

1. COST SHEET

PROBLEM 1:

i) Cost Sheet

Output: 4,000 units

	Total Cost (Rs.)	Cost per (unit) (Rs.)
Raw materials	1,80,000	45.00
Direct wages	90,000	22.50
Prime cost	2,70,000	67.50
Add: Factory overheads (10,000 hrs × Rs.8 per hour)	80,000	20.00
Cost of Production	3,50,000	87.50
Less: Closing Stock of finished goods (4,000 – 3,600 units)	(35,000)	--
Cost of Goods Sold	3,15,000	87.50
Add: Administration overheads	35,000	8.75
Add: Selling Overheads (3,600 units × Rs.5 unit)	18,000	5.00
Cost of sales (total Cost)	3,68,000	101.25

ii) Statement of Profit

	Total Cost (Rs.)
Sales revenue (3,600 units @ Rs.125)	4,50,000
Less: Cost of sales	3,68,000
Profit	82,000

PROBLEM 2**Items to be ignored:**

Int on loan	- 4500
Discount	- 1750
Provision for bad debts	- 10000
Income tax	- 12000
Donations	- 7000

Assumptions:

- Unproductive wages relates to administrative department. Hence it is considered as administrative overheads.
- Estimating expenses work is done by production manager. hence it is considered as factory overheads.
- Sale of scrap relates to raw material. It is adjusted to raw material purchase cost by way of deduction.
- Legal expenses relates to production. Hence it is considered as office and administrative over heads.
- Rent of ware house relates to finished goods storage. hence it is considered as selling and distribution overheads.
- Bank charges relates to sales activities. Hence it is considered as selling and distribution overheads.

Working note – 1:

Direct material consumed:	
Opening stock of raw material	- 2000
(+) purchase of raw material	- 150000
(+) carriage of purchase	= 2000
	<u>1,54,000</u>

(-) closing stock of raw material	- 18500
(-) sale of scrap ass(3)	- 750
D.M.C	- <u>1,34,750</u>

Working note – 2:**Direct expenses (or) chargeable expenses :**

Royalty	- 24,000
Power	- 15,500
Cost of special design	- <u>5000</u>
	<u>44,500</u>

Working note – 3:**Factory overheads:**

Overhauling	- 500
Factory cleaning	- 500
Estimating expenses (ASS (2))	- 500
Loose tools written off	- 500
Water	- 500
Factory insurance	- 500
Factory rent and rates	- 7000
Telephone (80%)	- 600
Work directors sitting fees	- 500
Factory electricity	- 4500
Depreciation on plant	- 6000
Salaries (85%)	- 6250
Depreciation on factory furniture	- <u>2000</u>
	<u>29,850</u>

Working note – 4:**Office and administrative over heads:**

Unproductive wages (ASS(1))	- 500
Office rent and rates	- 5000
Telephone (60%)	- 1800
Legal expenses (ASS(4))	- 500
Office electricity	- 3000
Salaries (50%)	- 12,500
Establishment expenses (50%)	- 5000
Office directors sitting fee	- 500
Depreciation on office furniture	- <u>2500</u>
	<u>31300</u>

Working note – 5:**Selling and distribution over heads:**

Advertisement	- 7500
Depreciation on delivery van	- 2000
Bank charges (ASS (6%))	- 500
Sales commission	- 500
Telephone (20%)	- 600
Salaries(25%)	- 6250
Establishment expenses (50%)	- 5000
Rent of ware house(ASS 5)	- <u>6500</u>
	<u>28,850</u>

COST SHEET

PARTICULARS	AMOUNT (Rs.)
Direct material consumed (W.N – 1)	1,34,750
Direct wages	1,20,000
Direct expenses (W.N – 2)	44,500
Prime cost	2,99,250
Add:factory overheads (W.N – 3)	29,850
Net factory cost	3,29,100
Add: Office and administrative over heads	31,300

Cost of production	3,60,400
Add: opening stock of finished goods	3,000
Less: closing stock of finished goods	3,000
Cost of goods sold	3,60,400
Add: Selling and distribution over heads (W.N – 4)	28,850
Total cost (or) cost of sales	3,89,250
Add: profit(b/f)	1,10,750
sales	5,00,000

THE END

MASTER MINDS