00,000 per month.

It can market 30% of its output at Rs 550 per unit without incurring any of the expenses referred to in (a) to (d) above.

Prepare a cost sheet for the month showing total cost and profit at 30% and 100% capacity level.

(B) (NEW SIM) ANS.: TOTAL COST AND PROFIT FOR THE MONTH AT 30% CAPACITY LEVEL IS RS.423.33; Rs.126.72 AND 100% CAPACITY LEVEL IS Rs.396.00; Rs.104.00 RESPECTIVELY

Note: \_\_\_\_\_

**PROBLEM 2:** Parker manufactures two types of pens, P & Q. Prepare a cost statement separately for two types of pens from the following cost data for the year-ended 30<sup>th</sup>, Sep.:

Direct Material	4,00,000
Direct Wages	2,24,000
Production OH	96,000

- a) Direct materials in type P is double to direct materials in type Q. Direct wages for type Q is 60% of those for type P.
- b) Production overheads are at the same rate for both types. Administration overheads for each are 200% of direct labour. Selling costs are 50 Paise per pen for both types.
- c) Production during the year: Type P - 40,000, Type Q - 1,20,000 units. Sales during the year: Type P - 30,000, Type Q - 1,00,000. Selling price - Rs.14 for type P and Rs.10 for type Q.

(C) (MAY 2019 (NEW) (ANS.: COST OF SALES AT P AND Q ARE 3,33,000 AND 6,70,000 RESPECTIVELY, PROFIT / LOSS: 87,000 AND 3,30,000 RESPECTIVELY AT P AND Q, SALES: 4,20,000 AND 10,00,000 RESPECTIVELY AT P AND Q)

Note: \_\_\_\_\_

**PROBLEM 3:** Arnav In spat Udyog Ltd. has the following expenditures for the year ended 31st March, 20X8:

S. No.		Amount (Rs.)	Amount (Rs.)
(i)	Raw materials purchased		10,00,00,000
(ii)	GST paid on the above purchases @18% (eligible for input tax credit)		1,80,00,000
(iii)	Freight inward		11,20,600
(iv)	Wages paid to factory workers		29,20,000
(v)	Contribution made towards employees' PF & ESIS		3,60,000
(vi)	Production bonus paid to factory workers		2,90,000
(vii)	Royalty paid for production		1,72,600
(viii)	Amount paid for power & fuel		4,62,000
(ix)	Amount paid for purchase of moulds and patterns (life is equivalent to two years production)		8,96,000
(x)	Job charges paid to job workers		8,12,000
(xi)	Stores and spares consumed		1,12,000
(xii)	Depreciation on		:
	- Factory building	84,000	
	- Office building	56,000	
	- Plant & Machinery	1,26,000	
	- Delivery vehicles	86,000	3,52,000

(xiii)	Salary paid to supervisors		1,26,000
(xiv)	Repairs & Maintenance paid for		:
	- Plant & Machinery	48,000	
	- Sales office building	18,000	
	- Vehicles used by directors	<u>19,600</u>	85,600
(xv)	Insurance premium paid for		:
	- Plant & Machinery	31,200	
	- Factory building	18,100	
	- Stock of raw materials & WIP	<u>36,000</u>	85,300
(xvi)	Expenses paid for quality control check activities		19,600
(xvii)	Salary paid to quality control staffs		96,200
(xviii)	Research & development cost paid improvement in production process		18,200
(xix)	Expenses paid for pollution control and engineering & maintenance		26,600
(xx)	Expenses paid for administration of factory work		1,18,600
(xxi)	Salary paid to functional managers:		
	- Production control	9,60,000	
	- Finance & Accounts	9,18,000	
	- Sales & Marketing	<u>10,12,000</u>	28,90,000
(xxii)	Salary paid to General Manager		12,56,000
(xxiii)	Packing cost paid for:		
	- Primary packing necessary to maintain quality	96,000	
	- For re-distribution of finished goods	<u>1,12,000</u>	2,08,000
(xxiv)	Interest and finance charges paid		7,20,000
(xxv)	Fee paid to auditors		1,80,000
(xxvi)	Fee paid to legal advisors		1,20,000
(xxvii)	Fee paid to independent directors		2,20,000
(xxviii)	Performance bonus paid to sales staffs		1,80,000
(xxix)	Value of stock as on 1st April, 20X7:		
	- Raw materials	18,00,000	
	- Work-in-process	9,20,000	
	- Finished goods	<u>11,00,000</u>	38,20,000
(xxx)	Value of stock as on 31st March, 20X8:		
	- Raw materials	9,60,000	
	- Work-in-process	8,70,000	
	- Finished goods	18,00,000	36,30,000

Amount realized by selling of scrap and waste generated during manufacturing process – Rs. 86,000/

From the above data you are requested to PREPARE Statement of cost for Arnav In spat Udyog Ltd. for the year ended 31<sup>st</sup> March, 20X8, showing (i) Prime cost, (ii) Factory cost, (iii) Cost of Production, (iv) Cost of goods sold and (v) Cost of sales

(C) (PQ) (SIMILAR N18(N) – 10M) (PRIME COST = 10,74,25,200; FACTORY COST = 10,80,83,100; COST OF PRODUCTION = 10,93,05,700; COST OF GOODS SOLD = 10,86,05,700 ; COST SALES = 11,35,03,300)

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**THE END**