CHAPTER - 1

COST SHEET

Q. 1. The Cost structure of an article, the selling price of which is ₹ 45,000 is as follows :

Direct Materials	50%
Direct Labour	20%
Overheads	30%

An increase of 15% in the cost of materials and of 25% in the cost of labour is anticipated. These increased costs in relation to the present selling price would cause a 25% decrease in the amount of present profit per article.

You are required :

(1) To prepare a statement of profit per article at present, and

(2) The revised selling price to produce the same percentage of Profit to Sales as before.

Q. 2. The following information is available from the books of a company manufacturing luxury ceiling fans. Production and sales during the year ending 31st March, 2014 was 1000 Units.

	₹
Direct Materials	2,00,000
Direct Wages	1,50,000
Factory Expenses	1,37,500
Administration Expenses	60,000
Selling Expenses	73,000

The following estimates have been made for 2015 :

(i) Production and sales will be 1,500 units.

(ii) Materials prices per unit will increase by 25% but due to economy in consumption the cost per unit will reduce by 12%.

(iii) The wage rate per unit will increase by 20%

(iv) Factory expenses of ₹ 50,000 are fixed. The remaining factory expenses will be in the same proportion to materials consumed and wages as in the previous year.

(v) The total administration expenses will increase by $66^{2}/_{3}$%.

(vi) Selling expenses will be ₹ 90,000.

(vii) The profit desired is 20% on sales.

Prepare a cost statement showing maximum possible break-up of cost per unit and total cost for 2014 and 2015.

Q. 3. The Managing Director of a small manufacturing concern consults you as to the minimum price at which he can sell the output of one of the departments of the company which is intended for mass production in future. The Company's record shows the following particulars for this department for the year ending March, 31, 2015.

Production and Sales	100	Units
Materials cost	₹ 13,000	
Direct labour cost	₹ 7,000	
Direct Charges	₹ 1,000	
Works oncost	₹ 7,000	
Office oncost	₹ 2,800	
Selling oncost	₹ 3,200	
Profit	₹ 5,000	
Sales	₹ 39,000	

You ascertain that 40% of the works oncost fluctuate directly with production and 70% of the selling oncost fluctuate with sales. It is anticipated that the department will produce 500 units per annum and that direct labour charges per unit will be reduced by 20% while fixed works oncost charges will increase by ₹ 3,000. Office oncost and fixed selling oncost charges are anticipated to show increase of 25% but otherwise no changes are expected. Prepare a statement for submission to your client. The company desires to maintain the profit percentage on sales.

Q. 4. A factory uses a job costing system. The following cost data are available from the books for the year ended 31st March, 2014 :

	₹
Direct Material	9,00,000
Direct Wages	7,50,000
Profit	6,09,000
Selling and Distribution Overhead	5,25,000
Administrative Overhead	4,20,000
Factory Overhead	4,50,000

Required

(a) Prepare a Cost Sheet indicating the prime cost, works cost, production cost, cost of sales and sales value.

(b) In 2014-15, the factory has received an order for a number of jobs. It is estimated that the direct materials is would be ₹ 12,00,000 and direct labour would cost ₹ 7,50,000. What would be the price for these jobs if the factory intends to earn the same rate of profit on sales, assuming that the selling and distribution overhead has gone up by 15%. The factory recovers factory overhead as a percentage of direct wages and administrative and selling and distribution overheads as a percentage of works cost, based on the cost rates prevalent in the previous year.