

Illustration 1. Calculate prime cost from the following information:-

Direct material - Rs. 40,000, Direct labour - Rs. 30,000 Direct expenses - Rs. 25,000

Solution: Prime cost = Direct Material + Direct labour + Direct expenses
= Rs. 40,000 + Rs. 30,000 + Rs. 25,000
= Rs. 95,000

Illustration 2. Calculate prime cost from the following information:-

Opening stock of raw material = Rs. 12,500
Purchased raw material = Rs. 75,000
Expenses incurred on raw material = Rs. 5,000
Closing stock of raw material = Rs. 22,500
Wages Rs. 47,600 Direct expenses Rs. 23,400

Solution: - Calculation of raw material consumed:-

Raw material consumed = Opening stock of material + purchases of Raw material + expenses incurred on raw material - closing stock of raw material

= Rs 12,500 + Rs 75,000 + Rs 5,000 - Rs 22,500
= Rs. 92,500 - Rs 22,500
= Rs. 70,000

Prime cost = Raw material consumed + Direct labour + Direct expenses
= Rs 70,000 + Rs 47,600 + Rs 23,400
= Rs 1,41,000

OR

It can be shown in vertical form such as cost sheet

Particular	Details (Rs)	Amount (Rs)
Opening stock of raw material	12,500	
Add:- Purchase	7,500	
Add:- Expenses incurred on purchases	5,000	

Raw material available	92,500	
Less :- closing stock of raw material	22,500	

Raw material consumed		70,000
Add:- Direct wages or labour		47,600
Add:- Direct expenses		23,400

Prime cost		1,41,000

Illustration 3. Calculate works cost or factory cost from the following details:-

Raw material consumed	= Rs 50,000
Direct wages	= Rs20, 000
Direct expenses	= Rs 10,000
Factory expenses 80% of direct wages	
Opening stock of work in progress	= Rs 15,000
Closing stock of work in progress	= Rs 21,000

Solution: - Calculation of factory cost

Particular	Amount (Rs)	Amount (Rs)
Direct material consumed	50,000	
Add:- Direct wages	20,000	
Add:- Direct Expenses	10,000	

Prime cost		80,000
Add:- Factory expenses		16,000

Current manufacturing cost		96,000
Add:- Opening stock of work in progress		15,000

Total goods processed during the period		1,11,000
Less:- Closing sock of work in progress		21,000

Factory cost or work cost		90,000

Illustration 4. Calculate cost of production from the following information:-

Raw material purchased	= Rs 42,500
Freight paid	= Rs 5,000
Labour charges	= Rs 12,500
Direct expenses	= Rs 10,000
Factory overhead 80% of Direct labour charges	
Administrative overhead = 10% of work cost	

	Opening stock	Closing stock
Raw material	8,000	10,000
Work in progress	7,500	9,000

Solution: - Calculation of cost of production:-

Particular	Amount (Rs)	Amount (Rs)
Material purchased	42,500	
Add:- freight	5,000	

Total cost of material purchased	47,500	

Add:- Opening stock of Raw material	8,000	

Material available for consumption	55,500	
Less:- Closing stock of Raw material	10,000	

Raw material consumed	45,500	
Add:- Direct labour charges	12,500	
Add:- Direct expenses	10,000	
Prime cost		68,000
Add:- Factory overhead		10,000

Current manufacturing cost		78,000
Add:- Opening stock of work in progress		7,500

Total goods processed during the period		85,500
Less:- Closing stock of work in progress		9,000

Factory cost		76,500
Add:- Administrative overhead		7,650

Cost of production		84,150

Illustration 5. Prepare cost sheet from the following particular in the book of B. M. Rehman

Raw material purchased = Rs. 1, 20,000

Paid freight charges = Rs 10,000

Wages paid to laborers = Rs 35,000

Directly chargeable expenses = Rs 25,000

Factory on cost = 20% of prime cost

General and administrative expenses = 4% of factory cost

Selling and distribution expenses = 5% of production cost

Profit 20% on sales

	Opening stock	Closing stock
Raw material	15,000	20,000
Work in progress	17,500	24,000
Finished goods	20,000	27,500

Solution:-

Book of B. M. Rehman
Cost sheet

Raw material purchased	1,20,000
Add:- freight charges	10,000

Total cost of raw material purchased	1,30,000
Add:- opening stock of raw material	15,000

Cash of raw material available	1,45,000
Less:- closing stock of raw material	20,000

Raw material consumed	1,25,000
Add:- wages paid to labours	35,000
Add:- Directly chargeable expenses	25,000

Prime cost	1,85,000
Add:- Factory overhead 20% of prime cost	37,000

Current manufacturing cost	2,22,000
Add:- Opening stock of work in progress	17,500

Total goods processed during the period	2,39,500
Less:- closing stock of work in progress	24,000

Factory on work cost	2,15,500
Add:- General & administrative expenses 4% of factory cost	8,620

Cost of production	2,24,120
Add:- opening stock of finished goods	20,000

Goods available for sales	2,44,120
Less:- closing stock of finished goods	27,500

Cost of goods sold	2,16,620
Add:- selling and distribution expenses 5% of production cost	11,206

Cost of sales	2,27,826
Add:- Profit	56,956.50

Sales

2,84,782.50

Illustration 6. Prepare cost sheet in the book of M. B. Rehman from the following particulars.

Opening stock: - Raw material	=	Rs 5,000
Finished goods	=	Rs 4,000
Closing stock: - Raw material	=	Rs 4,000
Finished goods	=	Rs 5,000
Raw material purchased	=	Rs 50,000
Wages paid to laboures	=	Rs 20,000
Chargeable expenses	=	Rs 2,000
Rent and Taxes	=	Rs 7,400
Power	=	Rs 3,000
Experimental expenses	=	Rs 600
Sale of wastage of material	=	Rs 200
Office management salary	=	Rs 4,000
Office printing & stationery	=	Rs 200
Salaries to salesman	=	Rs 2,000
Commission to traveling agents	=	Rs 1,000
Sales	=	Rs 1, 00,000

Solution:-

Book of B. M. Rehman
Cost sheet

Particular	Details (Rs)	Amount (Rs)
Raw material purchased	50,000	
Add:- Opening stock of raw material	5,000	

Raw material for consumption	55,000	
Less:- closing stock of raw material	4,000	

Raw material consumed	51,000	
Less:- Sale of wastage of materials	200	
	-----	50,800
Add:- Direct labour		20,000
Add:- Direct chargeable expenses		2,000

Prime cost		72,800
Add:- Factory overhead		
Rent & Taxes	7,400	
Power	3,000	
Experimental charges	600	
	-----	11,000
Factory cost		83,800

Add:- Administrative overhead:-		
Office management salary	4,000	
Office printing & stationery	200	
	-----	4,200
Cost of production		88,000
Add:- Opening stock of finished goods		4,000

Goods available for sales		92,000
Less:- closing stock of finished goods		5,000

Cost of goods sold		87,000
Add:- selling and distribution overhead:-		
Salaries of salesman	2,000	
Commission to traveling agent	1,000	
	-----	3,000
Cost of sales		90,000
Profit		10,000

Sales		1,00,000

Illustration 7. The cost of sale of production 'A' is made up as follows:-

Material used in manufacturing	Rs 5,500
Material used in packing material	Rs 1,000
Material used in selling the product	Rs 150
Material used in the factory	Rs 175
Material used in the office	Rs 125
Labour required in production	Rs 1,000
Labour required for supervision in factory	Rs 200
Expenses direct factory	Rs 500
Expenses indirect factory	Rs 100
Expenses office	Rs 125
Depreciation of office building	Rs 75
Depreciation on factory plant	Rs 175
Selling expenses	Rs 350
Freight on material	Rs 500
Advertising	Rs 125

Assuming that all products manufactured and sold, what should be the selling price be fixed to obtain a profit of 20% on selling price.

Solution

Cost Sheet

Particular	Amount (Rs)	Amount (Rs)	Amount (Rs)
Direct material:-			
Material used in manufacturing		5,500	
Material used in Packing material		1,000	

Freight on material		500	
		-----	7,000
Direct wages:-			
labour require in production			1,000
Direct expenses:- Direct factory			500

Prime cost			8,500
Add:- <u>Factory overhead</u>			
Indirect material used in factory		75	
Indirect labour required for supervision		200	
Indirect factory expenses	100		
Depreciation factory	175		
	-----	275	
		-----	550
Factory on works cost			9050
Add:- <u>office & administrative expenses</u>			
Indirect material		125	
Indirect expenses office	125		
Indirect depreciation	75		
	-----	200	
		-----	325
Total cost of production			9375
Add:- <u>selling and distribution overhead:-</u>			
Indirect material		150	
Indirect expenses	350		
Advertisement	125		
	-----	475	
		-----	625
Cost of sales			10,000
Profit			2,500

Sales			12,500

Illustration 8.

Prepare a statement of cost from the following trading and P/L account for the year ending March 31, 2008

Particular	Amount (Rs)	Particular	Amount (Rs)
To opening stock material	12,000	By sales	2,00,000
Finished goods	40,000	By closing stock	20,000
		material	
To purchases	1,20,000	Finished goods	50,000
To cost of moulds	3,000		
To salary of factory manger	1,000		
To depreciation of machine	800		

To gross profit	63,200		
	-----		-----
	2,70,000		2,70,000
	-----		-----
To office salary	9,000	By Gross profit	63,200
To salesman salary	6,000	By interest from bank	800
To insurance of office building	1,000	By dividend received	200
To godown expenses	800	By rent received	900
To directors fees	2,000		
To telephone charges	700		
To showroom expenses	1,200		
To delivery van expenses	1,500		
To preliminary expenses	2,000		
To interest on deb.	700		
To market research exp.	600		
To net profit	39,000		
	-----		-----
	65,100		65,100
	-----		-----

Solution

Statement of cost (For the year ending 31st March 2008)

Particular	Details (Rs)	Amount (Rs)
Direct material:-		
Raw material purchased	1,20,000	
Add:- opening stock of raw materials	12,000	

Raw material for consumption	1,32,000	
Less:- Closing sock of raw materials	20,000	

Raw material consumed	1,12,000	
Add:- Direct labour	30,000	

Prime cost		1,42,000
Add:- Factory overhead:-		
Cost of moulds	3,000	
Factory manager salary	1,000	
Depreciation on machinery	800	

		4,800

Factory cost		1,46,800
Add:- office and administrate overhead		
Salary	9,000	
Insurance	1,000	
Directors fees	2,000	
Telephone charges	700	

		12,700

Cost of production		-----
Add:- Opening stock of finished goods		1,59,500
		40,000

Goods available for sales		1,99,500
Less:- Closing stock of finished goods		50,000

Cost of goods sold		1,49,500
Add:- selling & distribution ext:-		
Salesman's salary	6,000	
Insurance (godown)	800	
Showroom expenses	1,200	
Expenses of delivery van	1,500	
Market research expenses	600	
	-----	10,100

Cost of sales		1,59,600
Profit		40,400

Sales		2,00,000

Illustration 9.

The following inventory data relate to Nazia Ltd.

Inventories

	Opening	Closing
Finish goods	Rs 1,100	Rs 950
Work in progress	Rs 700	Rs 800
Raw materials	Rs 900	Rs 950

Additional information:-

Cost of goods available for sales	= Rs 6840
Total goods processed during the period	= Rs 6540
Factory on cost	= Rs 1670
Direct material used	= Rs 1930

Requirements:-

- determine raw material purchase
- determine the direct labour and cost incurred
- determine the cost of goods sold

Solution

- Raw material purchased:-

Raw material consumed	=	opening stock + purchases - closing stock
OR Rs 1,930	=	Rs 900 + Purchases - Rs 950
OR Rs 1,930 + Rs 50	=	purchases
Rs 1,980	=	Raw material purchased

- Direct labour cost:-

Cost of goods processed during the year	= Rs 6,540
Less: - Opening work in progress	= Rs 700

	Rs 5,840
Less: - Factory overheads	= Rs 1,670

Prime cost	= Rs 4,170
Less: - Raw material consumed	= Rs 1930

Direct labour cost	= Rs 2,240

- (iii) Cost of goods sold:-
= cost of goods available for sales - closing stock finished goods
= 6840 - 950 = Rs 5890

Illustration 10.

Mr. Zia furnishes the following data related to the manufacture of a standard product during the month of August 2008

Raw material consumed	-	Rs 15,000
Direct labour	-	Rs 5,000
Machine hours worked	-	Rs 900
Machine hour rate	-	Rs 5
Administration overheads	=	20% of works cost
Selling overheads	-	Rs 0.50 per unit
Unit produced	-	Rs 17,100
Unit sold	-	16,000 @ Rs 4 per unit

You are required to prepare a cost sheet from the above showing:-

The cost per unit

Cost per unit sold and profit for the period

Solution

Book of Zia Cost sheet (For the month of August 31, 2008)

Particular	Amount (Rs)	Amount (Rs)
Direct material consumed	15,000	0.878
Direct labour	5,000	0.292
Direct expenses	4,000	0.233
	-----	-----
Prime cost	24,000	1.403
Factory overheads (900 hours @ Rs 5 per hour)	4,500	0.263
	-----	-----
Work cost	28,500	1.666
Administrative overheads		

@ 20% of works cost	5,700	0.333
	-----	-----
Cost of production	34,200	2,000
Less:- closing stock on August 31, 2008 (1100 units @ Rs 2 per unit)	2,200	-----
	-----	-----
Cost of goods sold	32,000	2.000
Selling overheads @ Rs 0.50 per unit for 16000	8,000	0.50
	-----	-----
Cost of sales	40,000	2.50
Profit	24,000	1.50
	-----	-----
Sales (1600 unit)	64,000	4.00

* Closing stock = unit produced - units sold
= 17100-16000
= 1100 units

Exercise Questions.

Theoretical Questions:-

- 1) Explain the meaning of cost accountancy
- 2) Define
 - a) Direct materials
 - b) Direct wages
 - c) Direct expenses
- 3) What is cost accounting? Discuss briefly its important functions in a business firm
- 4) Explain the important objectives of cost accounting?
- 5) Distinguish between:-
 - a) Direct expenses and indirect expenses?
 - b) Direct labour and indirect labour?
 - c) Direct materials and indirect materials?
- 6) Distinguish between 'costing' and 'cost accounting'
- 7) What is financial accounting? How it is different from cost-accounting?
- 8) Mention the elements of cost
- 9) Explain the classification of direct labour
- 10) How the overheads are different from the expenses?
- 11) State at least five each type of overheads
 - a) Factory overheads
 - b) Administrative overheads
 - c) Selling and distribution overheads
- 12) What are the components of direct cost?
- 13) Write the formula of calculating the raw material consumed
- 14) Explain the meaning of cost of goods sold and cost of sales
- 15) Explain the meaning of
 - a) First cost
 - b) Works cost and works on cost
 - c) Cost of production and goods available for sales

Practical problems (Short Answers)

1. Opening stock of raw material - Rs 15,000
 Closing stock of raw material - Rs 20,000
 Material purchased - Rs 1, 20,000
 Find raw material consumed
 (Ans. 1, 15,000)
2. Raw material consumed - Rs 1, 02,000
 Raw material for consumption - Rs 1, 10,000
 Raw material purchased - Rs 1, 00,000
 Find opening & closing stock of raw material (Ans. Rs 10,000 and Rs 8,000)
3. Prime cost - Rs 1, 85,000
 Current manufacturing cost - Rs 2, 22,000
 Total goods processed during the period - Rs 2, 39,500
 Works cost - Rs 2, 15,000
 Find factory overheads, opening and closing stock of work in progress
 (Ans. Rs 37,000, Rs 17,500 and Rs 24,000)
4. Cost of production - Rs 11,206
 Goods available for sales - Rs 12,206
 Cost of goods sold - Rs 10,831
 Cost of Sales - Rs 11, 391
 Sales - Rs 12,000
 Find opening and closing stock of finished goods, selling expenses and profit or loss (Ans. Rs 1,000, Rs 1,375, Rs 560 and Rs 609 profit)
5. Direct material consumed - Rs 60,000
 Direct labour 50% of material consumed
 Direct expenses - $33\frac{1}{3}\%$ of direct labour
 Factory overheads - 40% of direct labour
 Office overheads - on cost $66\frac{2}{3}\%$ of works
 Find office cost
 (Ans. Rs 1, 20,000)

PRACTICAL PROBLEMS (long answers)

1. From the following particulars prepare a cost sheet showing the total cost per tone for the period ended 31st December 1998

	Rs		Rs
Raw material	33,000	Director's fees (office)	2,000
Productive wages	35,000	Factory cleaning	500
Direct expenses	3,000	Sundry office expenses	200
Unproductive wages	10,500	Estimating	800
Factory rent and terms	7,500	Factory stationery	750
Factory lighting	2,200	Office stationery	900
Factory heating	1,500	Factory insurance	1,100
Motive power	4,400	Office insurance	500
Haulage	3,000	Legal expenses	400

Director's fees (works)	1,000	Rent of warehouse	300
Depreciation of		Unkeeping of delivery vans	700
- plant and machinery	2,000	Bank charges	50
- office building	1,000	Commission on sales	1,500
- delivery vans	200	Loose tools written off	600
Bad debts	100	Rent and taxes (office)	500
Advertising	300	Water supply	1,200
Sales department salaries	1,500		

The total output for the period has been 10,000 tones.

(Ans. Prime cost Rs 71,000 works cost Rs 1,08,050 office cost Rs 1,13,600 total cost Rs 1,18,200 cost per tone Rs 11.82)

2. Prepare a cost sheet to show the total cost of production and cost per unit of goods manufactured by a company for the month of July 1994. Also find out the cost of sales.

	Rs		Rs
Stock of raw materials 1-7-1994	3,000	Factory rent & rates	3,000
Raw materials purchased	28,000	Office rent	500
Stock of raw materials 31-7-1994	4,500	General expenses	400
Manufacturing wages	7,000	Discount on sales	300
Depreciation on plant	1,500	Advertisement	600
Loss on sale of a part of plant	300	Expenses to be charged fully	2,000
		income tax paid	

The number of units produced during July 1994 was 3,000

The stock of finished goods was 200 and 400 units on 1-7-1994 and 31-7-1994 respectively. The total cost of units on hand on 1-7-1994 was Rs 2,800. All these had been sold during the month.

(Ans. Prime cost Rs 33,500 factory cost Rs 38,000 cost of production Rs 38,900 cost of sales Rs 37416)

3. The following particulars relating to the year 1994 have been taken from the books of a chemical works manufacturing and selling a chemical mixture:

	Rs	Rs
Stock on 1st Jan. 1994		
Raw materials	2,000	2,000
Finished mixture	500	1,750
Factory stores	-----	7,250
Purchases		
Raw materials	1,60,000	1,80,000
Factory stores	-----	24,250
Sales		

Finished mixture	1,53,050	9,18,000
Factory scrap	-----	8,170
Factory wages	-----	1,78,650
Power	-----	30,400
Depreciation of machinery	-----	18,000
Salaries		
Factory	-----	72,220
Office	-----	37,220
Selling	-----	41,500
Expenses		
Direct	-----	18,500
Office	-----	18,200
Selling	-----	18,000
Stock on 31st December 1994		
Raw material	1,200	
Finished mixture	450	
Factory stores	-----	5,550

The stock of finished mixture at the end of 1994 is to be valued at the factory cost of the mixture for that year. The purchase price of raw-materials unchanged throughout 1994.

Prepare a statement giving the maximum possible information about cost and its break up for the year 1994.

(Ans. Prime cost Rs 3,77,800 factory cost Rs 5,16,200 cost of production of finished mixture sold Rs 5,71,852 cost of sales Rs 6,31,352)

4. Calculate

- Value of raw-materials consumed
- Total cost of production
- Cost of goods sold and
- The amount of profit from the following particulars:

	Rs		Rs
Opening stock		Power	2,000
Raw - materials	5,000	Factory heating and lighting	2,000
Finished goods	4,000	Factory insurance	1,000
Closing stock		Experimental Expenses	500
Raw - materials	4,000	Sales of wastage of materials	200
Finished goods	5,000	Office management salaries	4,000
Raw - materials purchased	50,000	Office printing and stationery	200
Wages paid to labourers	20,000	Salaries of salesmen	2,000
		commission of traveling agent	
Chargeable expenses	2,000		
Factory rent, rates & taxes	5,000	Sales	1,00,000

(Ans. (a) Rs 50,800, (b) Rs 87,500, (c) Rs 89,500, (d) Rs 10,500)

[Hint sales of raw-materials wastage of Rs 200 has been deducted from the cost of raw-materials]

5. The cost of the sale of product 'X' is made up as follows:

	Rs
Materials used in manufacturing	10,20
Materials used in packing materials	2,500
Materials used in selling the product	350
Materials used in office	75
Materials used in factory	125
Labour required in producing	2,500
Salary paid to works manager and other principal officers of the factory	450
Expenses - indirect office	250
Expenses - direct factory	1,000
Bad debts	300
Packing expenses	150
Lighting and heating charges of the factory	200
Expenses - indirect factory	125

Assuming that all the products manufactured are sold, what should be the selling price to obtain a profit of 20% on cost price?

Illustrate in a chart fork for presentation to your mange, the division of costs of product 'X'

[Ans. Prime cost Rs 16,200, works cost Rs 17,100 cost of sales Rs 18,225 sales Rs 21,870]

6. Calculate the prime cost, factory cost, total cost of production and cost of sales from the following particulars:

		Rs.
Raw materials consumed		12,000
Directly chargeable expenses		500
Wages paid to labourers		2,500
Grease, oil, cotton waste etc.		25
Salary manager and clerks		1,750
Insurance of stock of raw materials		300
Consumable stores		400
Printing and stationery:		
Factory	50	
Office	200	
Sales deptt.	100	
	-----	350
Rent of office building		150
Depreciation :		

Factory premises	200	
Office furniture	50	
Delivery vans	75	
	-----	325
Power and fuel		500
Contribution to provident fund of factory employees		1,000
Salaries of administrative directors		100
Bank charges		75
Cost of samples		250
Salaries of sales manger		300
Advertising		500
Packing material		350
Storage in stocks of finished goods		20

[Ans. Prime cost Rs 15,000, factory cost Rs 19225 total cost of production Rs 19,800 cost of sales Rs 21,395]

7.

Calculate

- Value of raw-materials consumed
- Total cost of production
- Cost of goods sold and
- The amount of profit from the following particulars:

		Rs
Opening stock:		
Raw materials		1,350
Finished goods		2,500
Closing stock:		
Raw-materials		750
Finished goods		1,500
Raw materials purchased		20,000
Wages paid to labourers		8,000
Direct expenses		1,250
Experimental expenses		450
Factory printing and stationery		350
Rent :		
Factory	250	
Office	120	
	-----	370
Wages of fireman		1,000
Lighting - office		125
Audit fees		150
Telephone expenses		500
Advertising		1,250
Market research expenses		550
Salary of godown - keepers		175
Traveling expenses		750
Commission of traveling agent		500
Sales		50,000

[Ans. (a) value of raw - materials consumed Rs. 20,600 (b) Total cost of production Rs 32,795, (c) cost of goods sold Rs 33,795, (d) profit Rs 12,980]

8. Prepare a statement of cost from the following trading and profit and loss account for the year ending 31st March, 1995.

Particulars	Rs	Particulars	Rs
Opening stock:		Sales	1,00,000
Materials	8,000	Closing stock:	
Finished goods	25,000	Materials	15,000
Purchase of materials	70,000	Finished goods	30,000
Direct labour	10,000		
Grease, oil etc.	500		
Salary of storekeeper	700		
Power & fuel	800		
Gross profit c/d	30,000		
	-----		-----
	1,45,000		1,45,000
	-----		-----
Lighting:		Gross profit b/d	30,000
Office	500	Dividends received	2,000
Sales deptt.	650	Interest on loan	600
Depreciation:		Transfer fees	1,450
Office premises	1,000	Received	
Delivery vans	750		
Fees of office manager	2,000		
Bank charges	1,500		
Selling expenses	1,500		
Sales commission	500		
Preliminary expenses	3,000		
Packing expenses	1,100		
Dividends paid on	1,000		
Share capital of company			
Discount on debentures	500		
Net profit	20,000		
	-----		-----
	34,000		34,000

[Ans. Prime cost Rs 73,000, works cost Rs 75,000, total cost of production Rs 80,000 cost of goods sold Rs 75,000 cost of sales Rs 79,000 profit Rs 21,000]

9. The following data relate to the manufacture of standard product during the four week ending on 28th Oct. 1994.

Raw materials consumed	Rs 20,000
Direct wages	Rs 12,000
Machine hr worked	950 (hrs)

Machine hour rate	Rs 2.00
Office overhead 15% on works cost	
Selling overhead	Rs 0.37 per unit
Units produced	20,000
Units sold @ Rs 2.50 each	18,000
Prepare a statement from the above showing:	
(a) The cost of production per unit, and	
(b) The profit for the period	

[Ans. (a) Rs 1,949 (b) Rs 3,258]

10. A firm has purchased a plant to manufacture a new product, the cost data for which is given below:

Estimated annual sales	24,000 units
Estimated costs:	
Material	Rs 4.00 per unit
Direct labour	Rs 0.60 per unit
Overheads	Rs 24,000 per year
Administrative expenses	Rs 28,800 per year
Selling expenses	15% of sales
Calculate the selling price if profit per unit is Rs 1.02	

[Ans. Rs 9.20]

11. Prepare a cost sheet from the following data to find out profit and cost per unit:

Raw materials consumed	Rs 1,60,000
Direct wages	Rs 80,000
Factory overheads 20% of direct wages	
Office overheads 10% of factory cost	
Selling overheads	12,000
Unit produced	4,000
Units sold	3,600
Selling price	Rs 100 per unit

[Ans. Prime cost Rs 2,40,000, factory cost Rs 2,56,000, cost of production Rs 2,81,600, cost of sales Rs 2,65,440, profit Rs 94,560]