

COST SHEET

PROFORMA OF COST SHEET

Particulars	Total cost Rs	Cost per unit Rs
Opening stock Raw materials	xxx	xxx
Add: purchases	xxx	xxx
Add: Carriage inward	xxx	xxx
Add: Octroi and Customs duty	xxx	xxx
Less: Closing stock of raw materials	xxx	xxx
Cost of direct materials consumed	xxx	xxx
Direct wages	xxx	xxx
Direct or chargeable expenses	xxx	xxx
PRIME COST	<u>xxx</u>	<u>xxx</u>
Add: works or factory overheads:	xxx	
Indirect materials	xxx	xxx
Indirect wages	xxx	xxx
Leave wages	xxx	xxx
Bonus to workers	xxx	xxx
Overtime wages	xxx	
Fuel and power	xxx	
Rent and taxes	xxx	
Insurance	xxx	
Factory lightings	xxx	
Supervision	xxx	
Works stationery	xxx	
Canteen and welfare expenses	xxx	
Repairs	xxx	
Works salaries	xxx	
Depreciation of plant and machinery	xxx	
Works expenses	xxx	
Gas and water	xxx	
Technical director's fees	xxx	
Laboratory expenses	xxx	
Works transport expenses	xxx	
Works telephone expenses	xxx	
Add: opening stock of work- in- progress	xxx	xxx
Less: closing stock of work- in- progress	xxx	xxx
Less: sale of waste	xxx	<u>x xx</u>
WORKS COST	xxx	xxx
Add: office and administration overheads	xxx	
Office salaries	xxx	
Directors fees	xxx	
Office rent and rates	xxx	

Office stationery and printing	xxx	
Sundry office expenses	xxx	
Depreciation on office furniture	xxx	
Subscription to trade journals	xxx	
Office lightings	xxx	
Establishment charges	xxx	
Consultants fees	xxx	
Contribution to provident fund	xxx	
Postage	xxx	
Legal charges	xxx	
Audit fees	xxx	
Bank charges	xxx	
Depreciation and repairs of office equipments	xxx	
Bonus to staff	xxx	xxx
COST OF PRODUCTION	xxx	xxx
Add: opening stock of finished goods	xxx	xxx
Less: closing stock of finished goods	xxx	xxx
COST OF GOODS SOLD	xxx	
Add: selling and distribution overheads:	xxx	
Advertising	xxx	
Show room expenses	xxx	
Salesman's salaries and expenses	xxx	
Packing expenses	xxx	
Carriage outward	xxx	
Commission of sales agents	xxx	
Cost of catalogues	xxx	
Expenses of delivery vans	xxx	
Collection charges	xxx	
Travelling expenses	xxx	
Cost tenders	xxx	
Warehouse expenses	xxx	
Cost of mailing literature	xxx	
Sales managers' salaries	xxx	
Insurance of showroom	xxx	
Sales directors fees	xxx	
Sales office expenses	xxx	
Rent of sales office	xxx	
Depreciation of delivery vans	x xx	
Expenses of sales branch	xxx	
Establishments	xxx	
Branch office expenses	xxx	Xxx
TOTAL COST/TOTAL OF	<u>xxx</u>	<u>Xxx</u>
SALES	xxx	xxx
Profit or loss		
SALES		

Following items are to be ignored in the cost sheet:

- a) Advance tax paid
- b) Cash discount allowed on sales
- c) Dividend paid
- d) Dividend received
- e) Debenture interest
- f) Donation paid
- g) Interest received
- h) Interest paid on loan
- i) Income tax paid
- j) Interest paid on bank overdraft
- k) Income tax refund
- l) Interest on capital
- m) Bad debt
- n) Loss on sale of machinery
- o) Purchase of computer for office
- p) Purchase delivery van
- q) Profit on sale of investment
- r) Sale of machinery

The following expenses are excluded from cost sheet:

- (1) Finance overheads:
 - a) Interest on capital
 - b) Bad debts
 - c) Discount allowed on sales.
- (2) income tax, advance tax and income tax provision.

Illustration 1:

From the following particulars, prepare a Cost Sheet of polar energy Ltd

Opening Stock of raw materials	20,000
Opening Stock of Work-in-progress	10,000
Opening Stock of Finished goods	50,000
Raw material purchase	5,00,000
Direct Wages	3,80,000
Sales for the year	12,00,000
Closing stock of raw material	75,000
Closing stock of work-in-progress	15,000
Factory overhead	80,000
Direct Expenses	50,000
Office and Administrative overhead	60,000
Selling & Distribution expenses	30,000
Closing stock of finished goods	50,000

Solution**Cost Sheet**

Particulars	₹	₹
Opening Stock of Raw Materials	20,000	
Add: Purchase	5,00,000	
	5,20,000	
Less: Closing Stock of Raw Material	75,000	
Cost of Raw Materials consumed		4,45,000
Add: Direct Wages	3,80,000	
Direct Expenses	50,000	
Prime Cost		8,75,000
Add: Factory overheads	80,000	
Add: Opening stock of work-in-progress	10,000	
	90,000	

Less: Closing Stock of work-in-progress	15,000	75,000
Work cost (or) Factory Cost		9,50,000
Add: Office & Administrative Overhead		60,000
Cost of Production		10,10,000
Add: Opening Stock of Finished Goods		50,000
		10,60,000
Less: Closing Stock of Finished Goods		50,000
Cost of Goods sold		10,10,000
Add: Selling and Distribution Overhead		30,000
Cost of sales		10,40,000
Profit		1,60,000
Sales for the year		12,00,000

Illustration 2:

Form the following information's of Gems Ltd. for the year 2018 you are required to prepare the cost sheet

Particulars	₹
Stock of raw materials (1.1.2018)	50,000
Purchase of raw materials	1,70,000
Stock of raw materials (31.12.2018)	80,000
Carriage Inward	10,000
Direct Wages	1,50,000
Indirect Wages	20,000
Other Direct Charges	30,000
Office rent and rates	1,000
Factory rent and rates	10,000
Indirect consumption of materials	1,000
Depreciation On Plant	3,000
Depreciation on office furniture	2000
Salesmen salary	4,000
Salary to office supervisor	5,000

Other factory expenses	11,400
General Manager's Remuneration:	
Office	4,000
Factory	8,000
Selling Dept.	12,000
Other selling expenses	2,000
Travelling expenses of salesmen	2,200
Carriage and Freight outward	2,000
Sales	5,00,000
Advertisement	4,000

Solution:**Statement of Cost**

Particulars		
Opening of stock of raw material (1.1.2018)	50,000	
Add: Purchase	1,70,000	
Carriage Inwards	10,000	
	2,30,000	
Less: Closing stock of raw materials (31.12.2018)	80,000	1,50,000
Raw material consumed		
Wages		1,50,000
Other Direct Charges		30,000
Prime Cost		3,30,000
Add: Factory Overhead;		
Indirect wages	20,000	
Factory rent and rates	10,000	
Indirect Materials	1,000	
Depreciation Plant	3,000	
Other Factory Expenses	11,400	
General Manager's remuneration	8,000	53,400
Work Cost		3,83,400
Add: Administration overheads		
Office Rent	1,000	
Depreciation on office furniture	2,000	
Salary to office supervisor	5,000	
General Manager Remuneration	4,000	12,000
Cost of Production		3,95,400

Add: Selling & Distribution Overheads		
Salary to Salesman	4,000	
General Manager's Salary	12,000	
Other Selling Expenses	2,000	
Advertising	4,000	
Travelling Expenses	2,200	
Carriage and freight overhead	2,000	26,200
Cost of goods sold		4,21,600
Profit		78,400
Sales		<u>5,00,000</u>

Illustration 3:

Prepare cost sheet from the following information for the year ended March 2019:

Stock of finished goods (1.4.2018)	50,000
Work-in-progress (1.4.2018)	40,000
Raw materials (1.4.2018)	1,00,000
Direct materials	8,00,000
Direct Wages	3,00,000
Carriage inward	40,000
Indirect wages	90,000
Factory Overheads	2,75,000
Stock of Raw material (31.03.2019)	80,000
Stock of Work-in-progress (31.12.2019)	70,000
Sales (1,20,000 units)	25,00,000
Office and Administrative overhead	80,000
Selling and Distribution overhead	1,00,000
Stock on finished goods (31.12.2019)	60,000

Solutions:**Cost Sheet for the year ending 31st March. 2019**

Particulars	₹	₹
Stock of raw material (1.4.2018)	1,00,000	
Add: Direct material	8,00,000	
Carriage inwards	40,000	
	9,40,000	
Less: Stock of raw materials (31.03.2019)	80,000	
Raw Materials consumed		8,60,000
Add: direct wages		3,00,000
Prime Cost		11,60,000
Add: Factory Overhead	2,75,000	
Add: Indirect wages	90,000	
Add: Work-in-progress (1.4.2018)	40,000	
	4,05,000	
Less: Work-in-progress (31.3.2019)	70,000	
		3,35,000

Work cost (or) Factory Cost		14,95,000
Add: Office and Administrative overheads		80,000
Cost of production		15,75,000
Add: Stock of finished goods (1.4.2019)		50,000
		16,25,000
Less: Stock of finished goods (31.3.2019)		60,000
Cost of goods sold		15,65,000
Add: Selling and distribution expenses		1,00,000
Cost of sales		16,65,000
Profit		8,35,000
Sales for the year		25,00,000

Illustration 4:

Prepare the cost sheet to show the total cost of production and cost per unit of goods manufactured by a company for the month of August, 2015. Also find out the Cost of Sales

Stock of raw materials 1.8.2015	3,000
Raw material Purchased	28,000
Stock of raw materials 31.8.2015	4,500
Manufacturing Wages	7,000
Depreciation of Plant	1,500
Loss on sale of a part of plant	300
Factory rent	3,000
Office rent	500
General Expense	400
Discount on sale	300
Advertisement expenses	600
Income tax paid	2,000
Sales	@ 15p.u

The number of units produced August, 2015 was 3,000. The stock of finished goods was 200 and 400 units on 1.8.2015 and 31.8.2015 respectively. Opening stock of finished goods Rs 2800.

Solution: Cost Sheet for the month ended 31.7.2015

Particulars		
Op. Stock of raw materials		3,000
+Purchase		28,000
-Cl. Stock of raw material		(4,500)
Raw Material consumed		26,500
+Manufacturing wages		7,000
Prime Cost		33,500
+ Factory overheads		
Depreciation on Plant	1,500	
Factory rent	3,000	4,500
Factory cost / work Cost		38,000
+ Office Overheads		
Office rent	500	
General Expenses	400	

Cost of production	900
+Op. stock of finished goods	38,900
-Cl. Stock of finished goods $(38,900/3,000) \times 400$	2,800
Cost of goods sold	(5,187)
+Selling overheads	36,513
Advertisement expenses	600
Cost of Sales	37,113
Profit / Loss	4,887
Sales (2,800 x 15)	42,000

Note 1: Calculation of units Sold:

Opening Stock:	200
+Units produced:	3,000
- Closing Stock:	<u>(400)</u>
	2800

Note 2 : Loss on sale of Plant, Discount on sale will not be considered as they will be considered in financial accounting only.

Illustration 5:

From the books of account of M/s Arya Enterprises, the following details have been extracted for the year ending March, 31st 2015:

Stock of Materials – Opening	1,88,000
Closing	2,00,000
Material Purchased during the year	8,32,000
Direct Wages Paid	2,38,400
Indirect Wages	16,000
Salaries to Administrative staff	40,000
Freights – Inward	32,000
Outward	20,000
Cash Discount allowed	14,000
Bad debts written off	18,800
Repairs to plant and machinery	42,400
Rent, rate, and taxes – Factory	12,000
Office	6,400
Travelling Expenses	12,400
Salesman salaries and commission	33,600
Depreciation written off – Plant & Machinery	28,400
Furniture	2,400
Directors fees	24,000
Electricity charges (factory)	48,000

Fuel (for boiler)	64,000
General Charges	24,800
Managers salary	48,000

The Managers time is shared between the factory and the office in the ratio of 20:80. From the above details, you are required to prepare Cost Sheet.

Solution:**Cost Sheet for the year ended 31.3.2015**

Particulars		
Op. stock of raw materials		1,88,000
+Purchase		8,32,000
+ Freight inward		32,000
-Cl. Stock of raw materials		(2,00,000)

Raw material consumed		8,52,000
Direct wages paid		2,38,400
Prime cost		10,90,400
+Factory overhead		
Indirect wages	16,000	
Repairs to plant & machinery	42,400	
Rent, rates and taxes (factory)	12,000	
Depreciation on plant & machinery	28,400	
Electricity charges	48,000	
Fuel (for boiler)	64,000	
Manager salary (48,000 x 20%)	9,600	2,20,400
Factory cost / work cost		13,10,800
+Office & Administrative overheads		
Salaries to administrative staff	40,000	
Rent, rates and taxes (office)	6,400	
Depreciation on furniture	2,400	
Directors fees	24,000	
General charges	24,800	
Manager salary(48,000 x 80%)	38,400	1,36,000
Cost of production /Cost of goods sold		14,46,800
+ Selling & Distribution Overheads	20,000	
Freight outwards	12,400	
Travelling expenses	33,600	66,000
Salesman's salaries & commission		15,12,800
Cost of sales		

Note: 'Cash discount', bad debt written off' will be considered in financial only not in cost accounts.

Illustration 6 :

From the following particulars calculate (1) Prime Cost (2) Factory Cost (3) Cost of Production and (4) Cost of Sales:

Particulars	`	Particular	`
Direct Raw Material	33,000	Depreciation of office building	1,000
Direct Wages	35,000	Depreciation of delivery Van	200
Direct expenses	3,000	Bad Debts	100
Factory Rent and rates	7,500	Advertisement	300

Indirect Wages (Factory)	10,500	Salaries of salesmen	1500
Factory Lighting	2,050	Up keeping of delivery van	700
Factory Heating	1,500	Bank charges	100
Power (Factory)	4,400	Commission on sale	1,500
Office Stationary	900	Rent and Rates (Office)	500
Director's Remuneration (Factory)	2,000	Loose tools written off	600
Director's Remuneration (Office)	4,000	Output (tonnes)	5,000
Factory Clearing	1,000	(Sales @ ` 40 per unit)	
Sundry office Expenses	200		
Factory Stationary	750		
Water Supply (Factory)	1,300		
Factory Insurance	1,100		
Office Insurance	500		
Legal Expenses (Office)	400		
Rent of Warehouse	300		
Depreciation Plant & Machinery	2,000		

Solution:**Cost Sheet for the year,**

Particulars	`	`
Direct Materials	33,000	
Direct Wages	35,000	
Direct expenses	3,000	
Prime Cost		71,000
Add: Factory Overheads		
Factory Rent and rates	7,500	
Indirect Wages	10,500	
Factory Lighting	2,050	
Factory Heating	1,500	
Power (Factory)	4,400	
Director's Remuneration (Factory)	2,000	
Factory Cleaning	1,000	
Factory Stationary	750	
Water supply (Factory)	1,300	
Factory Insurance	1,100	
Depreciation of Plant and Machinery	2,000	
Loose Tools written off	600	34,700
Work Cost (or) Factory Cost		1,05,700
Add: Office and Administrative Overhead		
Office Stationary	900	
Director's remuneration (office)	4,000	

Sundry office expenses	200	
Office Insurance	500	
Legal expenses (Office)	400	
Deprecation of office building	1,000	
Bank Charges	100	
Rent & rates (Office)	500	
		7,600
Cost of production		1,13,300
Add: Selling Distribution Overheads	300	
Rent of warehouse	200	
Depreciation of delivery van	300	
Advertising	1,500	
Salesmen salaries	700	
Up keep of delivery van	1,500	
Commission on Sales		4,500
Total cost of Sales		1,17,800
Profit		82,200
Sales 5,000 tones @ ` 40 per unit		<u>2,00,000</u>