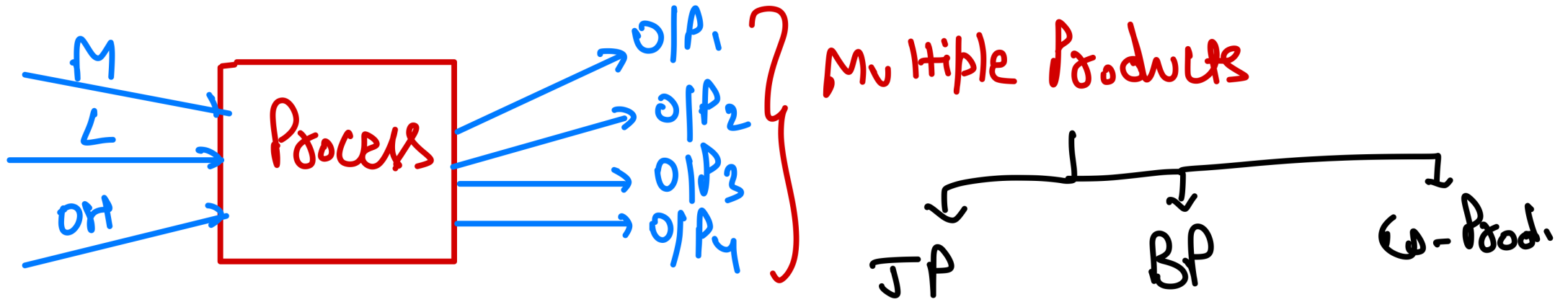


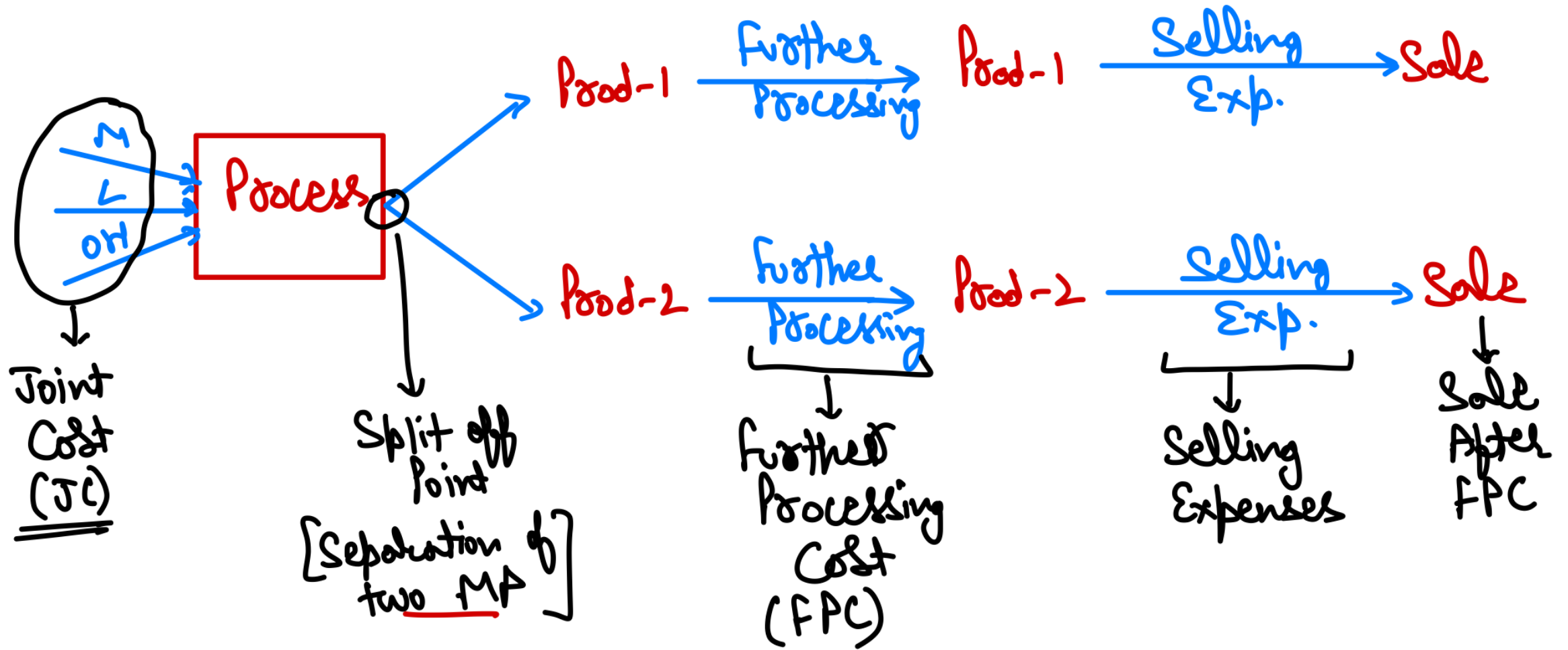
Joint & By-Product

1. Multiple Output



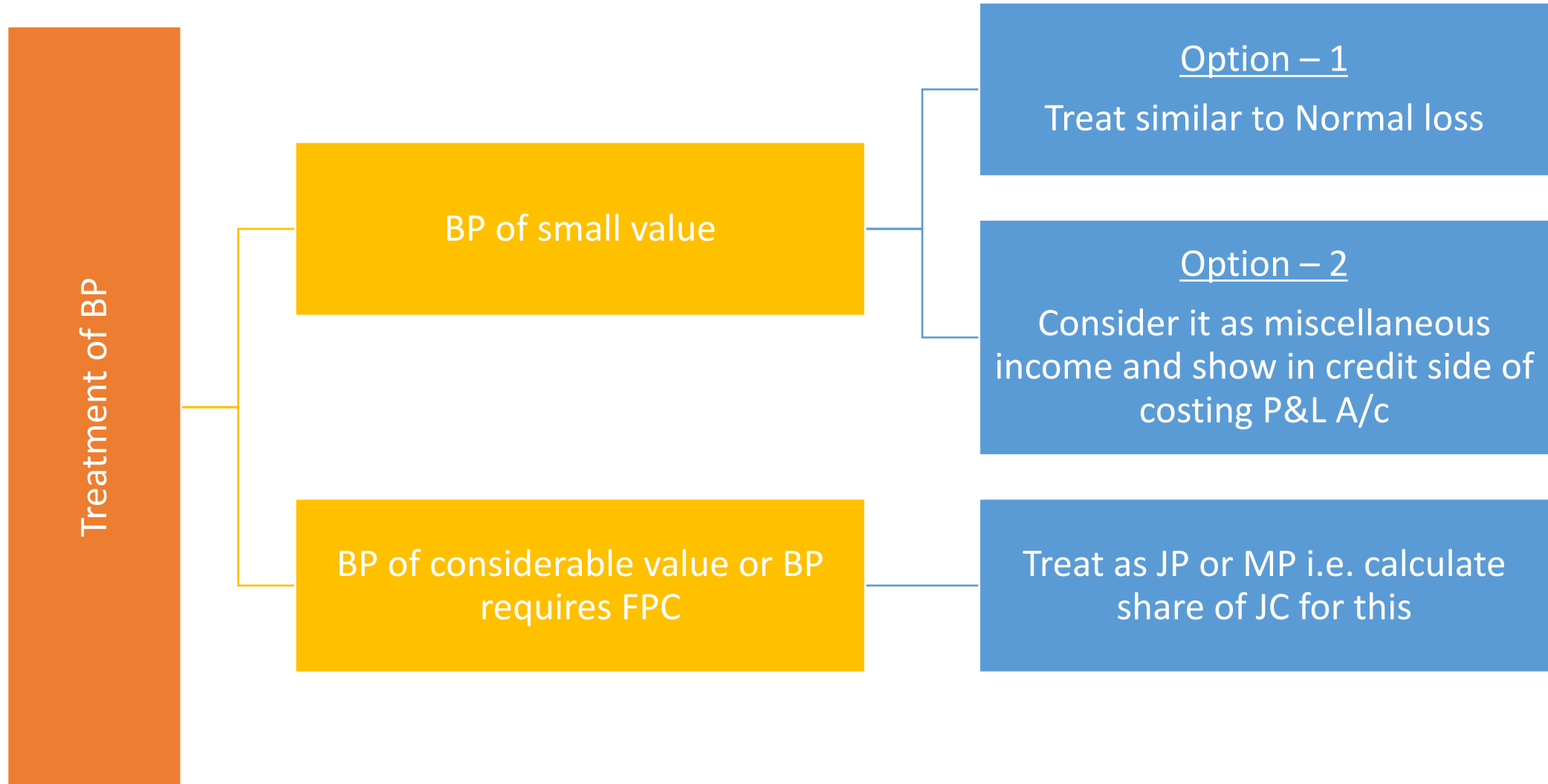
Joint & By-Product

2. Meaning of Basic Terms



Joint & By-Product

3. Treatment of By-Product (BP)



Joint & By-Product

4. Methods of Apportionment of Joint Cost (JC)

(A) Reverse Cost Method

Particulars	Product A	Product B
Sale value	-	-
Less: Profit	-	-
Total Cost	-	-
Less: Selling expenses	-	-
Work Cost	-	-
Less: Further Processing cost	-	-
Share of Joint Cost		

If total joint cost is not matching with value given in question then distribute actual joint cost given in question in the share of joint cost calculated from above statement.

If data of profit is given for only one product then prepare above table for one product after that share of JC of other product = Total JC – Share of JC from above table for one product.

Joint & By-Product

(B) Physical Unit Method – Distribute on the basis of physical units produced

(C) Sale value at split off method – Distribute on the basis of sale value at split off of units produced.

(D) Sale value after FPC method – Distribute on the basis of sale value after FPC of units produced.

(E) Net Realizable Value (NRV) Method – Distribute on the basis of NRV

$$\text{NRV} = \text{Sale after FPC} - \text{Selling Expenses} - \text{FPC}$$

(F) Contribution Margin Method

Distribute variable cost on the basis of units produced

Distributed fixed cost on the basis of contribution

If any product has zero or negative contribution than FC will not be distributed for that product.

Joint & By-Product

5. Decision Regarding Further Processing

Compare Incremental Revenue with Incremental Cost

If Incremental revenue $>$ Incremental cost - Yes further process

If Incremental revenue $<$ Incremental cost - Not to further process

Incremental revenue = Sale after FPC – Sale at split off

Incremental cost = FPC + Increase in any other cost – Decrease in any other cost