

Assignment I FAC 20 Marks

Question 1: The cost of the sales product Ajantha Ex is made up as follows;

Particulars	Rs.
Materials used in manufacturing	54,000
Materials used in primary packing	10,000
Materials used in selling the product	1,500
Materials used in the factory	750
Materials used in the office	1,250
Labour required in producing	10,000
Labour required for factory supervision	2,000
Direct expenses	5,000
Indirect expenses (factory)	1,000
Administration expenses	1,250
Depreciation on office building and equipment	750
Depreciation on factory building	1,750
Selling expenses	3,500
Freight on Materials purchased	6,000
Advertising	1,250

Prepare a cost sheet assuming that all goods manufactured are sold, what should be the selling price to obtain a profit of 20% on selling price?

SOLUTION:

Cost Sheet

Particulars	Rs.	Rs.
Direct Materials		
Materials used in manufacturing	54,000	
Materials used in primary packing	10,000	
Freight on Materials purchased	6,000	70,000
Direct Labour		
Labour required in producing		10,000
Direct Expenses		<u>5,000</u>
PRIME COST		85,000
Add: Factory Overheads		
Materials used in factory		750
Labour required for factory supervision		2,000
Indirect expenses (factory)		1,000
Depreciation on factory building		<u>1,750</u>
FACTORY COST		90,500
Add: Office and Administration Overheads		
Materials used in the office		1,250
Administration expenses		1,250
Depreciation on office building and Equipment		<u>750</u>
COST OF PRODUCTION		93,750
Add: Selling and Distribution overheads:		
Materials used in selling the product		1,500
Selling expenses		3,500
Advertising		1,250
COST OF SALES		1,00,000
Profit		25,000
SELLING PRICE		1,25,000

Profit = 20% on selling Price = 1/5th on selling price = 1/4th on cost = $1 \frac{1}{4} \times 1,00,000 = \text{Rs. } 25,000$

Question 2:

From the following particulars, calculate the overhead allocable to production department: P and Q. There are two also two service department S1 and S2. S1 renders service worth Rs 6,000 to S2 and the balance to P and Q as 3:2. S2 Renders services to P and Q as 9:

Particulars	P	Q	S1	S2
Floor space (sq ft)	2500	2000	500	500
Assets(Rs in lakh)	5	2.5	1.5	0.5
HP of machines	500	250	200	50
No of workers	100	50	50	25
Light and fan points	50	30	20	20

Expenses and Charges

Depreciation	95000
Insurance	7600
Canteen expenses	5400
Rent, rates and taxes	18,000
Power	10,000
Electricity	2400

Solution

Primary Distribution

Allocation and apportionment of factory overhead costs to the production and service departments.

Items of overhead	Basis of apportionment	Ratio	Total	Production Departments			Service department
Direct Wages	Allocation	----	4000				4000
Rent	floor space	4:6:5:2	34,000	8,000	12,000	10,000	4,000
Power	HP	3:2:4:1	18,400	5,520	3680	7360	1840
Depreciation	Cost of machine	8:5:6:1	22,000	8,800	5,500	6,600	1,100
Indirect Wages	Direct Wages	15:16:18:4	5300	1500	1600	1800	400
Canteen expenses	No of workers	7:5:5:2	5700	2100	1500	1500	600
Electricity	Light points	18:12:10:6	4600	1800	1200	1000	600

Secondary distribution

Re apportionment of service department costs to the production departments

Particulars	Total	Production			Service
		X	Y	Z	
Overhead as primary distribution	94,000	27,720	25480	28260	12540
Reapportionment of overhead of department S in the ratio (50:25:25)		6270	3135	3135	(12540)
Total departmental O/H	94000	33990	28615	31395	NIL

Question 3: Define the following

1. Prime Cost
2. Labour Cost
3. Overheads
4. Prime Cost
