

Purushottam Sir Costing Classes
CA Purushottam Aggarwal Sir provides Costing classes for CA Inter, CMA Inter, CA Final & CMA Final

COST SHEET

Main Things

1. Never break sequence
2. One Format Based Chapter

Format to make Cost Sheet

Particulars	Amt (Rs.)	Total units
Opening stock of raw material		
Add:- Purchase of raw material including carriage inwards		
Less:- Closing stock of raw material		
Direct material consumed / DMC		Units produced
Direct Labour Cost		Units produced
Direct Expenses / Chargeable Expenses		Units produced
Prime Cost/Direct Cost		Units produced
Factory/works/Manufacturing/Production overhead		
Plus Opening stock of WIP		
Less closing stock of WIP		
Factory Cost		Units produced
Quality Control Cost		
Research & Development Cost (Process Related)		
Adm. Overheads (Related to Production Activity)		
Less:- Credit for Recoveries / Scrap / By –Products / Misc. Income		
Primary Packing Cost		
Cost of Production (For FG Produced)		Units produced
Plus opening stock of finished goods		
Less closing stock of finished goods		
Cost of goods Sold (For FG Sold)		Units Sold
Selling and distribution overhead		Units Sold
General Admin Overheads		Units Sold
Total cost / Cost of sales		Units Sold
Total Profit		
Total Sales		

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Trick to Learn :- Opening = P stands for Plus

Closing = L stands for Less

Special Notes

- Note:- No. of units produced = Sales (units) + Closing Stock (units) – Opening Stock (units)
- No. of units Sold = Opening Stock (units) + produced (units) – closing Stock (units)
- While preparing the cost sheet, following amounts are ignored
 - ✓ Items of financial nature e.g. income tax, cash discount, interest on loan/capital, dividend, goodwill written off
 - ✓ Abnormal expenses

Conversion cost:- It means cost incurred to convert raw material into finished goods.

Method1:- Conversion cost = direct labour cost + direct expenses + factory overheads

Method 2:- Conversion Cost = Factory Cost – Direct material cost

Note:- Method 2 is applicable only when Opening & Closing WIP is not given.

How to categorise a cost into variable cost & fixed cost.

- A Cost, which is same on per unit basis under different production level, is variable cost per unit.

$$\text{Variable Cost per unit} = \frac{\text{Total variable Cost}}{\text{Total units}}$$

- A Cost, which is same on Totality basis under different production level, is Total Fixed Cost.
- A Cost, Which does not meet any above criteria, is called semi-variable cost / semi-fixed cost.

Variable portion in semi-variable cost = $\frac{\text{Change in Total Cost}}{\text{Change in Total Units}}$ **(Derivation covered in class)**

Fixed portion in semi-variable cost = Total Cost – Variable portion (Units x variable portion per unit)

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Impact of a word in Costing solution

Example 1 Semi-variable overheads per annum at 75% capacity is Rs. 60,000

Case 1:- (it will increase by Rs. 4,000 per annum for increase of every 5% of the capacity utilisation or any part thereof)

Solution:-

Capacity Level	Annual Semi-variable OH
75%	60000
80%	60000+4000 = 64000
90%	60000+4000x3 = 72000
86%	60000+4000x3 = 72000

Case 2:- (it will increase by Rs. 4,000 per annum for increase of every 5% of the capacity utilisation thereof)

Solution:-

Capacity Level	Annual Semi-variable OH
75%	60000
80%	60000+4000 = 64000
90%	60000+4000x3 = 72000
86%	60000+4000x2 + 4000 x $\frac{1\%}{5\%}$ = 68800

Example 2

Particulars	Total Cost	Variable Cost	Fixed Cost
Administration OHs (75% Fixed)	150000	150000 x 25% = 37500	150000 x 75% = 112500
Administration OHs – Fixed (75%)	150000	$\frac{150000}{75\%} \times 25\% = 50000$	150000

Apportionment of total cost in various products

(How to calculate separate cost of 2 products if collective cost is given)

Total direct material cost of product A & B = Rs. 100000

Units produced for product A is 1000 units and units produced for product B is 2000 units.

Calculate total material cost of A & B under each case ?

Case 1:- Material cost ratio per unit (A:B) = 1:2

Ratio to divide total cost shall be 1:4

A = 1000 units x 1 = 1000

B = 2000 units x 2 = 4000

Case 2:- Material Cost ratio (A:B) = 1:2

Ratio to divide total cost shall be 1:2 since not given on per unit basis

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Detailed Explanation of reduction of increase in efficiency

Case 1:- When Labour Efficiency reduced

- Reduction in efficiency or workers means workers are producing less units in same time

Question: Suppose earlier worker was producing 4 units in 1 hour and we were paying him Rs.100 per hour then in such direct labour cost per unit shall be Rs.25 per unit.

If now question says that efficiency of worker has been reduced by 25%.

It means now worker is producing 3 units [4 units – 4 units x 25%] in 1 hour hence now direct labour cost per unit would be Rs 33.33 since we are paying worker on time basis i.e. Rs. 100 per hour.

Alternative way to calculate New DLC per unit

$$\frac{\text{Old DLC per unit}}{100\% - \text{Reduction in Efficiency}} = \frac{\text{Rs 25}}{100\% - 25\%} = 33.33 \text{ per unit}$$

Case 2:- When Labour Efficiency Increased

$$\text{Alternative way to calculate New DLC per unit} = \frac{\text{Old DLC per unit}}{100\% + \text{Reduction in Efficiency}}$$