

1. COST SHEET

NO. OF PROBLEMS IN 39E OF CA INTER: CLASSROOM – 04, ASSIGNMENT – 02

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

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

MODEL - WISE ANALYSIS OF PREVIOUS EXAMINATIONS

No.	Model Name	M-10	N-10	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)
1.	COST SHEET	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	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	-	-	-	M18(N)	-	-	-	
CR-3	-	-	-	N18(N)	M18(N)	-	-	
CR-4	-	-	-	-	-	-	M18(N)	
CR-5	PQ-1	-	-	-	-	-	-	
CR-6	PQ-2	-	-	-	-	-	-	
CR-7	-	-	-	-	-	-	-	
ASG - 1	ILL-1	-	-	-	-	-	-	
ASG - 2	-	-	-	-	-	M 18	-	

A Cost Sheet or Cost Statement is "a document which provides a 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
- ii) Direct Employee (labour) Cost
- iii) Direct Expenses
- iv) Production/ Manufacturing Overheads
- v) Administration Overheads
- vi) Selling Overheads
- vii) Distribution 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

1. TREATMENT: Ignore

2. 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:

1. TREATMENT: Ignore

2. MEANING: Expenses having no direct or indirect relationship with production.

3. 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

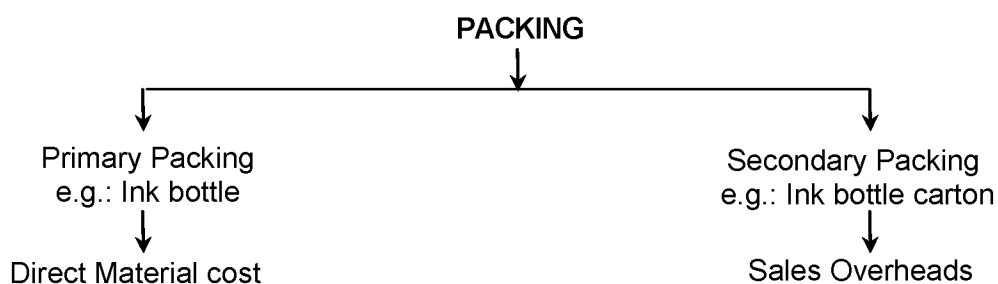
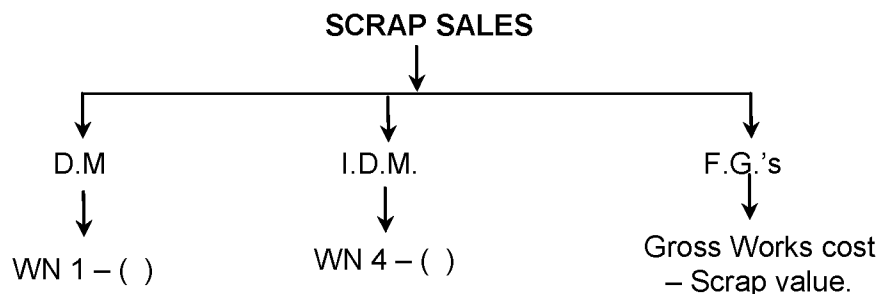
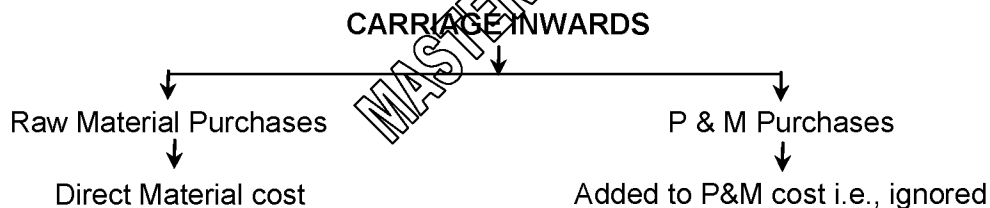
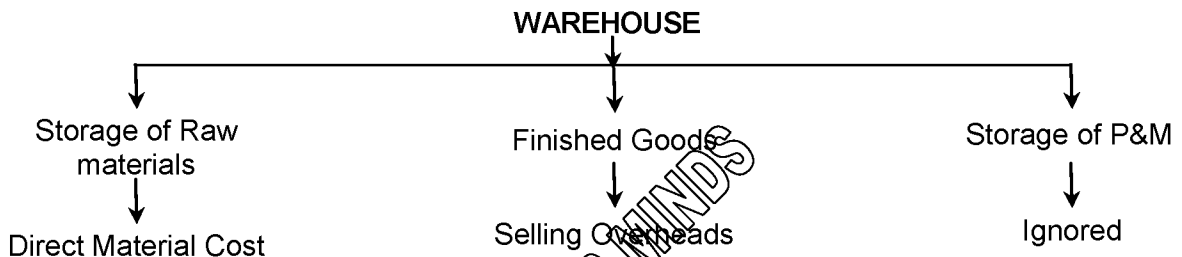
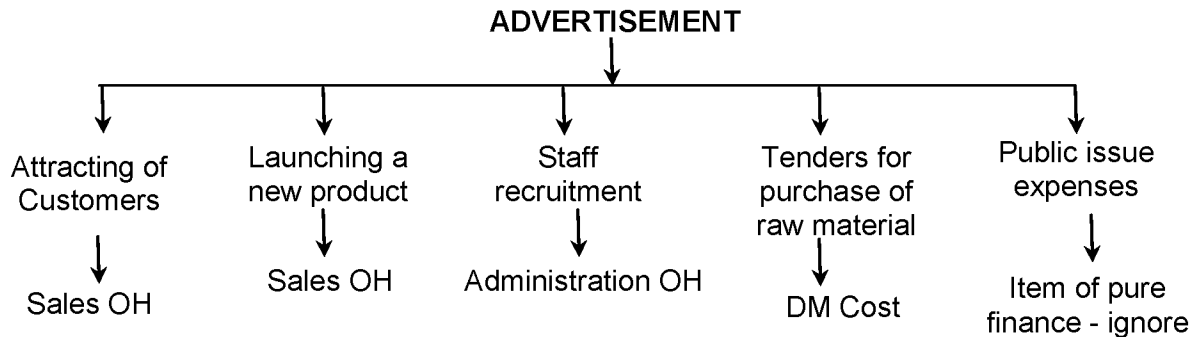
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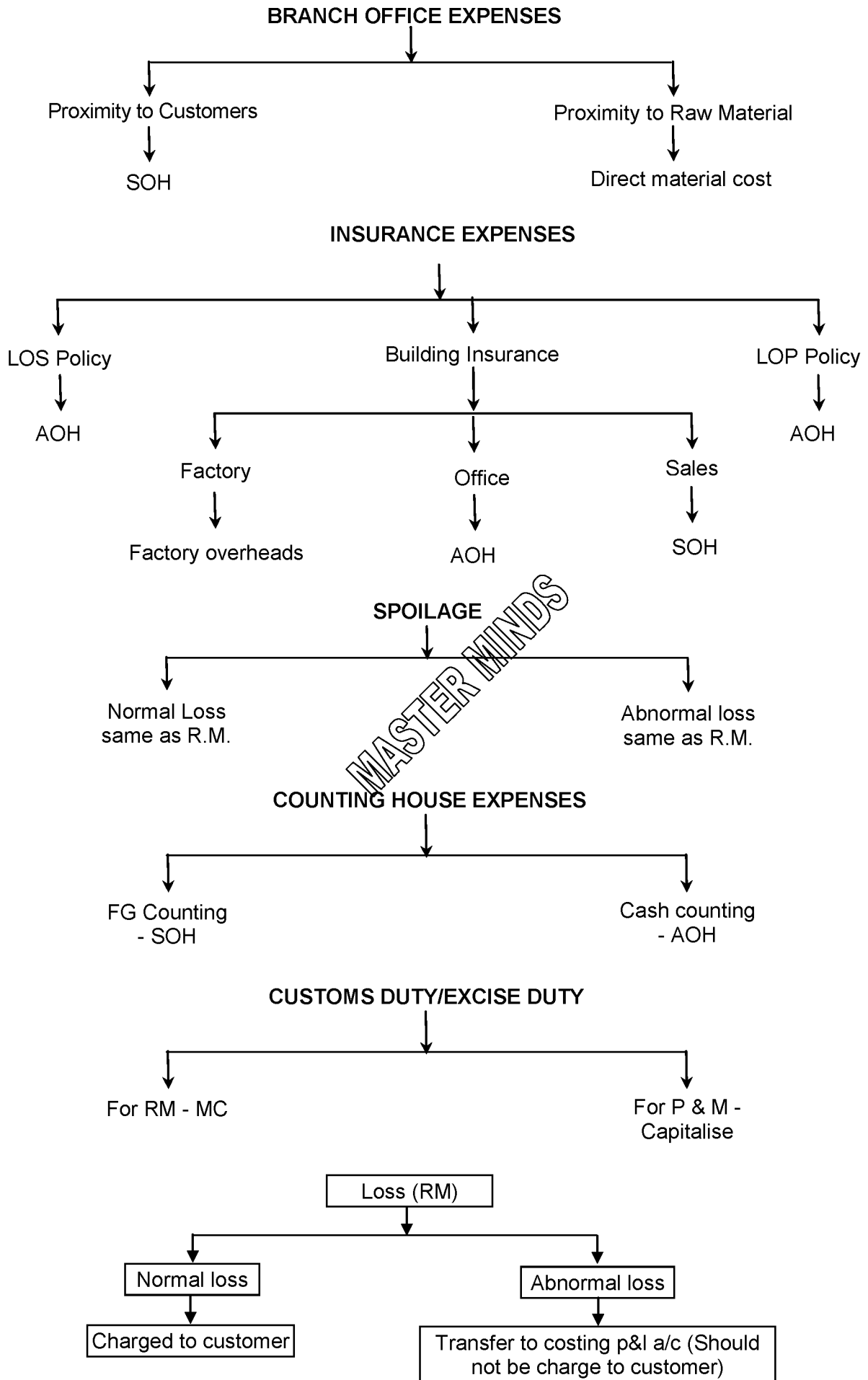
RESEARCH AND DEVELOPMENT COST: It includes only those research and development related cost which with is incurred to improvement of process, system, product or services.

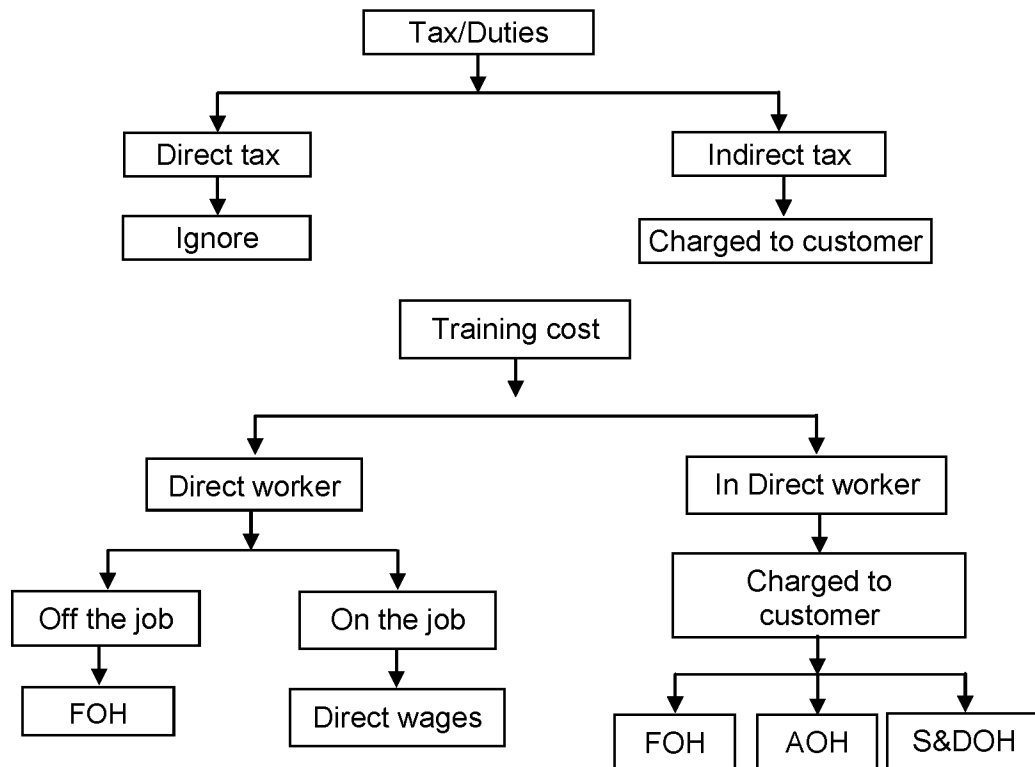
CREDIT OF RECOVERIES: The realized or realizable value of scrap or waste is deducted.

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.

(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: From the following figures, Calculate cost of production and profit for the month of March 2018.

	Amount (Rs)		Amount (Rs)
Stock on 1st March, 2018		Purchase of raw materials	28,57,000
- Raw materials	6,06,000	Sale of finished goods	1,34,00,000
- Finished goods	6,06,000	Direct wages	37,50,000
Stock on 31st March, 2018		Factory expenses	21,25,000
- Raw materials	7,50,000	Office and administration expenses	10,34,000
- Finished goods	3,59,000	Selling and distribution expenses	7,50,000
Work-in-process:		Sale of scrap	26,000
- On 1st March, 2018	12,56,000		
- On 31st March, 2018	14,22,000		

(B) (RTP - M18 (NEW))

(ANS: C.O.P-83,96,000; PROFIT: 31,70,000)

Note: _____

PROBLEM 3: From the following data of Arnav Metallic 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) (RTP N18(N), MTP II - M18 (N)) (ANS: C.O.P-1,05,48,000)

(SOLVE PROBLEM NO. 2 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 4: 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)(MAY18 (NEW) – 10 M)(ANS: C.O.P – 70,00,000 ; PROFIT – 14,43,606)

Note: _____

PROBLEM 5: 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)

Note: _____

PROBLEM 6: (PRINTED SOLUTION IS AVAILABLE) 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;
- 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 SIM) (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 7: (PRINTED SOLUTION IS AVAILABLE) Parker manufactures two types of pens, P & Q. Prepare a cost statement separately for two types of pens from the following cost data for the year-ended 30th, Sep.:

Direct Material	4,00,000
Direct Wages	2,24,000
Production OH	96,000

- Direct materials in type P is double to direct materials in type Q. Direct wages for type Q is 60% of those for type P.
- Production overheads are at the same rate for both types. Administration overheads for each is 200% of direct labour. Selling costs are 50 Paise per pen for both types.
- Production during the year: Type P - 40,000, Type Q - 1,20,000 units. Sales during the year: Type P - 30,000, Type Q - 1,00,000. Selling price - Rs.14 for type P and Rs.10 for type Q.

(C) (ANS.: COST OF SALES AT P AND Q ARE 3,33,000 AND 6,70,000 RESPECTIVELY, PROFIT / LOSS: 87,000 AND 3,30,000 RESPECTIVELY AT P AND Q, SALES: 4,20,000 AND 10,00,000 RESPECTIVELY AT P AND Q)

Note: _____

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:

i) Cost per unit

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

PROBLEM 2: Arnav Inspat Udyog Ltd. has the following expenditures for the year ended 31st March, 20X8:

S. No.		Amount (Rs.)	Amount (Rs.)
(i)	Raw materials purchased		10,00,00,000
(ii)	GST paid on the above purchases @18% (eligible for input tax credit)		1,80,00,000
(iii)	Freight inward		11,20,600
(iv)	Wages paid to factory workers		29,20,000
(v)	Contribution made towards employees' PF & ESIS		3,60,000
(vi)	Production bonus paid to factory workers		2,90,000
(vii)	Royalty paid for production		1,72,600
(viii)	Amount paid for power & fuel		4,62,000
(ix)	Amount paid for purchase of moulds and patterns (life is equivalent to two years production)		8,96,000
(x)	Job charges paid to job workers		8,12,000
(xi)	Stores and spares consumed		1,12,000
(xii)	Depreciation on		:
	- Factory building	84,000	
	- Office building	56,000	
	- Plant & Machinery	1,26,000	
	- Delivery vehicles	<u>86,000</u>	3,52,000
(xiii)	Salary paid to supervisors		1,26,000
(xiv)	Repairs & Maintenance paid for		:
	- Plant & Machinery	48,000	
	- Sales office building	18,000	
	- Vehicles used by directors	<u>19,600</u>	85,600
(xv)	Insurance premium paid for		:
	- Plant & Machinery	31,200	
	- Factory building	18,100	
	- Stock of raw materials & WIP	<u>36,000</u>	85,300
(xvi)	Expenses paid for quality control check activities		19,600
(xvii)	Salary paid to quality control staffs		96,200
(xviii)	Research & development cost paid improvement in production process		18,200
(xix)	Expenses paid for pollution control and engineering & maintenance		26,600
(xx)	Expenses paid for administration of factory work		1,18,600
(xxi)	Salary paid to functional managers:		
	- Production control	9,60,000	
	- Finance & Accounts	9,18,000	
	- Sales & Marketing	<u>10,12,000</u>	28,90,000
(xxii)	Salary paid to General Manager		12,56,000

(xxiii)	Packing cost paid for:		
	- Primary packing necessary to maintain quality	96,000	
	- For re-distribution of finished goods	<u>1,12,000</u>	2,08,000
(xxiv)	Interest and finance charges paid		7,20,000
(xxv)	Fee paid to auditors		1,80,000
(xxvi)	Fee paid to legal advisors		1,20,000
(xxvii)	Fee paid to independent directors		2,20,000
(xxviii)	Performance bonus paid to sales staffs		1,80,000
(xxix)	Value of stock as on 1st April, 20X7:		
	- Raw materials	18,00,000	
	- Work-in-process	9,20,000	
	- Finished goods	<u>11,00,000</u>	38,20,000
(xxx)	Value of stock as on 31st March, 20X8:		
	- Raw materials	9,60,000	
	- Work-in-process	8,70,000	
	- Finished goods	18,00,000	36,30,000

Amount realized by selling of scrap and waste generated during manufacturing process – Rs. 86,000/
From the above data you are requested to PREPARE Statement of cost for Arnav Ispat Udyog Ltd. for the year ended 31st March, 20X8, showing (i) Prime cost, (ii) Factory cost, (iii) Cost of Production, (iv) Cost of goods sold and (v) Cost of sales

(C) (PQ) (SIMILAR N18(N) – 10M) (PRIME COST = 10,74,25,200; FACTORY COST = 10,80,83,100; COST OF PRODUCTION = 10,93,05,700; COST OF GOODS SOLD = 10,86,05,700 ; COST SALES = 11,35,03,300)

PRINTED SOLUTIONS TO SOME SELECTIVE PROBLEMS

PROBLEMS NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 6, 7

PROBLEM NO 6:

a) Cost Sheet (For the month)

Level of Capacity	30%		100%	
	30,000 units		1,00,000 units	
	Per unit (Rs)	Total (Rs)	Per unit (Rs)	Total (Rs)
Works Cost	380.00	1,14,00,000	310.00	3,10,00,000
Add: Fixed administration expenses	5.00	1,50,000	1.50	1,50,000
Add: Fixed marketing expenses	8.33	2,50,000	2.50	2,50,000
Add: Variable distribution cost	30.00	9,00,000	30.00	30,00,000
Add: Special Costs				
- Gift items costs	-	-	30.00	30,00,000
- Customers' prizes*	-	-	1.00	1,00,000
- Refreshments	-	-	1.00	1,00,000
- Television programme sponsorship cost	-	-	20.00	20,00,000
Cost of sales	423.33	1,27,00,000	396.00	3,96,00,000
Profit (Balancing figure)	126.67	38,00,000	104.00	1,04,00,000
Sales revenue	550.00	1,65,00,000	500.00	5,00,00,000

*Customers' prize cost:

	Amount (Rs)
1st Prize	50,000
2nd Prize	25,000
3rd Prize	10,000

Consolation Prizes (3 × Rs.5,000)	15,000
Total	1,00,000

PROBLEM NO 7:

Calculation of raw material:

WORKING NOTES:

1. Direct material	= 4,00,000	
	↓	↓
i) Pens	P	Q
ii) R.M Ratio	2	1 (Let)
iii) Production	40,000 units	1,20,000 units
iv) Combination ratio	80,000	1,20,000
	2	3
v) R. M. cost	1,60,000	2,40,000
2. Direct Labour Cost	= 2,24,000	
	↓	↓
i) Pen	P	Q
ii) Direct Labour Cost	10(let)	6
iii) Production	40,000 units	1,20,000 units
iv) Combined ratio	4,00,000	7,20,000
	5	9
v) Direct Labour Cost	80,000	1,44,000
3. FOH/POH	= 96,000	
	↓	↓
i) Pen	P	Q
ii) Ratio	1	1
iii) Production	40,000	1,20,000
iv) Combined ratio	40,000	1,20,000
	1	3
v) FOH	24,000	72,000

COST SHEET:

Particulars	P	Q
Direct Material (W.N-1)	1,60,000	2,40,000
Direct Labour (W.N-2)	80,000	1,44,000
PRIME COST	2,40,000	3,84,000
ADD: F.O. H (W.N-2)	24,000	72,000
	2,64,000	4,56,000
ADD: A.O.H	1,60,000	2,88,000
COST OF GOODS PRODUCED	4,24,000	7,44,000
LESS: Cost of finished goods	1,06,000	1,24,000
COST OF GOODS SOLD	3,18,000	6,20,000
ADD: S & D Overheads	15,000	50,000
	3,33,000	6,70,000
ADD: Profit/Loss	87,000	3,30,00
SALES	4,20,000	10,00,000

THE END

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