



Cost accounting 2

Section NO. (8)

Marketing and Administrative costs

Prepared by :

Shehata Shaheen

— جامعة مدينة السادات —

Analysis the marketing costs according to the areas of distribution and sale

1- Analyzing marketing costs into direct costs and indirect costs according to the relationship to the area.

- ☐ Costs related to sales management and salesmen.
- ☐ Advertising and promotion costs.
- ☐ Storage costs for finished products (available) to sale.
- ☐ Packaging costs.
- ☐ Transportation and delivery costs.

2- Allocation indirect marketing costs on a fair and appropriate basis for the nature of the cost component..

3- Determine the share of the unit sold in the area from the marketing cost, using an appropriate allocation rate.

Allocation rate = Total marketing cost for the area ÷ sales value for the area

Example (1):

❑ Rameshka Company for trad in building materials, headquarters in Tanta. markets its products in three areas, which are Tanta Center, Sadat City Center, and Damanhur City Center.

❑ The following is the marketing and sales activity data for the month of March 2024:

Desc.	Home	Tanta	Sadat	Damanhur
Sales value (EGP)	--	70,000	80,000	50,000
Cost of purchasing units sold (EGP)	--	35,000	45,000	20,000
Sales commission	--	2.5%	3%	2%
Salaries of salesmen (EGP)	--	5,075	2,975	7,000
Sales management expenses (EGP)	5,000	1,500	2,700	1,800
Advertising expenses (EGP)	7,000	--	--	--
Insurance expenses (EGP)	3,500	--	--	--
Transportation expenses (EGP)	10,000	2,000	1,600	1,100
Packaging costs (EGP)	8,000	2,000	500	1,200
weighted distance in tons	--	1,700	2,000	1,300
Administrative costs (EGP)	--	4,000	3,000	6,500
Financing costs (EGP)	--	2,000	1,500	3,000

- **Data related to the basis for allocation of the indirect marketing costs:**

Desc.	Allocation basis
Sales management expenses	Direct sales management expenses to areas
Advertising expenses	Sales value
Insurance expenses	Cost of purchasing units sold
Transportation expenses	weighted distance in tons
Packaging costs	Sales value

Required:

- 1- Preparing a statement of allocation the marketing costs According to Areas.**
- 2- determine the allocation rate of sales value from marketing costs.**
- 3- Preparing the income statement for each area.**

Frist : The statement of allocation the marketing costs According to Areas.

Items cost	Total costs	Tanta	Sadat	Damanhur
1- Direct costs:				
▪ Sales commission	5,150	1,750	2,400	1,000
▪ Salaries of salesmen	15,050	5,075	2,975	7,000
▪ Sales management expenses	6,000	1,500	2,700	1,800
▪ Transportation expenses	4,700	2,000	1,600	1,100
▪ Packaging costs	3,700	2,000	500	1,200
Total direct costs	34,600	12,325	10,175	12,100

❑ Allocation indirect marketing costs

1- Indirect costs of sales management expenses 5,000 EGP allocated based on Direct sales management expenses to areas as follows :

Share of the Tanta city = $5,000 \times (1,500 \div 6,000) = 1,250 \text{ EGP.}$

Share of the Sadat city = $5,000 \times (2,700 \div 6,000) = 2,250 \text{ EGP.}$

Share of the Damanhur city = $5,000 \times (1,800 \div 6,000) = 1,500 \text{ EGP.}$

2- Indirect costs of advertising expenses 7,000 EGP. allocated based on sales value as follows :

Share of the Tanta city = $7,000 \times (70,000 \div 200,000) = 2,450 \text{ EGP.}$

Share of the Sadat city = $7,000 \times (80,000 \div 200,000) = 2,800 \text{ EGP.}$

Share of the Damanhur city = $7,000 \times (50,000 \div 200,000) = 1,750 \text{ EGP.}$

❑ Allocation indirect marketing costs

3- Indirect costs of insurance expenses 3,500 EGP allocated based on Cost of purchasing units sold as follows :

Share of the Tanta city = $3,500 \times (35,000 \div 100,000) = 1,225$ EGP.

Share of the Sadat city = $3,500 \times (45,000 \div 100,000) = 1,575$ EGP.

Share of the Damanhur city = $3,500 \times (20,000 \div 100,000) = 700$ EGP.

4- Indirect costs of Transportation expenses 10,000 EGP allocated based weighted distance in tons as follows:

Share of the Tanta city = $10,000 \times (1,700 \div 5,000) = 3,400$ EGP.

Share of the Sadat city = $10,000 \times (2,000 \div 5,000) = 4,000$ EGP.

Share of the Damanhur city = $10,000 \times (1,300 \div 5,000) = 2,600$ EGP.

❑ Allocation indirect marketing costs

5- Indirect costs of Packaging costs 8,000 EGP. allocated based sales value as follows :

Share of the Tanta city = $8,000 \times (70,000 \div 200,000) = 2,800 \text{ EGP.}$

Share of the Sadat city = $8,000 \times (80,000 \div 200,000) = 3,200 \text{ EGP.}$

Share of the Damanhur city = $8,000 \times (50,000 \div 200,000) = 2,000 \text{ EGP.}$

Frist : The statement of allocation the marketing costs According to Areas.

Items cost	Total costs	Tanta	Sadat	Damanhur
Total direct costs	34,600	12,325	10,175	12,100
2- Indirect costs:				
▪ Sales management expenses	5,000	1,250	2,250	1,500
▪ Advertising expenses	7,000	2,450	2,800	1,750
▪ Insurance expenses	3,500	1,225	1,575	700
▪ Transportation expenses	10,000	3,400	4,000	2,600
▪ Packaging costs	8,000	2,800	3,200	2,000
Total indirect costs	33,500	11,125	13,825	8,550
Total marketing costs	68,100	23,450	24,000	20,650

Second : determine the allocation rate of sales value from marketing costs.

Allocation rate = Total marketing cost for the area ÷ sales value for the area

Allocation rate – Tanta city = $23,450 \div 70,000 = 0.335$ EGP per EGP sales.

Allocation rate - Sadat city = $24,000 \div 80,000 = 0.300$ EGP per EGP sales.

Allocation rate - Damanhur city = $20,650 \div 50,000 = 0.413$ EGP per EGP sales.

Third : Preparing the income statement for each area :

Desc.	Total	Tanta	Sadat	Damanhur
Sales value	200,000	70,000	80,000	50,000
Deduct:				
Cost of purchasing units sold	(100,000)	(35,000)	(45,000)	(20,000)
Marketing costs	(68,100)	(23,450)	(24,000)	(20,650)
Gross profit (Loss)	31,900	11,550	11,000	9,350
Deduct:				
Administrative costs	(13,500)	(4,000)	(3,000)	(6,500)
Financing costs	(6,500)	(2,000)	(1,500)	(3,000)
Net profit (Loss)	11,900	5,550	6,500	(150)

FACULTY OF COMMERCE

USC

Thanks

كلية التجارة

— جامعة مدينة السادات —