

# Job & Batch Costing

## 1. Job Costing

- It is that form of specific order costing under which each job is treated as a cost unit and costs are accumulated and ascertained separately for each job.
- In other words, it is that form of specific order costing which applies where work is undertaken according to customer's requirement.
- It is generally used in industries where production is not on continuous basis, rather it is only when order from customers are received according to their specifications e.g. printing press, repair shop, etc.
- In this method cost of each job is computed by preparing the Job Cost Sheet.

# Job & Batch Costing

## 2. Batch Costing

- It is that form of specific order costing which applies where similar articles are manufactured in batches either for sale or use within the undertaking.
- Each batch of output is a cost unit and is costed separately.
- The total batch cost divided by number of units produced in a batch gives cost per unit.
- It is generally undertaken in case of pharmaceutical production, shoes, garments, etc.

# Job & Batch Costing

## 3. Economic Batch Quantity (EOQ)

It is that batch size at which sum total of ordering cost and carrying cost is minimum.

$$EOQ = \sqrt{\frac{2 \times A \times S}{C}}$$

Where, A = Annual requirement of raw material

S = Set-up cost per batch

C = Carrying cost per unit per annum

$$\text{Number of set-up} = \frac{A}{\text{Batch Quantity}} \quad (\text{Always round off to next complete value})$$

Total Set-up cost = No. of setup  $\times$  Cost per set-up

$$\text{Average quantity} = \frac{\text{Batch quantity}}{2}$$

Total carrying cost = Average quantity  $\times$  Carrying cost per unit per annum