

9. JOB COSTING

ASSIGNMENT SOLUTIONS

PROBLEM NO: 1

Calculation of job price:

Particulars	Amount (Rs.)
Direct materials	1,87,00,000
Direct wages (80 × 2,400 hours)	1,92,000
Production overheads ($\frac{48,00,000}{24,000h} \times 2,400h$)	4,80,000
Production cost	1,93,72,000
Selling and administration overheads $\frac{18,00,000}{36,00,000} \times 1,93,72,000$	96,860
Total cost of sales	1,94,68,860
Profit mark-up @ 20%	38,93,772
Price for the job	2,33,62,632

PROBLEM NO: 2

a) Calculation of OHs rates from the available data:

Particulars	Amount (Rs.)	Amount (Rs.)
Direct Material		1,99,000
Direct wages: Machine shop : Assembly shop	63,000 48,000	1,11,000
Prime cost		3,10,000
Add: Works OHS : Machine Shop : Assembly Shop	88,200 51,800	1,40,000
Works cost/ factory cost		4,50,000
Add: Administration OHS		90,000
Cost of production		5,40,000
Add: Selling OHS	81,000	
Distribution OHS	62,100	1,43,100
Cost of sales / total cost		6,83,100

- i) % of admin OHs on WC = $\frac{\text{Rs.}90,000}{\text{Rs.}4,50,000} \times 100 = 20\%$
- ii) % of selling OHs on WC = $\frac{\text{Rs.}81,000}{\text{Rs.}4,50,000} \times 100 = 18\%$
- iii) % of distribution OHs on WC = $\frac{\text{Rs.}62,100}{\text{Rs.}4,50,000} \times 100 = 13.8\%$

b) Statement of Estimated Job Cost:

Particulars	Amount (Rs.)	Amount (Rs.)
Direct materials: 25 kgs x 16.80	420	
15 kgs x 20	300	720

Direct Labor		
Machine Shop : $\frac{63,000}{12,000\text{hr}} \times 30\text{hr}$	157.50	
Assembly Shop: $\frac{48,000}{10,000\text{hr}} \times 42\text{hr}$	201.60	359.10
Prime cost		1,079.10
Add: works OHS		
Machine shop : $\frac{88,200}{12,000\text{hr}} \times 30\text{hr}$	220.50	
Assembly shop : $\frac{51,800}{10,000\text{hr}} \times 42\text{hr}$	217.56	438.06
Works cost / factory cost		1,517.16
Add: Admin OHS @ 20% of WC		303.43
Cost of production		1,820.59
Add: Selling & Distribution OHS @ 31.8% on WC		482.46
Cost of Sales or total Cost		2,303.05

∴ Job Cost = Rs. 2,303.05

PROBLEM NO: 3

Determination of quotation price for the job

Cost	Amount (Rs.)
Direct Material (10kg × Rs.10)	100
Direct Labour (20hrs × Rs.5)	100
Variable production overhead (20hrs × Rs.2)	40
Fixed Overhead $\left(\frac{\text{Rs. 1,00,000}}{10,000 \text{ budgeted hours}} \times 20 \text{ hours} \right)$	200
Other costs	50
Total costs	490

Net profit is 30% of sales, therefore total costs represent 70% (Rs. 490 × 100) ÷ 70 = Rs. 700 price to quote for job.

To check answer is correct; profit achieved will be Rs. 210 (Rs. 700 - Rs. 490) = Rs. 210 ÷ Rs. 700 = 30%

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THE END