

# COST SHEET

## (I) PROFORMA OF COST SHEET

Particulars	Total Cost Rs.	Cost Per Unit Rs.
Opening Stock of 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
<b>PRIME COST</b>	xxx	xxx
<b>Add: Works or Factory Overheads:</b>		
Indirect Materials	xxx	xxx
Indirect Wages	xxx	xxx
Leave Wages	xxx	xxx
Bonus to Workers	xxx	xxx
Overtime Wages	xxx	xxx
Fuel and Power	xxx	xxx
Rent and Taxes	xxx	xxx
Insurance	xxx	xxx
Factory Lightings	xxx	xxx
Supervision	xxx	xxx
Works Stationery	xxx	xxx
Canteen and Welfare Expenses	xxx	xxx
Repairs	xxx	xxx
Works Salaries	xxx	xxx
Depreciation of Plant and Machinery	xxx	xxx
Works Expenses	xxx	xxx
Gas and Water	xxx	xxx
Technical Director's Fees	xxx	xxx
Laboratory Expenses	xxx	xxx
Works Transport Expenses	xxx	xxx
Works Telephone Expenses	xxx	xxx
<b>Add: Opening Stock of Work-in-Progress</b>	xxx	xxx
<b>Less: Closing Stock of Work-in-Progress</b>	xxx	xxx
<b>Less: Sale of Waste</b>	xxx	xxx
<b>WORKS COST</b>	xxx	xxx
<b>Add: Office and Administration Overheads:</b>		
Office Salaries	xxx	xxx
Directors Fees	xxx	xxx
Office Rent and Rates	xxx	xxx
Office Stationary and Printing	xxx	xxx
Sundry Office Expenses	xxx	xxx
Depreciation on Office Furniture	xxx	xxx
Subscription to Trade Journals	xxx	xxx
Office Lightings	xxx	xxx
Establishment Charges	xxx	xxx
Directors Travelling Expenses	xxx	xxx
Consultants Fees	xxx	xxx
Contribution to Provident Fund	xxx	xxx
Postage	xxx	xxx
Legal Charges	xxx	xxx

Audit Fees	xxx	
Bank Charges	xxx	
Depreciation and Repairs of Office Equipments	xxx	
Bonus to Staff	xxx	
<b>COST OF PRODUCTION</b>	xxx	xxx
<b>Add: Opening Stock of Finished Goods</b>	xxx	xxx
<b>Less: Closing Stock of Finished Goods</b>	xxx	xxx
<b>COST OF GOODS SOLD</b>	xxx	xxx
<b>Add: Selling and Distribution Overheads:</b>		
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	xxx	
Expenses of Sales Branch	xxx	
Establishments	xxx	
Branch Office Expenses	xxx	
<b>TOTAL COST/TOTAL OF SALES</b>	xxx	xxx
Profit or Loss	xxx	xxx
<b>SALES</b>	xxx	xxx

Following items are to be ignored in the cost sheet:

- Advance tax paid
- Cash discount allowed on sales
- Dividend paid
- Dividend received
- Debenture interest
- Donation paid
- Interest received
- Interest paid on loan
- Income tax paid
- Interest paid on bank overdraft
- Income tax refund
- Interest on capital
- Bad debts
- Loss on sale of machinery

## SOLVED PROBLEMS

### Illustration 1:

Classify the following items into:

- (a) **Direct and Indirect Cost:**
- (i) Advertisement. (ii) Overtime wages.  
(iii) Productive wages. (iv) Carriage inward.
- (b) **Fixed Cost or Variable Cost or Semi-Fixed Cost/Semi-Variable Cost:**
- (i) Managers salary Rs. 24,000. (ii) Direct labour Rs. 8,250.  
(iii) Sales travelling expenses Rs. 600. (iv) Electricity expenses Rs. 9,000.
- (c) **Factory Overheads, Office and Administration Overheads and Selling and Distribution Overheads:**
- (i) Depreciation to delivery van. (ii) Bank charges.  
(iii) Counting house wages. (iv) Drawing office salary.

DM  
DL  
Exp.

### Solution:

(a) Direct and Indirect Cost:	
Items	Answers
(i) Advertisement	Indirect Cost
(ii) Overtime wages	Direct Cost
(iii) Productive wages	Direct Cost
(iv) Carriage inward	Direct Cost
(b) Fixed Cost or Variable Cost or Semi-Fixed Cost/Semi-Variable Cost:	
Items	Answers
(i) Managers salary Rs. 24,000	Fixed Cost
(ii) Direct labour Rs. 8,250	Variable Cost
(iii) Sales travelling expenses Rs. 600	Fixed Cost
(iv) Electricity expenses Rs. 9,000	Semi-Variable Cost
(c) Factory Overheads, Office and Administration Overheads and Selling and Distribution Overheads:	
Items	Answers
(i) Depreciation to delivery van	Selling and Distribution Overheads
(ii) Bank charges	Office and Administration Overheads
(iii) Counting house wages	Office and Administration Overheads
(iv) Drawing office salary	Factory Overheads

### Illustration 2:

Classify the following items into:

- (a) **Direct and Indirect Cost:**
- (i) Cost of cotton in a textile unit. (ii) Lighting and heating.  
(iii) Postage. (iv) Carriage inwards.
- (b) **Fixed or Variable or Semi-Variable Cost:**
- (i) Direct Material. (ii) Phone Charges.  
(iii) Foremen's Wages. (iv) Works Managers Salaries.
- (c) **Factory or Office and Administration or Selling and Distribution Cost:**
- (i) Office Rent Rs. 600. (ii) Audit Fees Rs. 1,200.  
(iii) Depreciation of Delivery Van Rs. 400. (iv) Salesmen's Commission Rs. 850.

## Cost Classification

### Solution:

(a) Direct and Indirect Cost:	
Items	Answers
(i) Cost of cotton in a textile unit	Direct Cost
(ii) Lighting and heating	Indirect Cost
(iii) Postage	Indirect Cost
(iv) Carriage inwards	Direct Cost
(b) Fixed or Variable or Semi-Variable Cost:	
Items	Answers
(i) Direct Material	Variable Cost
(ii) Phone Charges	Semi-Variable Cost
(iii) Foremen's Wages	Fixed Cost
(iv) Works Managers Salaries	Fixed Cost
(c) Factory or Office and Administration or Selling and Distribution Cost:	
Items	Answers
(i) Office Rent Rs. 600	Office and Administration Cost
(ii) Audit Fees Rs. 1,200	Office and Administration Cost
(iii) Depreciation of Delivery Van Rs. 400	Selling and Distribution Cost
(iv) Salesmen's Commission Rs. 850	Selling and Distribution Cost

### Illustration 3:

Classify the following items into:

- (a) **Direct and Indirect Cost:**
- (i) Cost of fruits in a Fruits Juice Manufacturing unit.  
(ii) Factory Rent and Rates.  
(iii) Carriage Outwards.  
(iv) Cost of nails and fevicol in furniture making unit.
- (b) **Fixed or Variable or Semi-Variable Cost:**
- (i) Indirect Material Rs. 600. (ii) Telephone Charges Rs. 750.  
(iii) Foremen's Wages Rs. 1,200. (iv) Factory Electricity Rs. 920.
- (c) **Factory or Office and Administration or Selling and Distribution Cost:**
- (i) Running Expenses of Delivery Van. (ii) Depreciation of Factory Plant.  
(iii) Storekeeper's Salary. (iv) Insurance.

### Solution:

(a) Direct and Indirect Cost:	
Items	Answers
(i) Cost of fruits in a Fruits Juice Manufacturing unit	Direct Cost
(ii) Factory Rent and Rates	Indirect Cost
(iii) Carriage Outwards	Indirect Cost
(iv) Cost of nails and fevicol in furniture making unit	Indirect Cost
(b) Fixed or Variable or Semi-Variable Cost:	
Items	Answers
(i) Indirect Material Rs. 600	Fixed Cost
(ii) Telephone Charges Rs. 750	Semi-Variable Cost
(iii) Foremen's Wages Rs. 1,200	Fixed Cost
(iv) Factory Electricity Rs. 920	Semi-Variable Cost

(c) **Factory or Office and Administration or Selling and Distribution Cost:**

Items	Answers
(i) Running Expenses of Delivery Van	Selling and Distribution Cost
(ii) Depreciation of Factory Plant	Factory Cost
(iii) Storekeeper's Salary	Factory Cost
(iv) Insurance	Office and Administration Cost

**Illustration 4:**

Classify the following items into:

(a) **Direct and Indirect Cost:**

- (i) Cost of oil seeds in a oil manufacturing unit Rs. 500.
- (ii) Legal Expenses Rs. 790.
- (iii) Carriage Inwards Rs. 120.
- (iv) Cost of buttons and thread in case of garment making Rs. 430.

(b) **Fixed or Variable or Semi-Fixed Cost:**

- (i) Direct Labour.
- (ii) Electricity Expenses.
- (iii) Sales Travelling Expenses.
- (iv) Auditors Fees.

(c) **Factory or Office and Administration or Selling and Distribution Cost:**

- (i) Machine Depreciation.
- (ii) Advertising.
- (iii) Foreman's Wages.
- (iv) Office Salaries.

**Solution:**

(a) **Direct and Indirect Cost:**

Items	Answers
(i) Cost of oil seeds in a oil manufacturing unit Rs. 500	Direct Cost
(ii) Legal Expenses Rs. 790	Indirect Cost
(iii) Carriage Inwards Rs. 120	Direct Cost
(iv) Cost of buttons and thread in case of garment making Rs. 430	Indirect Cost

(b) **Fixed or Variable or Semi-Fixed Cost:**

Items	Answers
(i) Direct Labour	Variable Cost
(ii) Electricity Expenses	Semi-Fixed Cost
(iii) Sales Travelling Expenses	Fixed Cost
(iv) Auditors Fees	Fixed Cost

(c) **Factory or Office and Administration or Selling and Distribution Cost:**

Items	Answers
(i) Machine Depreciation	Factory Cost
(ii) Advertising	Selling and Distribution Cost
(iii) Foreman's Wages	Factory Cost
(iv) Office Salaries	Office and Administration Cost

**Illustration 5:**

Classify the following on the basis of:

(i) **Functions:**

- (a) Audit Fees.
- (b) Depreciation of Plant Machinery.
- (c) Show Room Rent.
- (d) Printing and Stationery.

(ii) **Traceability to product:**

- (a) Factory Staff Salary.
- (b) Telephone Charges.
- (c) Carriage Outwards.
- (d) Direct Wages.

**Cost Classification**

(iii) **Behaviour to change in activity:**

- (a) Insurance.
- (b) Raw Materials Purchased.
- (c) Rent of Office Building.
- (d) Supervisor's Salary.

**Solution:**

(i) **Functions:**

Items	Answers
(a) Audit Fees	Office & Administration overheads
(b) Depreciation of Plant & Machinery	Works/Factory Overheads
(c) Show Room Rent	Selling and Distribution Overheads
(d) Printing & Stationery	Office & Administration Overheads

(ii) **Traceability to product:**

Items	Answers
(a) Factory Staff Salary	Indirect Cost
(b) Telephone Charges	Indirect Cost
(c) Carriage Outwards	Indirect Cost
(d) Direct Wages	Direct Cost

(iii) **Behaviour to change in activity:**

Items	Answers
(a) Insurance	Fixed Cost
(b) Raw-Materials Purchased	Variable Cost
(c) Rent of Office Building	Fixed Cost
(d) Supervisors Salary	Fixed Cost

**Illustration 6:**

Classify the following on the basis of:

(i) **Functions:**

- (a) Audit Fees.
- (b) Depreciation of Plant Machinery.
- (c) Show Room Rent.
- (d) Printing and Stationery.

(ii) **Traceability to product:**

- (a) Factory Staff Salary.
- (b) Telephone Charges.
- (c) Carriage Outwards.
- (d) Direct Wages.

(iii) **Behaviour to change in activity:**

- (a) Insurance.
- (b) Raw Materials Purchased.
- (c) Rent of Office Building.
- (d) Supervisor's Salary.

**Solution:**

(i) **Functions:**

Items	Answers
(a) Audit Fees	Office & Administration overheads
(b) Depreciation of Plant & Machinery	Works/Factory Overheads
(c) Show Room Rent	Selling and Distribution Overheads
(d) Printing & Stationery	Office & Administration Overheads

(ii) **Traceability to product:**

Items	Answers
(a) Factory Staff Salary	Indirect Cost
(b) Telephone Charges	Indirect Cost
(c) Carriage Outwards	Indirect Cost
(d) Direct Wages	Direct Cost



**Illustration 11:**

Classify the following on the basis of:

**(a) Functions:**

- (i) Sales stationery expenses.
- (iii) Heat and Light.

- (ii) Salaries of Administrative Staff.
- (iv) Foremen's Wages.

**(b) Traceability to product:**

- (i) Legal Expenses.
- (ii) Cost of Buttons and Thread in a Garment Manufacturing Firm.
- (iii) Overtime paid to workers.
- (iv) Income Tax.

**(c) Behaviour to change in activity:**

- (i) Directors Fees.
- (iii) Overtime paid to workers.
- (ii) Office Cleaning.
- (iv) Repairs and Maintenance.

**Solution:****(a) Functions:**

Items	Answers
(i) Sales Stationery Express	Selling & Distribution overheads
(ii) Salaries Administrative Staff	Office & Administrative Overheads
(iii) Heat and Light	Works/Factory Overheads
(iv) Foremen's Wages	Works/Factory Overheads

**(b) Traceability to product:**

Items	Answers
(i) Legal Expenses	Indirect Cost
(ii) Cost of Buttons and Thread in a Garment Manufacturing Firm	Indirect Cost
(iii) Overtime Paid to workers	Direct cost
(iv) Income Tax	Finance expense; it must be ignored in costing.

**(c) Behaviour to change in activity:**

Items	Answers
(i) Direct Fees	Fixed Cost
(ii) Office Clearing	Fixed Cost
(iii) Overtime Paid to workers	Variable Cost
(iv) Repairs and Maintenance	Variable Cost

**Illustration 12:**

Classify the following on the basis of:

**(a) Functions:**

- (i) Salesmen's salary.
- (ii) Office rent.
- (iii) Factory watchmans wages.
- (iv) Printing and stationery expense.

**(b) Traceability to product:**

- (i) Depreciation of office furniture
- (ii) Cost of Speakers in a radio set
- (iii) Paper used for printing a book
- (iv) Bottles used for filling in a soft drink

**(c) Relation to change in quantity / volume:**

- (i) Purchase commission at the rate of one percent

**Cost Classification**

- (ii) Office rent
- (iii) Cost of milk used in making ice cream
- (iv) Managers salary

**Solution:****(a) Functions:**

Items	Answers
(i) Salesmen's salary.	Selling and Distribution overheads
(ii) Office rent.	Office and Administration overheads
(iii) Factory watchmans wages.	Works / Factory overheads
(iv) Printing and stationery expense.	Office and Administration overheads

**(b) Traceability to product:**

Items	Answers
(i) Depreciation of office furniture	Indirect Cost
(ii) Cost of Speakers in a radio set	Direct Cost
(iii) Paper used for printing a book	Direct Cost
(iv) Bottles used for filling in a soft drink	Direct Cost

**(c) Relation to change in quantity / volume:**

Items	Answers
(i) Purchase commission at the rate of one percent	Variable Cost
(ii) Office rent	Fixed Cost
(iii) Cost of milk used in making ice cream	Variable Cost
(iv) Managers salary	Fixed Cost

**Illustration 13:**

Classify the following items on the basis of:

**(a) Functions:**

- (i) Trade Fair Expenses
- (ii) Lawyer's Fees
- (iii) Fuel and Oil
- (iv) Market Research Expenses

**(b) Traceability to the product:**

- (i) Customs duty on purchases
- (ii) Bank charges
- (iii) Carriage expenses on Raw materials
- (iv) Secondary Packaging material

**(c) Relation to change in the level of activity:**

- (i) Telephone charges of Rs. 1,500
- (ii) Factory Insurance
- (iii) Depreciation of plant
- (iv) Cost of raw materials

**Solution:****(a) Functions:**

Items	Answers
(i) Trade Fair Expenses	Selling and Distribution Cost
(ii) Lawyer's Fees	Office and Administration Cost
(iii) Fuel and Oil	Works or Factory Cost
(iv) Market Research Expenses	Selling and Distribution Cost

Mr. Nitin provides the following data relating to the manufacturing of one standard product during the month of April 2005.

Particulars	Amount (Rs.)
Opening Stock of Raw Material	30,000
Raw Material Purchased	80,000
Carriage Inward	15,000
Closing Stock of Raw Material	20,000
Direct Labor Charges	80,000
Machine Hour Worked	1,000
Machine Hour Rate	Rs. 20
Administrative Overheads	10% On Works Cost
Selling Overheads	Rs. 0.49 Per Unit
Unit Produced	50,000 Units
Units Sold	40,000 Units @ Rs. 7.00 Per Unit.

You are required to prepare a Cost Sheet from the above showing:

(a) The Cost Per Unit. (b) Profit per unit sold and profit for the period.



<b>Less: Closing Stock of Raw Materials</b>		20,000	
<b>Raw Materials Consumed</b>		90,000	1.80
Direct Labour Charges		80,000	1.60
Carriage Inward		15,000	0.30
	<b>PRIME COST</b>	50,000	1,85,000
			3.70
<b>Add: Works/Factory Overheads:</b>			
Machine overheads			
1,000 hrs @ Rs. 20 per hour			
Works/Factory Cost	50,000	20,000	0.40
<b>Add: Administrative overheads</b>		2,05,000	4.10
(10% on works cost)			
Cost of Production		20,500	0.41
<b>Less: Closing Stock of Finished Goods (AS -2)</b>	50,000	2,25,500	4.51
Cost of Goods Sold	10,000	41,000	4.10
<b>Add: Selling overheads</b>	40,000	1,84,500	4.61
40,000 units @ Rs. 0.49 p.u.			
Total Cost of Sales		19,600	0.49
<b>Add: Profit</b>		2,04,100	5.10
<b>Sales Value</b>		75,900	1.90
	40,000	2,80,000	7.00

**Illustration 9:**

Titwala Manufacturing Company submits the following information on 31st March, 2008:

Particulars	Rs.
Sales for the year	2,75,000
<b>Inventories at the beginning of the year were:</b>	
Finished goods	7,000
Works-in-progress	4,000
Purchase of raw materials for the year	1,10,000
Raw material at the beginning of the year	3,000
Raw material at the end of the year	4,000
Direct labour	95,000
Factory overhead was 60% of direct labour	
<b>Inventories at the end of the year were:</b>	
Work-in-progress	6,000
Finished goods	8,000
<b>Other expenses</b>	
Selling expense	10% of sales
Administrative expenses	8% of sales

Prepare a statement of cost.

**Solution:**

**Cost Sheet of Titwala Manufacturing Co. as on 31st March 2008**

Particulars	Amount Rs.	Amount Rs.
Opening stock of raw Material	3,000	
<b>Add: Purchase of raw material</b>	1,10,000	
<b>Less: Closing stock of raw material</b>	4,000	
Direct Material consumed		1,09,000
Direct Labour		95,000
		2,04,000
<b>PRIME COST</b>		
<b>Add: Works / Factory overhead (60% of Direct Labour 95,000)</b>		57,000
<b>Add: Opening stock of work in Progress</b>		4,000
<b>Less: Closing stock of W.I.P.</b>		6,000
		2,59,000
<b>WORKS COST</b>		
<b>Add: Office &amp; Administration Overhead (8% of 2,75,000)</b>		22,000

**Cost Sheet**


	<b>COST OF PRODUCTION</b>	2,81,000
<b>Add: Opening stock of Finished Goods</b>		7,000
<b>Less: Closing stock of Finished Goods</b>		8,000
	<b>COST OF GOODS SOLD</b>	2,80,000
<b>Add: Selling and Distribution Overhead</b>		
Selling Expenses (10% of sales 75,000)		27,500
	<b>TOTAL COST OF SALES</b>	3,07,500
<b>Less: Loss (Balancing figure)</b>		32,500
	<b>SALES</b>	2,75,000

**Illustration 10:**

The following are the particulars of Alligator Manufacturing Ltd. for the year ended 31/03/2004:

Particulars	Rs.
Advertisement	45,000
Audit Fees	4,000
Director's remuneration	36,000
Direct wages	12,75,000
<b>Lighting and heating:</b>	
Factory	15,000
Office	1,500
Materials consumed	11,25,000
Motive power	45,000
Miscellaneous office expenses	6,500
Office Salaries	52,500
<b>Rent and rates:</b>	
Factory	75,000
Office	7,500
Delivery Van expenses	18,000
Salesmen's Salaries	30,000

You are further given the following information:

- Bad debts written off Rs. 5,000.
- Depreciation of Plant was Rs. 15,000 and Furniture Rs. 1,500.
- Total sales amounted to Rs. 45,00,000.

You are required to prepare a cost statement showing: (a) prime cost, (b) works cost, (c) cost of production, (d) cost of sales, (e) profit on goods sold.

**Solution:**

**Cost Sheet of Alligator Manufacturing Co. for the year ended 31/3/2004**

Particulars	Amount Rs.	Amount Rs.
Material Consumed	11,25,000	
Direct Wages	12,75,000	
		24,00,000
<b>PRIME COST</b>		
<b>Add: Works / Factory Overhead</b>		
Factory Lighting / Heating	15,000	
Motive Power	45,000	
Rent and Rates	75,000	
Depreciation of Plant	15,000	
		1,50,000
<b>TOTAL OF WORKS OVERHEAD</b>		

### Illustration 12:

The following data relate to the manufacture of a standard product during the four weeks ended 26 March 2008:

Particulars	Details
Raw materials consumed	Rs. 15,000
Direct wages	Rs. 9,800
Machine hours worked	2,400 hours
Machine hour rate	Rs. 1.80
Office on cost	10% of works cost
Selling on cost	Re. 0.10 per unit
Units produced	19,030
Units sold	11,418 @ Rs. 2.70 each

You are required to prepare a cost sheet in respect of the above showing the cost of production per unit.