# 12. JOB COSTING

## ASSIGNMENT SOLUTIONS

### PROBLEM NO: 1

**a)** Calculation of OHs rates from the available data

| Particulars | Amount (Rs.) | Amount (Rs.) |
|---|---|---|
| Direct Material | | 1,99,000 |
| Direct wages: Machine shop<br>: Assembly shop | 63,000<br>48,000 | 1,11,000 |
| Prime cost | | 3,10,000 |
| **Add:** Works OHS: Machine Shop<br>: Assembly Shop | 88,200<br>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 $= \frac{Rs.90,000}{Rs.4,50,000} \times 100 = 20\%$

**ii)** % of selling OHs on WC $= \frac{Rs.81,000}{Rs.4,50,000} \times 100 = 18\%$

**iii)** % of distribution OHs on WC $= \frac{Rs.62,100}{Rs.4,50,000} \times 100 = 13.8\%$



**b) Statement of Estimated Job Cost:**

| Particulars | Amount (Rs.) | Amount (Rs.) |
|---|---|---|
| Direct materials: 25 kgs x 16.80<br>15 kgs x 20 | 420<br>300 | 720 |
| Direct Labor<br>Machine Shop : $\frac{63,000}{12,000hr} \times 30hr$<br>Assembly Shop: $\frac{48,000}{10,000hr} \times 42hr$ | <br>157.50<br>201.60 | 359.10 |
| Prime cost | | **1,079.10** |
| Add: works OHS<br>Machine shop : $\frac{88,200}{12,000hr} \times 30hr$<br>Assembly shop : $\frac{51,800}{10,000hr} \times 42hr$ | <br>220.50<br>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: 2

**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 $\left(\frac{\text{Rs. 1,00,000}}{\text{10,000 budgeted hours}} \times \text{20 hours}\right)$ | 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%



**THE END**