

CHAPTER-6

COST SHEET

Q1. From the following figures, CALCULATE cost of production and profit for the month of March 2018.

	Amount (Rs.)		Amount (Rs.)
Stock on 1 st 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 31 st 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 1 st March, 2018	12,56,000		
- On 31 st March, 2018	14,22,000		

[R-M18/5][MTP-MAR 19/1(C)]

Q2. (A19). From the following information, prepare a Cost Sheet showing the cost and profit.

1.

	Opening	Closing
Raw Materials:	Rs 29,500	Rs 36,000
Work-in-progress:		
Materials	13,600	12,000
Wages	11,000	16,500
Works overheads	6,600	9,900
Finished Goods:	200 units @ Rs 84	1600 units
2. Purchases of raw material Rs. 1,90,000, Carriage on purchases Rs. 1,500, Sale of scrap of raw materials Rs. 5,000
3. Wages Rs 2,97,000
4. Works overheads are absorbed @ 60% of direct labour cost.
5. Administration overheads are absorbed @ Rs 12 per unit produced.
6. Selling & distribution overheads are absorbed @ 20% of selling price
7. Sales — 7600 units @ a profit of 10% on sales price.

Q3. (A2). A factory uses a job costing system. The following cost data are available from the books for the year ended 31st March, 20X1:

Direct material	Rs. 9,00,000	Selling and distribution overheads	Rs. 5,25,000
Direct wages	Rs. 7,50,000	Administrative overheads	Rs. 4,20,000
Profit	Rs. 6,09,000	Factory overheads	Rs. 4,50,000

(a) Prepare a Cost Sheet indicating the prime cost, works cost, production cost, cost of sales and sales value.

(b) In 20X1-20X2, the factory had received an order for a number of jobs. It is estimated that the direct materials would be Rs. 12,00,000 and direct labour would cost Rs. 7,50,000. What would be the price for these jobs if the factory intends to earn the same rate of profit on sales, assuming that the selling and distribution overhead has gone up by 15%. The factory recovers factory overhead as a percentage of direct wages and administrative and selling and distribution overheads as a percentage of works cost, based on the cost rates prevalent in the previous year.

Q4. [SMN1] The following data relates to the manufacture of a standard product during the month of April, 20X8:

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

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

- Cost per unit
- Profit for the month

Q5. [SMN2]. 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.

Q6. Following information relate to a manufacturing concern for the year ended 31st March, 2018:

Particulars	(Rs.)
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	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.

[INTER-M18/2(A)][M-10][R-M19/5]

Q7. [SMP1] The books of Adarsh Manufacturing Company present the following data for the month of April, 20X9:

Direct labour cost Rs.17,500 being 175% of works overheads.

Cost of goods sold excluding administrative expenses Rs.56,000.

Inventory accounts showed the following opening and closing balances:

	April 1 (Rs.)	April 30 (Rs.)
Raw materials	8,000	10,600
Work-in-progress	10,500	14,500
Finished goods	17,600	19,000
		(Rs.)
Selling expenses		3,500
General and administration expenses		2,500
Sales for the month		75,000

You are required to:

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

Q8. From the following data of Arnav Metallic 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

[MTP2-M18/3(B)][R-N18/5][MTP-OCT 19/4(B)]

Q9. Arnnav Ispat Udyog, Ltd. Has the following expenditures for the year ended 31st March, 20X8:

Sl. 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	19,600	85,600
(xv)	Insurance premium paid for:		
	- Plant & Machinery	31,200	
	- Factory building	18,100	
	- Stock of raw materials & WIP	36,000	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	10,12,000	29,90,000
(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	1,12,000	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 1 st April, 20X7:		
	- Raw materials	18,00,000	
	- Work-in-process	9,20,000	
	- Finished goods	11,00,000	38,20,000
(xxx)	Value of stock as on 31 st March, 20X8:		
	- Raw materials	9,60,000	
	- Work-in-process	8,70,000	
	- Finished goods	18,20,000	36,50,000

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 Arnnav Ispat Udyog Ltd. For the year ended 31st March, 20X8, showing (i) Prime cost, (ii) Factory cost, (iii) Cost of Production, (iv) Cost of goods sold and (v) Cost of sales.

Q10. (B7). From the following information, prepare a Cost Sheet:

- | | |
|--|--------------|
| 1. Material consumed | Rs. 2,00,000 |
| 2. Direct wages | Rs. 1,00,000 |
| 3. Works overheads incurred Rs. 60,000 [60% fixed] | |
| 4. Office overheads incurred Rs 18,000 [100% fixed] | |
| 5. Selling & distribution expenses Rs. 11,400 [Rs. 5,400 variable] | |
| 6. Sales 90,000 units at a profit of 7.5% on Selling Price | |
| 7. Closing Stock of finished goods 10,000 units | |
| 8. Normal output of the factory 1,50,000 units. | |

Q11. [SMP2] 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:

- it gives gift items costing Rs.30 per unit of sale;
- 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.
- it spends Rs.1,00,000 on refreshments served every month to its customers;
- 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.

Q12. 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:

- Direct Material Rs. 40 per unit
- Direct Labour Rs. 30 per unit (subject to a minimum of Rs. 48,000 p.m.)
- Factory Overheads:
 - Fixed Rs. 3,60,000 per annum
 - Variable Rs. 10 per unit
 - 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.
- Administrative Overheads Rs. 5,18,400 per annum (fixed)
- Selling overheads are incurred at Rs. 8 per unit.
- Each unit of raw material yields scrap which is sold at the rate of Rs. 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 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.

[INTER/M19/2(A)]

Q13. XYZ a manufacturing firm, has revealed following information for September, 2019:

	1 st September Rs.	30 th September Rs.
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:

	Rs.
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 Rs. 61 per unit.

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

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

Direct employees cost is $\frac{1}{2}$ of the cost of material consumed.

Selling price of the output is Rs.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.

[INTER/N19/3(B)]

Q14. Following details are provided by M/s ZIA Private Limited for the quarter ending 30 September, 2018:

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

Stock details as per Stock Register:

Particulars	30.06.2018 (Rs.)	30.09.2018 (Rs.)
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.

[INTER/N18/2(A)]

Home work

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