

Labour costing

Labour records

Active Time

Job ticket
Job cost sheet
Daily time sheet

Retaining Time

Attendance Register
Cards with bar codes
Finger printer machine

Documents required to prepare Pay sheet

Appointment letter
Time sheet
Attendance register

Journal entries relevant for Labour costing

- 1) Recording of Gross salary
 Salaries and wages Dr
 Salaries and wages control Cr
- 2) Deduction from salaries / wages
 Salaries and wages control Dr
 Relevant deduction account Cr
- 3) Payment of net salary
 Salaries and wages control Dr
 Cash Cr
- 4) Employer's contribution for the EPF (Employees Provident Fund)
 EPF expense Dr
 EPF payable Cr
- 5) Employer's contribution for the ETF (Employees Trust Fund)
 ETF expense Dr
 ETF payable Cr

Employee related total Expense = Gross salary + EPF by employer + ETF by employer

Direct Wages = Production employee related total Expense – (bonus based on Company Profit + Other allowances)

Exercise 01

Sasika, Kevin & Sheshan are three employees of a company. The following information is given in relation to their salaries for the month of March 2018.

- i. Hours worked:

Employee	Weekdays	Weekends
Sasika	100	-
Kevin	100	10
Sheshan	100	20

- ii. Hourly rates:

- Rate for weekdays - Rs 250 per hour
- Overtime rates for the weekend - One and half times of the week day rate

- iii. Employees Provident Fund (EPF) contribution by the employer and the employee are 15% and 10% respectively and Employees Provident Fund (ETF) contribution by the employer is 3%. (Overtime payments are not considered in calculating EPF and ETF).
- iv. Deductions:
 - Employee contributions to the Welfare Society per month – Rs. 500 (per employee).
 - Monthly loan installments of Sheshan – Rs. 5 000

Required:

- (1) Pay sheet for the month for March 2018.
- (2) Salaries control account, EPF Payable Account and ETF Payable Account for the month of March 2018.
- (3) Employees related total expenses for the month of March 2018.

Exercise 02

Following salary related information for the month of June 2020 has been extracted from the books of a Company

- i) Number of hours worked

Employee	No. of Hours worked
Sanduni	170
Nipuni	164
- ii) The normal working hours per month is 160 hours
- iii) Regular wage rate per hour is Rs. 300
- iv) Overtime rate is one and half times from regular rate
- v) EPF Contribution of employer and employee is 15% and 10% respectively and ETF contribution of employer is 3% (in computing EPF contributions overtime payments are not considered)
- vi) Saduni and Nipuni requested and given letter for deducting their loan installments from their salaries amounting to Rs. 2 000 and Rs. 3 000 respectively.
- vii) Salary advanced obtained by Saduni and Nipuni was Rs. 5 000 and Rs. 6 000 respectively

Required:

- i) Pay sheet for the month of June 2020
- ii) Prepare following ledger accounts
 - Salary account
 - Salary control account
 - EPF payable account

Exercise 03

The following information relates to the employees of Ganga PLC for the month of January.

There are 10 employees in this Company.

- Normal wage rates and overtime wage rate of an employee is Rs. 200 and Rs. 300 respectively per hour.
- Employees should cover 8 hours per day and 20 days per month
- All employees has worked 2 000 hours during the month
- All the employees have obtained the festival advance and the relevant monthly installment is Rs. 5 000
- Five employees have obtained bank loan and the monthly installment is Rs. 6 000 from each employee.

- Each employee should pay Rs. 500 monthly for the welfare society
- Contribution to the EPF by employer and employee are 15% and 10% respectively. Contribution to the ETF by employer is 3% .(Based on basic salary)
- Salary of this month will be paid on the 10th day of the following month.

Required

- (i) Journal entries to record salaries for the month of January (using salary control account)
- (ii) Extracts of the income statement

Exercise 04

Following information relates to employees salary of “A” division of Sithara Garments for the first two weeks of January 2020.

Name of the employee	No of days worked during two weeks	Excess hours worked	Week end hours worked
Aruni	9	5	-
Waruni	8	-	6
Hiruni	9	6	4
Theruni	7	-	-

1. Employees should work 8 hours for a day during the week days and following are the applicable salary rates:
 - (i) Normal rate for the week days is Rs. 100 per hour
 - (ii) Over time rate for the week days is Rs. 150 per hour and for the weekends Rs. 200 per hour
 - (iii) Theruni is paid Rs. 600 per day as an untrained employee
2. The company’s contribution for EPF and ETF is 15% and 3% respectively on the basic salary of employees. Monthly EPF and ETF liability should be settled within the first week of next month
3. Deductions
 - Every employee contributes Rs. 200 each to the Welfare Society
 - Loan installment of Hiruni Rs. 1 500 should be deducted
4. On 01.01.2020 the EPF and ETF liability represents amounting Rs.5 000 and Rs.600 respectively

Required:

- (i) Prepare the salary sheet of Department “A” of Sithara Garment for the first two weeks of January 2020
- (ii) Prepare salary Control Account, EPF payable Account and ETF payable Account

