Cost Sheet of M/s ___________ for the period/year ended ___________

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
<th>Total</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Units Produced = XX</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Units Sold = XX</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1. DIRECT COST</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Materials Consumed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Stock of Raw Materials</td>
<td>xx</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Purchases of Raw Materials</td>
<td>xx</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Carriage Inward</td>
<td>xx</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Closing stock of Raw Materials</td>
<td>(xx)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Sale of Material scrap</td>
<td>(xx)</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Direct Labour</td>
<td>XX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Expenses</td>
<td>XX</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PRIME COST</strong></td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td><strong>2. INDIRECT COST</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Factory Overheads</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>xx</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>xx</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Sale of factory scrap</td>
<td>(xx)</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>GROSS FACTORY COST</strong></td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Add: Opening Stock of WIP</td>
<td>xx</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Closing Stock of WIP</td>
<td>(xx)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET FACTORY COST</strong></td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Add: Office &amp; Administration Overheads</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>xx</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>xx</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>COST OF PRODUCTION</strong></td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Add: Opening Stock of Finished goods</td>
<td>XX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Closing Stock of Finished goods</td>
<td>(XX)</td>
<td>(XX)</td>
<td></td>
</tr>
<tr>
<td><strong>COST OF GOODS SOLD</strong></td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Add: Selling &amp; Distribution Overheads</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>xx</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>xx</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>COST OF SALES</strong></td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Add: Profit</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td><strong>SALES</strong></td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
</tbody>
</table>
Items Included In Carriage Inwards
- Freight on Materials
- Carriage on Materials
- Dock Charges
- Import Duty
- Cartage
- Loading and Unloading Charges
- Octroi & Custom Duty

Items Included In Direct Wages
- Direct Labour
- Productive Wages
- Manufacturing Wages
- Factory Wages

Items Included In Direct Expenses
- Royalty on Production
- Special Designing charges
- Special Equipment hire charges
- Special Dyes
- Direct Power
- Sub-Contracting Expenses
- License fees for Special Orders

Items Included In Factory Overheads
Factory Overheads is also known as Works Overheads, Production Overheads, Manufacturing Overheads
- Factory Power
- Lighting and Heating
- Factory Manager’s Salary
- Factory Supervisor’s Salary
- Defective work (Cost of Rectification)
- Drawing and Designing Expenses
- Drawing Office Salaries
- Factory Rent, Rates and Insurance
- Technical Director’s Fees
- Power and Fuel
- Motive Power
- Steam
- Coal, Gas, Grease and Water
- Excise Duty
- Depreciation on Plant and Machinery
- Depreciation on Factory Building
- Depreciation on Patterns and Patents
- Indirect Material
- Indirect Wages
- Repairs to Plant and Machinery
- Rent of Plant and Machinery
• Expenses on Trial Production
• Cost of training workers
• Normal Idle time wages
• Setup cost
• Inspection Cost
• Insurance Premium for stock of Raw Material
• Material handling charges
• Store Keeper’s salary
• Haulage Expenses
• Cost of Rectification
• Loose Tools w/off
• Service Department Expenses

**Items Included In Office Overheads**

• Office Rent, Rates and Insurance
• Director’s Fees
• Depreciation on Office Furniture
• Office Lighting
• General Expenses
• Printing and Stationery
• Legal Expenses
• Postage and Telephone Expenses
• Counting House Salaries
• Audit Fees
• Clerical Salaries and Management Expenses
• Cleaning and Maintenance Expenses
• Repairs and Renewal
• Refreshment and other sundry expenses

**Items Included In Selling and Distribution Overheads**

• Carriage outwards
• Salesmen salaries and commission
• Depreciation on Delivery Van
• Travelling Expenses
• Fees paid to Brand Ambassador
• Advertisement and Publicity Expenses
• Exhibition Expenses
• Trade Fair Expenses
• Showroom rent and expenses
• Demonstration Expenses
• Catalogue Printing
• Free Samples
• Fancy Packing Expenses
• Warehouse Rent
• Cost of tenders
• Cost of mailing literature
• Salaries of Packing Department
• Carriage on Sales
• Final Packing & Forwarding Expenses
Classification of Important Items

<table>
<thead>
<tr>
<th>Item</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalty on Raw Material Consumed</td>
<td>DMC</td>
</tr>
<tr>
<td>Royalty on Production</td>
<td>DE</td>
</tr>
<tr>
<td>Technical Director's Fees</td>
<td>FOH</td>
</tr>
<tr>
<td>Director’s Fees</td>
<td>O&amp;A</td>
</tr>
<tr>
<td>Special Designing Expenses</td>
<td>DE</td>
</tr>
<tr>
<td>Designing Expenses</td>
<td>FOH</td>
</tr>
<tr>
<td>Haulage Expenses</td>
<td>FOH</td>
</tr>
<tr>
<td>Drawing Office Salaries</td>
<td>FOH</td>
</tr>
<tr>
<td>General Office Salaries</td>
<td>O&amp;A</td>
</tr>
<tr>
<td>Counting House Salaries</td>
<td>O&amp;A</td>
</tr>
<tr>
<td>Power</td>
<td>FOH</td>
</tr>
<tr>
<td>Direct Power</td>
<td>DE</td>
</tr>
<tr>
<td>Legal Expenses</td>
<td>O&amp;A</td>
</tr>
<tr>
<td>Legal Expenses for criminal suit</td>
<td>Ignore</td>
</tr>
<tr>
<td>Purchases of Plant and Machinery</td>
<td>Ignore</td>
</tr>
<tr>
<td>Purchases of Office Furniture</td>
<td>Ignore</td>
</tr>
<tr>
<td>Purchases of Delivery Van</td>
<td>Ignore</td>
</tr>
<tr>
<td>Depreciation of Plant and Machinery</td>
<td>FOH</td>
</tr>
<tr>
<td>Depreciation of Office Furniture</td>
<td>O&amp;A</td>
</tr>
<tr>
<td>Depreciation of Delivery Van</td>
<td>S&amp;D</td>
</tr>
<tr>
<td>Warehouse Rent</td>
<td>S&amp;D</td>
</tr>
</tbody>
</table>

Notes relating to Cost Sheet

1. **Quantity Information**
   - Opening Stock of Finished goods | XX
   - Add: Production (Units Produced) | XX
   - Less: Closing Stock of Finished goods | (XX)
   - Sales (Units sold) | XX

   **Note:** If there is no Quantity Information in the question, there will be NO PER UNIT COLUMN.

2. **How to Find Per Unit Column**
   - From Direct Materials consumed till Cost of Production, divide by units produced.
   - From Cost of goods sold till Sales, divide by units sold.
   - Opening stock of FG and Closing stock of FG will be divided by their respective units.

3. **Valuation of stock**
   - Stock of Raw Material is valued at **Purchase price of Raw Materials**
   - Stock of WIP is valued at **Factory Cost**
   - Stock of Finished Goods is valued at **Cost of Production**

4. **There are only 3 incomes which are included while preparing Cost Sheet**
   - Sale of Material Scrap
   - Sale of Factory Scrap
   - Sale of Finished goods (Sales)
5. **Expenses** which are not included while preparing Cost Sheet

(a) **Expenses not incurred for the product**
   Donations, Charities, Gifts

(b) **Abnormal Losses**
   Loss by fire, loss by theft, loss by any natural calamity,

(c) **Expenses incurred after earning profits**
   Income Tax, Provision for tax

(d) ** Appropriation of Profits**
   Transfer to Reserves, Proposed dividend, Dividend Paid

(e) **Intangible Assets written off**
   Goodwill, Patents, Trademark, Copyrights... w/off

(f) **Miscellaneous Expenditure written off**
   Preliminary Expenses, Discount on issue of shares or Debentures, Underwriting Commission, Company Formation Expenses.... w/off.

(g) **Financial Expenses and Losses**
   Interest on Loans or Debentures, Bad Debts, Provision for bad debts, Discount allowed, Loss on sale of FA, Legal Expenses for criminal suit, fines, Penalties, Damages etc

6. **Other Notes**

   - All Direct Cost are **Variable Cost** i.e. Direct Materials, Direct Labour, Direct Expenses are always variable cost.

   - But all Variable Cost are not direct cost. They can be Indirect Cost also.

   - If **total cost remains same**, then the cost will be termed as **Fixed Cost**.
     If **fixed cost** is to be increased or decreased, it needs to be increased or decreased from Total Cost.

   - If **cost per unit remains same**, then the cost will be termed as **Variable Cost**.
     If Variable cost is to be increased or decreased, it needs to be increased or decreased from Cost per unit.

   - Production Increases, Total Variable Cost increases
     Production Decreases, Total Variable Cost decreases

   - Production Increases, Fixed Cost per unit decreases
     Production Decreases, Fixed Cost per unit increases

   - **Variable Cost** is known as **product cost**
     **Fixed Cost** is known as **period cost**

   - In case of semi-variable overheads (partly variable and partly fixed), variable cost needs to be calculated by Change in Cost ÷ Change in Production and fixed cost will be the balancing figure.
Q. 1. The following extracts of costing information relate to commodity A for the year 31.3.2019.

Purchase of Raw Material  ~  48,000
Direct Wages  ~  40,000
Stock on 1-4-2018
of Raw Material  ~  8,000
of Finished Goods 1,600 quintals  ~  6,400
Stock on 31-3-2019
of Raw Material  ~  6,800
of Finished Goods 3,200 quintals
Work on cost (factory overhead)  ~  16,800
Work-in-Progress:
1st April 2018  ~  1,920
31st March 2019  ~  6,400
Office and Administrative Overheads (Related to Production)  ~  3,200
Sales (Finished Product)  ~  1,20,000

Advertising, discount allowed and selling cost is Re. 0.40 per quintal. During the year 25,600 quintals of commodity were produced. Prepare Cost sheet.