

1. COST SHEET

NO. OF PROBLEMS IN 40E OF CA INTER: CLASSROOM – 07, ASSIGNMENT – 02

NO. OF PROBLEMS IN 41E OF CA INTER: CLASSROOM – 07, ASSIGNMENT – 02

NO. OF PROBLEMS IN 42E OF CA INTER: CLASSROOM – 06, ASSIGNMENT – 05

NO. OF PROBLEMS IN 42.5E OF CA INTER: CLASSROOM – 04, ASSIGNMENT – 05

MODEL - WISE ANALYSIS OF PREVIOUS EXAMINATIONS

No.	Model Name	M - 11	N - 11	M - 12	N - 12	M - 13	N - 13	M - 14	N - 14	M - 15	N - 15	M - 16	N - 16	M - 17	N - 17	M - 18(O)	M - 18(N)	N - 18(O)	N - 18(N)	M - 19(O)	M - 19(N)	N - 19(N)	N - 19(O)
1.	COST SHEET	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-	10	-	10	10	-

SIGNIFICANCE OF EACH PROBLEM COVERED IN THIS MATERIAL

Problem No. in this material	Problem No. in new SM	Problem No. in old SM	Problem No. in old PM	RTP	MTP	PQ	Previous Exams	Remarks
CR-1	ILL-2	-	-	-	-	-	-	
CR-2	-	-	-	RTP-M 19(N)	-	-	-	
CR-3	-	-	-	May 19(N)	-	-	-	
CR-4	-	-	-	-	-	-	NOV-19(N)	
ASG - 1	ILL-1	-	-	-	NOV19(N)	-	-	
ASG - 2	-	-	-	-	-	-	-	
ASG - 3	-	-	-	-	-	-	-	

A Cost Sheet or Cost Statement is a document which provides detailed cost information. In a typical cost sheet, cost information are presented on the basis of functional classification. However, other classification may also be adopted as per the requirements of users of the information.

Generally, for the purpose of cost sheet preparation, costs are classified on the basis of functional classification of elements of cost i.e.,

- | | |
|---|---|
| i) Direct Material Cost | v) Administration Overheads |
| ii) Direct Employee (labour) Cost | vi) Selling Overheads |
| iii) Direct Expenses | vii) Distribution Overheads |
| iv) Production/ Manufacturing Overheads | viii) Research and Development costs etc. |

COST SHEET / STATEMENT

	Particulars	Total Cost (Rs.)	Cost per unit (Rs.)
1	Direct materials consumed:		
	- Opening Stock of Raw Material	Xxx	
	- Add: Additions/ Purchases	xxx	
	- Less: Closing stock of Raw Material	(xxx)	
		xxx	

2	Direct employee (labour) cost	xxx	
3	Direct expenses	xxx	
4	Prime Cost (1+2+3)	xxx	
5	Works/ Factory Overheads	xxx	
6	Gross Works Cost (4+5)	xxx	
7	Add: Opening Work in Process	xxx	
8	Less: Closing Work in Process	(xxx)	
9	Works/ Factory Cost (6+7-8)	xxx	
10	Quality Control Cost	xxx	
11	Research and Development Cost	xxx	
12	Administrative Overheads (relating to production activity)	xxx	
13	Less: Credit for Recoveries / Scrap / By-Products / Misc. income	(xxx)	
14	Add: Packing cost (primary)	Xxx	
15	Cost of Production (9+10+11+12-13+14)	xxx	
16	Add: Opening stock of finished goods	xxx	
17	Less: Closing stock of finished goods	xxx	
18	Cost of Goods Sold (15+16-17)	xxx	
19	Add: Administrative Overheads (General)		
20	Add: Marketing overheads		
	- Selling Overheads	xxx	
	- Distribution Overheads	Xxx	
21	Cost of Sales (18+19+20)	xxx	

Advantages of cost sheet or cost statement:

The main advantages of a Cost Sheet are as follows:

- It provides the total cost figure as well as cost per unit of production.
- It helps in cost comparison.
- It facilitates the preparation of cost estimates required for submitting tenders.
- It provides sufficient help in arriving at the figure of selling price.
- It facilitates cost control by disclosing operational efficiency.

ITEMS OF PURE FINANCE

- TREATMENT:** Ignore
- MEANING:**
 - Any expenditure incurred in connection with raising & serving the capital. (E.g. public issue expenses, dividend, interest).
 - Any expenditure/loss incurred in connection with collection of debtors. (E.g. discount, bad debts, provision for bad debts).

NON COST RELATED ITEMS:

- TREATMENT:** Ignore
- MEANING:** Expenses having no direct or indirect relationship with production.
- E.G.'s:** Write off's (like Goodwill written off), Capital losses/profits, Appropriation of profits (like transfer to reserve, dividends paid), Income Tax (Income tax paid, Advance tax, TDS, Provision for tax, Income tax refund, Interest on refund), Donations etc.

QUALITY CONTROL COST: This is the cost of resources consumed towards quality control procedures.

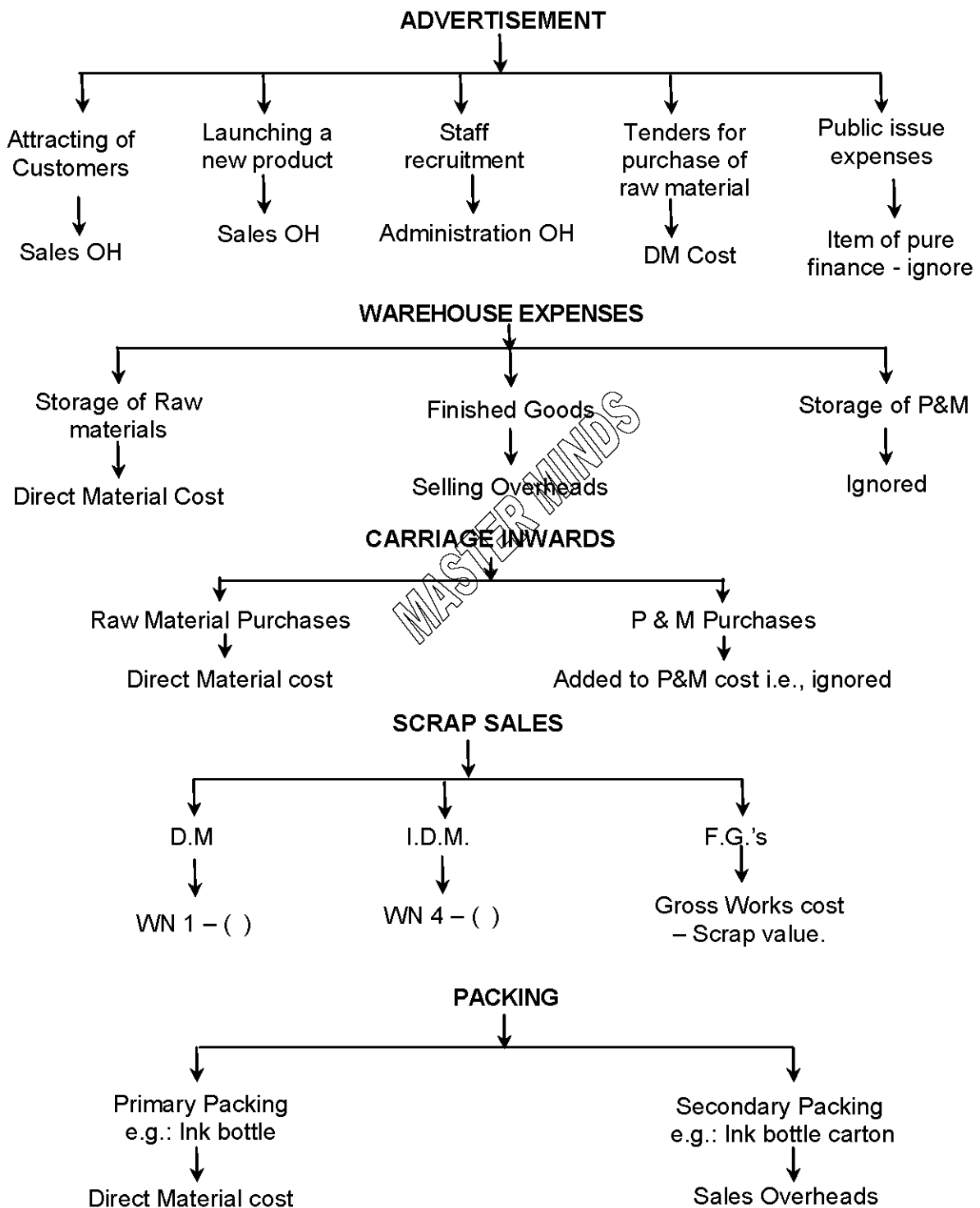
Example: A manufacturer has set-up a lab for testing of products for compliance with standards, salary of this lab staffs are part of Quality Control Cost

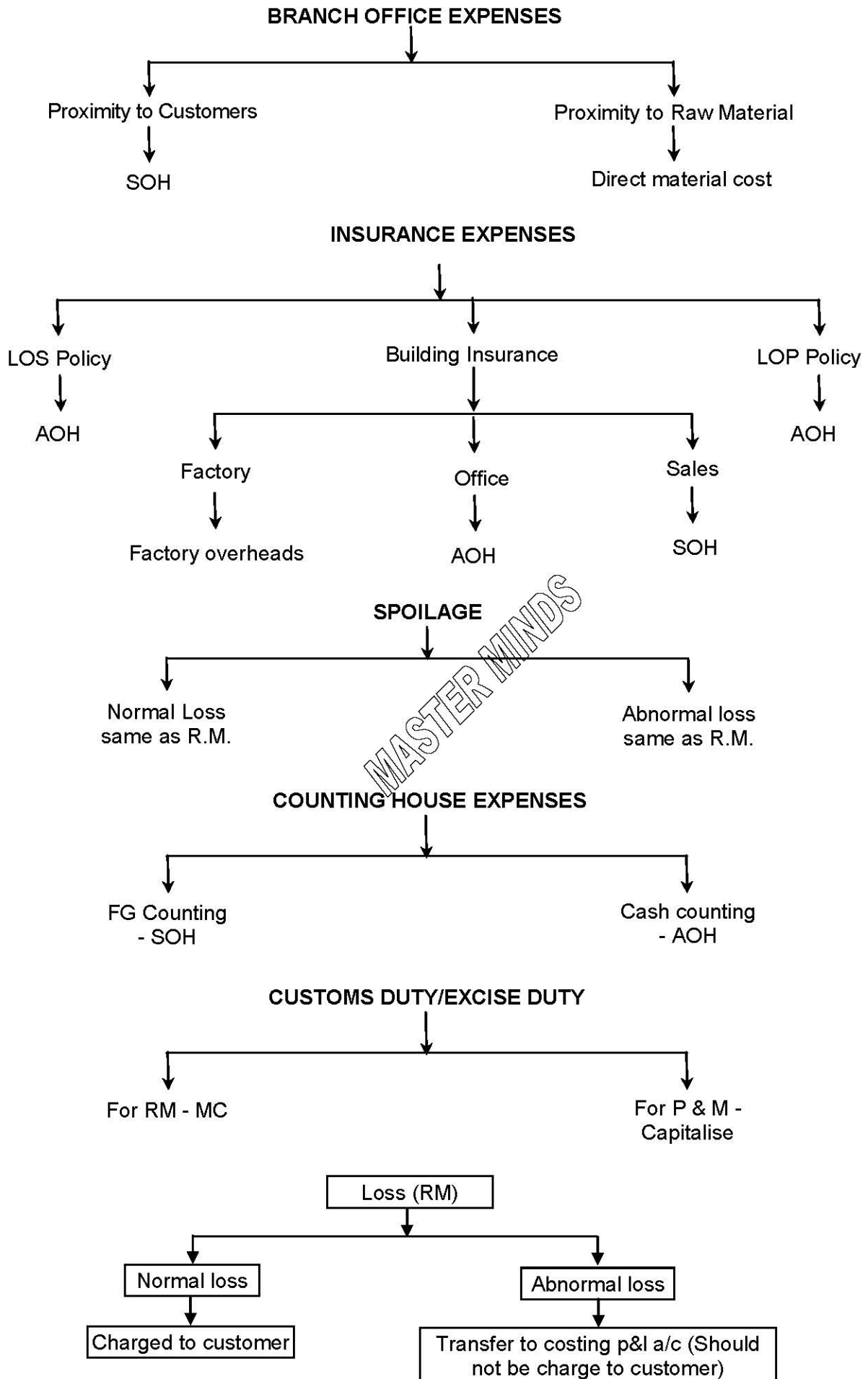
RESEARCH AND DEVELOPMENT COST: It includes only those researches and development related cost which is incurred to improvement of process, system, product or services.

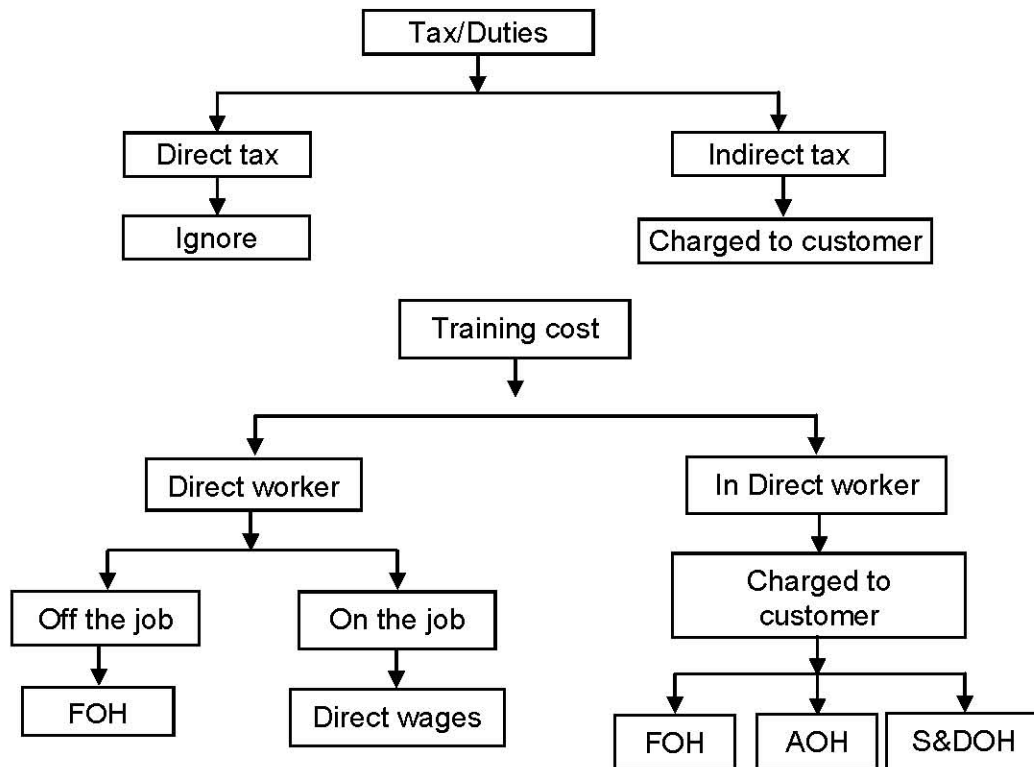
CREDIT OF RECOVERIES: The realized or realizable value of scrap or waste is deducted.

PACKING COST (PRIMARY): Packing material which is essential to hold and preserve the product for its use by the customer.

TREATMENT OF VARIOUS EXPENSES







PROBLEMS FOR CLASS ROOM DISCUSSION

PROBLEM 1: 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.

Concept questions:

- What is the sale value, if it requires a profit of 20% on sales?

[Ans: 11,02,500]

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b) What is the sale value, if it requires a profit of 10% on cost?

[Ans: 9,70,200]

(A) (NEW SM) (ANS.: (A) RAW MATERIALS CONSUMED = 4,90,000 ; (B) PRIME COST = 7,30,000; (C) FACTORY COST = 8,27,000; (D) COST OF GOODS SOLD = 8,57,000; (E) NET PROFIT = 1,18,000)

(SOLVE PROBLEM NO. 1 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 2: Following information relate to a manufacturing concern for the year ended 31st March, 2018:

	Rs.
Raw material (opening)	2,28,000
Raw material (closing)	3,05,000
Purchase of raw material	42,25,000
Freight inwards	1,00,000
Direct wages paid	12,56,000
Direct wages o/s 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.

(A) (RTP 2019(NEW))(ANS: C.O.P – 70,00,000 ; PROFIT – 14,43,606)

(SOLVE PROBLEM NO. 2 OF ASSIGNMENT PROBLEMS AS REWORK Pg no:5.10)

Concept questions

(a) Find closing stock, if closing stock units include opening stock of 364 units (Ans: 5,32,000)

Note: _____

PROBLEM 3: (PRINTED SOLUTION AVAILABLE) 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:

- a) Direct Material Rs 40 per unit
- b) Direct Labour Rs 30 per unit (subject to a minimum of Rs 48,000 p.m)
- c).Factory overheads
 - i) Fixed 3,60,000 per annum
 - ii) Variable Rs 10 per unit
 - iii) 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.
- d) Administrative Over Heads Rs 5,18,400 per annum(fixed)
- e) Selling overheads are incurred at Rs 8 per unit
- f) Each unit of Raw material yields scrap which is sold at the rate of 5 per unit
- g) In year 2019, the factory at 50% capacity for the first three months but it is expected that it would work at 80% capacity for the remaining nine months

h) During the first three months the selling price per unit was Rs 145

You are required to

- Prepare a cost sheet showing Prime cost, Works cost, Cost of Production and cost of sales
- Calculate the selling price per unit for remaining nine months to achieve the total annual profit of Rs.8,76,600.

(MAY – 2019(NEW)) (ANS.: (i) Prime cost:17,05,500, Works Cost: 25,04,700, Cost of production: 30,23,100, Cost of sale: 32,31,900, (ii) Cost of S.P RS160 p. a.)

CONCEPT QUESTION:

IF SEMI VARIABLE =108000 IS UP TO 50% CAPACITY AND ADDITIONAL 46,800 FOR EVERY 50% INCREASE IN CAPACITY OR ANY PART THERE OF. (ANS:COP=26,36,100)

Note: _____

PROBLEM 4:

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

Particulars	1 st September	30 th September
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:

Particulars	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)	5,000 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 ½ of the cost of material consumed.

Selling price of the output is Rs. 110 per unit.

You are required to:

- Calculate the value of material purchased
- Prepare cost sheet showing the profit earned by the firm.

(NOV19)(N)(SOLVE PROBLEM NO. 4 OF ASSIGNMENT PROBLEMS AS REWORK)

CONCEPT QUESTION:

What would be the impact on the question if, Direct employees cost is 100% of the cost of material consumed.

Note: _____

PRINTED SOLUTIONS TO SOME SELECTIVE PROBLEMS

PROBLEMS NUMBERS TO WHICH SOLUTIONS ARE PROVIDED:

Cost sheet of M/s Areeba Pvt. Ltd. for the year 2019

Normal Capacity: 36,000 units p.a.

Particulars	3 Months 4,500 Units		9 Months 21,600 Units	
	Amt. (Rs.)	Cost Per Unit (Rs.)	Amt. (Rs.)	Cost Per Unit (Rs.)
Direct material	1,80,000	-	8,64,000	-
Less: Scrap	(22,500)	-	(1,08,000)	-
Materials consumed	1,57,500	35	7,56,000	35
Direct Wages	1,44,000	32	6,48,000	30
Prime Cost	3,01,500	67	14,04,000	65
Factory Overheads				
Fixed	90,000	-	2,70,000	-
Variable	45,000	-	2,16,000	-
Semi Variable	27,000	36	1,51,200	29.50
Work Cost	4,63,500	103	20,41,200	94.50
Add: Administrative Overheads	1,29,600	28.80	3,88,800	18.00
Cost of Production	5,93,100	131.80	24,30,000	112.50
Selling Overheads	36,000	8.00	1,72,800	8.00
Cost of Sales	6,29,100	139.80	26,02,800	120.50

Working Notes:

1. Calculation of Costs

Particulars	4,500 units (Rs.)	21,600 units (Rs.)
Material	1,80,000 (Rs. 40 x 4,500 Units)	8,64,000 (Rs. 40 x 21,600 units)
Wages	1,44,000 (Max of 30 x 4,500 Units = Rs. 1,35,000 and Rs. 48,000 x 3 months = Rs. 1,44,000)	6,48,000 (21,600 Units x 30)
Variable cost	45,000 (Rs. 10 x 4,500 units)	2,16,000 (Rs. 10 x 21,600 Units)
Semi – Variable Cost	27,000 $\left(\frac{\text{Rs. 1,08,000}}{12 \text{ Months}} \times 3 \text{ Months} \right)$	1,51,200 $\left(\frac{\text{Rs. 1,08,000}}{12 \text{ Months}} \times 9 \text{ Months} \right)$ + 46,800 (for 20% Increase) + 23,400 (for 10% Increase)
Selling Overheads	36,000 (Rs. 8 x 4,500 Units)	1,72,800 (Rs. 8 x 21,600 Units)

Note:

- Alternatively scarp of raw material can also be reduced from Work cost.
- Administrative overhead may be treated alternatively as a part of general overhead in that case. Works cost as well as cost of production will be same i.e. Rs. 4,63,500 and Cost of Sales will remain same as Rs. 6,29,100.
- Calculation of Selling price for nine months period.

Particulars	Amounts (Rs.)
Total Cost of Sales (Rs. 6,29,100 + 26,02,800)	32,31,900
Add: Desired profit	8,76,600
Total Sales value	41,08,500

Less: Sales value realised in first three months (Rs. 145 x 4,500 units)	(6,52,500)
Sales Value to be realised in next nine months	34,56,000
No. of units to be sold in next nine months	21,600
Selling price per unit (Rs. 34,56,000 ÷ 21,600 Units)	160

ASSIGNMENT PROBLEMS

PROBLEM 1: The following data relates to the manufacture of a standard product during the month of April, 20X8:

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

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

- Cost per unit
- Profit for the month.

(A) (NEW SM)(ANS.: COST PER UNIT = RS. 101.25; PROFIT FOR THE MONTH = RS.82,000)

PROBLEM 2: Prepare the cost sheet to show the total cost of production and cost per unit of goods manufactured by a company for the month of July 2017. Also find out the cost of sales.

Particulars	(in RS.)
Stock of raw material 1.7.2017	3,000
Raw materials purchased	28,000
Stock of raw materials 31.7.2017	4,500
Manufacturing wages	7,000
Depreciation on plant	1,500
Loss on sale part of plant	300
Factory rent and rates	3,000
Discount on sales	300
Advertisement expenses to be charged fully	600
Income tax paid	2,000
Administrative overhead (relating to production)	900

The number of units produced during July, 2017 was RS.3000.

The stock of finished goods was 200 and 400 units on 1.7.2017 and 31.07.2017 respectively.

The total cost of units on hand on 1.7.2017 was RS.2,800. All these had been sold during the month.

(Ans: Total cost of production :38,900, cost per unit:RS.12.96, cost of sales; 37,460)

Note: _____

PROBLEM 3: From the following data of ABC 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

(A) MTP N19(N), RTP N18(N), MTP II – M18 (N) (ANS: C.O.P-1, 05, 48, 000)

ADDITIONAL PROBLEMS FOR SELF PRACTICE

PROBLEM 1: 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;

- d) 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.

(B) (NEW SM) **ANS.: TOTAL COST AND PROFIT FOR THE MONTH AT 30% CAPACITY LEVEL IS RS.423.33; Rs.126.72 AND 100% CAPACITY LEVEL IS Rs.396.00; Rs.104.00 RESPECTIVELY)**

Note: _____

PROBLEM 2: The books of Adarsh manufacturing company present the following data for the month of April, 2019

- Direct Labour cost of Rs.17,500 being 175 % of works overheads.
- The cost of goods sold excluding administrative expense Rs.56,000
- Inventory accounts showed the following opening and closing balances:

Particulars	April 1	April 30
Raw Material	8,000	10,600
Work-In-Progress	10,500	14,500
Finished Goods	17,600	19,000
Selling expenses		3,500
General and administration expenses		2,500
Sales for the month		75,000

Compute the value of materials purchased and prepare a cost statement showing the various elements of cost and also calculate the profit earned. (A) (NEW SM)

(ANS: VALUE OF MATERIALS PURCHASED IS RS.36,500; COST OF SALES IS 62,000; PROFIT EARNED IS 13,000)

PROBLEM 3: DFG Ltd manufactures leather bags for office and school purpose. The following information is related with the production of leather bags for the month of September, 2019.

- Leather sheets and cotton cloths are the main inputs and the estimated requirement per bag is two meters of leather sheets and one meter of cotton cloth. 2,000 meter of leather sheets and 1,000 meter of cotton cloths are purchased at Rs. 3,20,000 and Rs. 15,000 respectively. Freight paid on purchases is Rs. 8,500.
- Stitching and finishing need 2,000 man hours at Rs. 80 per hour.
- Other direct cost of Rs. 10 per labour hour is incurred.
- DFG has 4 machines at a total cost of Rs. 22,00,000. Machine has a life of 10 years with a scrape value of 10% of the original cost. Depreciation is charged on straight line method.
- The monthly cost of administrative and sales office staffs are Rs. 45,000 and Rs. 72,000 respectively. DFG pays Rs. 1,20,000 per month as rent for a 2,400 sq. feet factory premises. The administrative and sales office occupies 240 sq. feet and 200 sq. feet respectively of factory space.
- Freight paid on delivery of finished bags is Rs. 18,000
- During the month 35kg. of leather and cotton cuttings are sold at Rs. 150 per kg.
- There is no opening and closing stocks for input materials. There is 100 bags in stock at the end of the month.

Required:

PREPARE a cost sheet following functional classification for the month of September, 2019.

THE END

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