

14. JOB COSTING

NO. OF PROBLEMS IN 41.5E OF CA INTER: CLASSROOM - 3, ASSIGNMENT - 2

NO. OF PROBLEMS IN 41E OF CA INTER: CLASSROOM - 4, ASSIGNMENT - 2

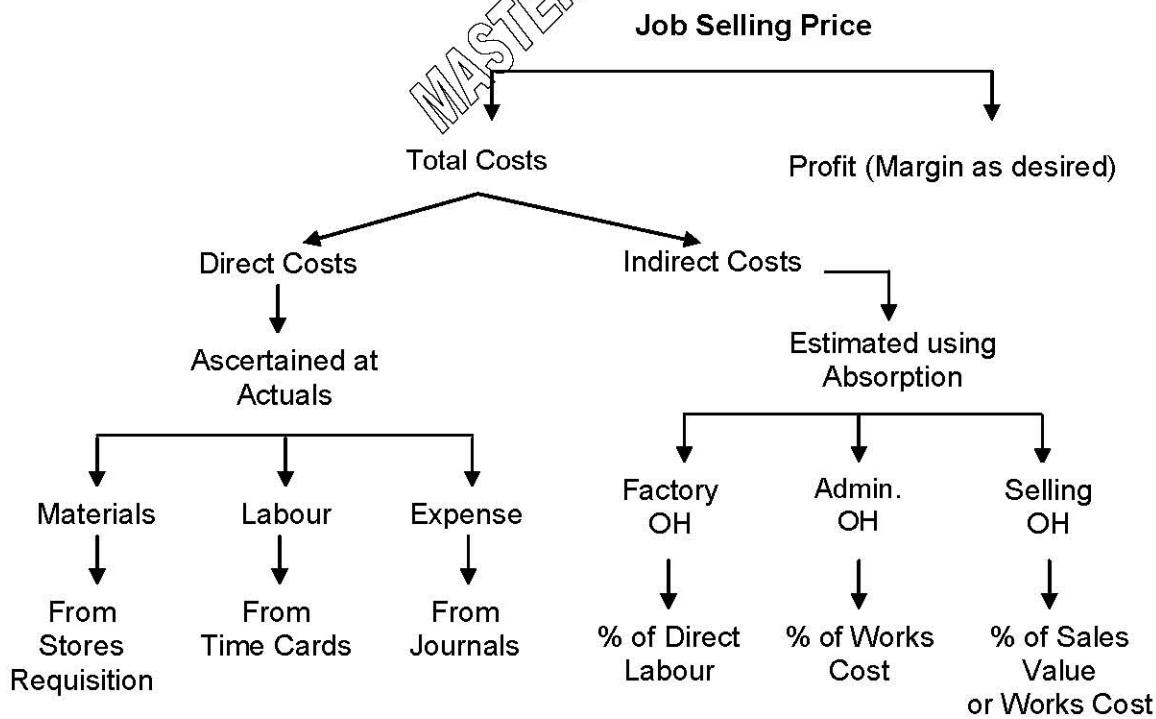
NO. OF PROBLEMS IN 42.5E OF CA INTER: CLASSROOM - 3, ASSIGNMENT - 4

MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC & CA INTER

No.	MODEL NAME	N-10 TO 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(N)	N-19(N)
1.	JOB COSTING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5

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	Previous Exams	Remarks
CR 1	-	-	-	M 18(N)	-	-	-
CR 2	-	-	-	-	-	N-19(N)	-
CR 3	PQ 1	ILL 3	-	-	-	-	-
AS 1	-	-	-	NOV 19	-	-	-
AS 2	-	-	-	N18(N&O)	-	-	-
AS 3	-	-	-	-	-	-	-
AS 4	ILL- 2	ILL- 2	-	-	-	-	-



WHAT IS JOB COSTING

- Job: A Job refers to any specific assignment/contract/work wherein work is executed as per customer's requirements.
- Job Costing: Ascertainment of cost of each Job is called Job costing.
- Examples of industries using Job Costing - Printing press, furniture, interior decoration etc.

PROBLEMS FOR CLASSROOM DISCUSSION

MODEL 1: JOB COSTING

PROBLEM 1: A factory uses job costing. The following data are obtained from its books for the year ended 31st March, 2018:

Particulars	Amount (Rs.)
Direct materials	9,00,000
Direct wages	7,50,000
Selling and distribution overheads	5,25,000
Administration overheads	4,20,000
Factory overheads	4,50,000
Profit	6,09,000

You are required to compute:

- Prepare a Job Cost sheet indicating the Prime cost, Cost of Production, Cost of sales and the Sales value.
- In 2018-19, the factory received an order for a job. It is estimated that direct materials required will be Rs.2,40,000 and direct labour will cost Rs.1,50,000. Determine what should be the price for the job if factory intends to earn the same rate of profit on sales assuming that the selling and distribution overheads have gone up by 15%. The factory overheads is recovered as percentage of wages paid, whereas, other overheads as a percentage of cost of production, based on cost rates prevailing in the previous year.

(A) (RTP M18 (N)) (ANS.: A) SALES VALUE: RS. 36,54,000; B) SALES VALUE: RS. 8,56,800)

(SOLVE PROBLEM NO 1 OF ASSIGNMENT PROBLEMS AS REWORK)

Concept question: What is the impact on the question, if rate of profit is increased by 25% in 18-19?

Note: _____

PROBLEM 2: The following data presented by the supervisor of a factory for a Job.

Particulars	Per unit (Rs.)
Direct Material	120
Direct Wages @ 4 per hour (Department A - 4 hrs, B - 7 hrs, C - 2 hrs. & D - 2 hrs.)	60
Chargeable Expenses	20
Total	200

Analysis of the Profit and Loss Account for the year ended 31st March, 2019

Particulars	Rupees	Rupees	Particulars	Rupees
Material		2,00,000	Sales	4,30,000
Direct Wages				
Dept.A	12,000			
Dept.B	8,000			
Dept.C	10,000			
Dept.D	20,000	50,000		
Special Store items				
Overheads				
Dept.A				
Dept.B	12,000			
Dept.C	6,000			
Dept.D	9,000			
Gross Profit c/d	17,000	44,000		
		1,30,000		
		4,30,000		4,30,000

Selling Expenses		90,000	Gross Profit b/d		1,30,000
Net Profit		40,000			
		1,30,000			1,30,000

It is also to be noted that average hourly rates for all the four departments are similar.

Required:

- (i) Prepare a Job Cost Sheet.
- (ii) Calculate the entire revised cost using the above figures as the base.
- (iii) Add 20% profit on selling price to determine the selling price. (A) (N19 (N) - 5M)

Concept question: What is the impact on the question If 10% of profit on total cost.

Note: _____

PROBLEM 3: (PRINTED SOLUTION AVAILABLE) In a factory following the Job Costing Method, an abstract from the work-in progress as on 30th September was prepared as under.

Job No.	Materials (Rs.)	Direct hrs.	Labour (Rs.)	Factory Overheads applied (Rs.)
115	1325	400 hrs.	800	640
118	810	250 hrs	500	400
120	765	300 hrs.	475	380
	2,900		1,775	1,420

Materials used in October were as follows:

Materials Requisition No.	Job No.	Cost (Rs.)
54	118	300
55	118	425
56	118	515
57	120	665
58	121	910
59	124	720
		3,535

A summary for labour hours deployed during October is as under:

Job No.	Number of Hours	
	Shop A	Shop B
115	25	25
118	90	30
120	75	10
121	65	-
124	25	10
	275	75

Indirect Labour:

Waiting of material	20	10
Machine breakdown	10	5
Idle time	5	6
Overtime premium	6	5
	316	101

A shop credit slip was issued in October that material issued under Requisition No. 54 was returned back to stores as being not suitable. A material transfer note issued in October indicated that material issued under Requisition No. 55 for Job 118 was directed to Job 124. The hourly rate in shop A per labour hour is Rs. 3 per hour while at shop B, it is Rs. 2 per hour. The factory overhead is applied at the same rate as in September. Job 115, 118 and 120 were completed in October. You are asked to compute the factory cost of the completed jobs. It is the practice of the management to put a 10% on the factory cost to cover administration and selling overheads and invoice the job to the customer on a total cost plus 20% basis. What would be the invoice price of these three jobs?

(B) (NEW SM, OLD SM) (ANS.: INVOICE PRICE RS. 3,946.80; 3721.08; 3598.32)

(SOLVE PROBLEM NO 3 OF ASSIGNMENT PROBLEMS AS REWORK)

Concept question: What is the impact on the question If profit is 50% on selling price?

Note: _____

PRINTED SOLUTIONS TO SOME SELECTIVE PROBLEMS

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 3

PROBLEM NO. 3

Statement showing Factory Cost of Completed Jobs.

Month	Job No.	Materials (Rs.)	Direct labour (Rs.)	Factory Overheads (80% of direct labour cost) (Rs.)	Factory cost (Rs.)
September	115	1,325	800	640	2765
October	115	--	125	100	225
Total		1,325	925	740	2,990
September	118	810	500	400	1,710
October	118	515	330	264	1,109
Total		1,325	830	664	2,819
September	120	765	475	380	1,620
October	120	665	245	196	1,106
Total		1,430	720	576	2,726

Invoice Price of Complete Job

Job No.	115 (Rs.)	118 (Rs.)	120 (Rs.)
Factory cost	2,990.00	2,819.00	2,726.00
Administration and selling overheads @ 10% of factory cost	299.00	281.90	272.60
Total cost	3,289.00	3,100.90	2,998.60
Profit (20% of total cost)	657.80	620.18	599.72
Invoice Price	3,946.80	3,721.08	3,598.32

The base used for recovering factory overheads is labour cost i.e 80% of labour cost

Assuming Actual FOH's = Estimated FOH's

$$\begin{aligned}
 \text{OHRR} &= \frac{\text{Estimated factory overheads}}{\text{Estimated Base(Direct Labour cost)}} \\
 &= \frac{640 + 400 + 380}{800 + 500 + 475} = \frac{1,420}{1,775} = 0.80
 \end{aligned}$$

FOH = 80% of direct labour cost

Verification:

For job no 115 : FOH= 80% of direct labour cost = 500*80% = 400

Given FOH for job no 115=400

Therefore the base used in September month for recovering FOH is direct labour cost.

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To **MASTER MINDS**, Guntur

ASSIGNMENT PROBLEMS

MODEL 1: JOB COSTING

PROBLEM 1: Ispat Engineers Limited (IEL) undertook a plant manufacturing work for a client. It will charge a profit markup of 20% on the full cost of the jobs. The following are the information related to the job:

Direct materials utilised – Rs.1,87,00,000.

Direct labour utilised – 2,400 hours at Rs.80 per hour

Budgeted production overheads are Rs. 48,00,000 for the period and are recovered on the basis of 24,000 labour hours.

Budgeted selling and administration overheads are Rs.18,00,000 for the period and recovered on the basis of total budgeted total production cost of 36,00,00,000.

Required: Calculate the price to be charged for the job.

(A) (RTP N19 (N)) (ANS: 2,33,62,632)

PROBLEM 2: A company has been asked to quote for a job. The company aims to make a net profit of 30% on sales. The estimated cost for the job is as follows:

Direct materials 10 kg @Rs.10 per kg.

Direct labour 20 hours @ Rs.5 per hour.

Variable production overheads are recovered at the rate of Rs. 2 per labour hour.

Fixed production overheads for the company are budgeted to be Rs.1,00,000 each year and are recovered on the basis of labour hours.

There are 10,000 budgeted labour hours each year. Other costs in relation to selling, distribution and administration are recovered at the rate of Rs.50 per job. DETERMINE quote for the job by the Company.

(A) (RTP N18 (N&O)) (ANS.:Rs.700)

PROBLEM 3: From the records of a manufacturing Company, the following budgeted details are available.

Particulars				Rs.
Direct Materials				1,99,000
Direct Wages	Machine Shop	12,000 hours	63,000	
	Assembly Shop	10,000 hours	48,000	1,11,000
Works Overheads	Machine Shop	12,000 hours	88,200	
	Assembly Shop	10,000 hours	51,800	1,40,000
Administrative Overheads				90,000
Selling Overheads				81,000
Distribution Overheads				62,100

The Company follows Absorption Costing method. You are required to prepare -

- Schedule of OH Rates from the data available stating the basis of OH Recovery Rates used under the given circumstances.
- A Cost estimate for the following job based on the overhead rates so computed.
 - Direct Materials 25 kg at Rs. 16.80 per kg, and 15 kg at Rs. 20.00 per kg
 - Direct Labour - Machine Shop 30 hours, Assembly Shop 42 hours

(B) (ANS.: AOH - 20% ON WORKS COST, S&DOH - 31.8% ON WORKS COST, TOTAL COST - 2,303.04)

PROBLEM 4: A shop floor supervisor of a small factory presented the following cost for Job No. 303, to determine the selling price.

Particulars	Per Unit (Rs.)
Materials	70
Direct wages 18 hours @ Rs. 2.50 (Dept. X 8 hours ; Dept. Y 6 hours; Dept. Z 4 hours)	45
Chargeable expenses	5
	120
Add: 33-1/3 % for expenses cost	40
	160

Analysis of the Profit/Loss Account (for the year 2012)

Particulars	(Rs.)	Particulars	(Rs.)
Materials used	1,50,000	Sales less returns	2,50,000
Direct wages:			
Dept. X 10,000			
Dept. Y 12,000			
Dept. Z 8,000	30,000		
Special stores items	4,000		
Overheads :			
Dept. X 5,000			
Dept. Y 9,000			
Dept. Z 2,000	16,000		
Works cost	2,00,000		
Gross profit c/d	50,000		
	2,50,000		2,50,000
Selling expenses	20,000	Gross profit b/d	50,000
Net profit	30,000		
	50,000		50,000

It is also noted that average hourly rates for the three Departments X, Y and Z are similar.

You are required to:

Draw up a job cost sheet.

Calculate the entire revised cost using 2012 actual figures as basis.

Add 20% to total cost to determine selling price.

(B) (OLD SM, NEW SM) (ANS.: TOTAL COST RS.158.13, SELLING PRICE RS.189.76)

ADDITIONAL QUESTION BANK

PROBLEM 1: APFL Ltd. deals in plumbing materials and also provides plumbing services to its customers. On 12th August, 2019, APFL received a job order for a students' hostel to supply and fitting of plumbing materials. The work is to be done on the basis of specification provided by the hostel owner. Hostel will be inaugurated on 5th September, 2019 and the work is to be completed by 3rd September, 2019. Following are the details related with the job work:

Direct Materials

APFL uses a weighted average method for the pricing of materials issues.

Opening stock of materials as on 12th August 2019:

- 15mm GI Pipe, 12 units of 15 feet size @ Rs.600 each
- 20mm GI Pipe, 10 units of 15 feet size @ Rs.660 each
- Other fitting materials, 60 units @ Rs. 26 each
- Stainless Steel Faucet, 6 units @ Rs. 204 each
- Valve, 8 units @ Rs. 404 each

Purchases:

On 16th August 2019:

- 20mm GI Pipe, 30 units of 15 feet size @ Rs. 610 each
- 10 units of Valve @ Rs. 402 each

On 18th August 2019:

- Other fitting materials, 150 units @ Rs. 28 each
- Stainless Steel Faucet, 15 units @ Rs. 209 each

On 27th August 2019:

- 15mm GI Pipe, 35 units of 15 feet size @ Rs.628 each
- 20mm GI Pipe, 20 units of 15 feet size @ Rs.660 each
- Valve, 14 units @ Rs. 424 each

Issues for the hostel job:

On 12th August 2019:

- 20mm GI Pipe, 2 units of 15 feet size
- Other fitting materials, 18 units

On 17th August 2019:

- 15mm GI Pipe, 8 units of 15 feet size
- Other fitting materials, 30 units

On 28th August 2019:

- 20mm GI Pipe, 2 units of 15 feet size
- 15mm GI Pipe, 10 units of 15 feet size
- Other fitting materials, 34 units
- Valve, 6 units

On 30th August:

- Other fitting materials, 60 units
- Stainless Steel Faucet, 15 units

Direct Labour: Plumber: 180 hours @ Rs. 50 per hour (includes 12 hours overtime)

Helper: 192 hours @ Rs.35 per hour (includes 24 hours overtime)

Overtimes are paid at 1.5 times of the normal wage rate.

Overheads:

Overheads are applied @ Rs. 13 per labour hour.

Pricing policy:

It is company's policy to price all orders based on achieving a profit margin of 25% on sales price.

You are required to

- CALCULATE the total cost of the job.
- CALCULATE the price to be charged from the customer.

(B) (MTP NOV 19 NEW) (ANS.: (i) 44,367.95 ii) 59,157.27)

THE END