

Employee Cost & Direct Expenses

1. Labour Turnover

It is the rate of change in labour force of an organisation. It can be calculated by following ways:

$$(A) \text{ Separation Method} = \frac{\text{Number of Separation}}{\text{Average No. of Workers}} \times 100$$

$$(B) \text{ Replacement Method} = \frac{\text{Number of Replacement}}{\text{Average No. of Workers}} \times 100$$

$$(C) \text{ New Recruitment Method} = \frac{\text{Number of Expansion}}{\text{Average No. of Workers}} \times 100$$

$$(D) \text{ Flux Method} = \frac{(\text{No. of Separation} + \text{No. of accessions})}{\text{Average No. of Workers}} \times 100$$

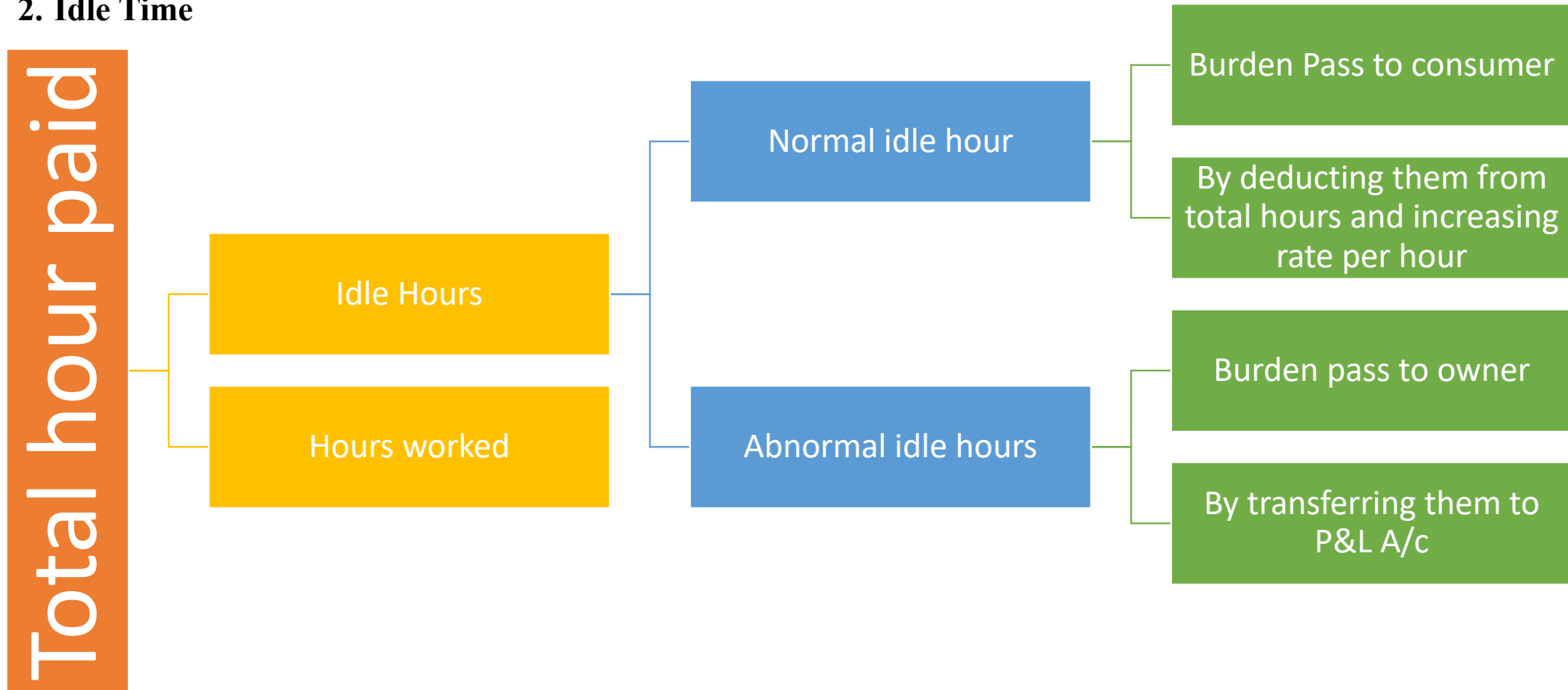
$$(E) \text{ Flux Method} = \frac{(\text{No. of Separation} + \text{No. of replacement})}{\text{Average No. of Workers}} \times 100$$

$$(F) \text{ Average worker} = \frac{\text{Opening} + \text{Closing}}{2}$$

$$(G) \text{ Equivalent Annual LTR} = \frac{\text{Labour Turnover Rate}}{\text{No. of days in the period}} \times 365$$

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2. Idle Time



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3. Statement of Wage Rate Calculation

Particulars	Amount (₹)
Basic Wages	--
Dearness Allowance	--
Bonus	--
Commission	--
Perquisite	--
Overtime	--
Any other allowances	--
Employer contribution to PF/ESI etc.	--
Gross Wages	--
Effective Working Hours (Total hours – Normal Idle Hours)	--
Wage rate per hour	--

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4. Net Wages or In-hand wages calculation

Particulars	Amount (₹)
Gross Wages	--
(-) Employee contribution to PF/ESI etc.	--
(-) Employer contribution to PF/ESI etc.	--
(-) Tax deducted at source (TDS)	--
(-) Professional Tax	--
(-) Any other deduction	--
Net Wages Payable	--

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5. Overtime

It is hours worked over and above the normal working hours.

6. Overtime Premium

- It is the extra amount of wages paid over the normal rate.
- According to Factories Act of 1948, a worker is entitled for overtime at double the rate of his wages if he works more than 9 hours in a day or more than 48 hours in a week.

7. Treatment of Overtime Premium

- If it is restored at the desire of the customer, then the entire amount of overtime should be charged to the job directly.
- If it is due to a general pressure of work to increase the output, the premium as well as overtime wages may be charged general overheads.
- If it is due to the negligence or delay of workers of a particular department, it may be charged to the concerned department.
- If it is due to abnormal reasons, it may be charged to costing profit and loss account.

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8. Wage Payment System

(A) Time Rate System

Wages = No. of hours worked \times Rate per hour

(B) Piece Rate system

Wages = No. of units produced \times Rate per unit (or Piece rate)

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9. Incentive Plans

(A) Halsey Plan

$$\text{Total Earnings} = (H \times R) + [50\% \times (S - H) \times R]$$

(B) Halsey-wier Plan

$$\text{Total Earnings} = (H \times R) + [33.33\% \times (S - H) \times R]$$

(C) Rowan Plan

$$\text{Total Earnings} = (H \times R) + \left[\left(\frac{S-H}{S} \right) \times H \times R \right]$$

Where, H = Actual hours worked

R = Rate per hour

S = Standard hours or time allowed

(S - H) = Time saved

10. Effective Hourly Rate of Earning

$$\text{Effective hourly rate of earning} = \frac{\text{Total Wages}}{\text{Actual hours worked}}$$

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11. Direct Expenses

- Royalty for production
- Cost of utilities such as power & fuel, steam etc.
- Fee for technical know-how
- Cost of product/service specific design or drawing
- Cost of product/service specific software
- Amortized cost of moulds, patterns, patents etc.
- Job charges paid to job workers
- Hire charges paid for hiring specific equipment
- Other expenses which are directly related with production