What do you mean by Cost Accounting.

Cost accounting is a Specialised branch of General Accounting in which detailed and Systematic information related to Cost of goods or Services are maintained in such a way as to obtain detailed information about total and per unit cost and guidance for the analysis and Control of Cost.

"Cost Accounting is the technique and process of ascertainment of Cost"
I.C.M.A London.

Conclusively, Cost accounting may be defined as the body of Concepts methods, techniques and procedures used to Compute, analyse or estimate the Costs, profitability and performance of Individual products, Services or departments and other Segments of an enterprise.

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classification of Cost

* "Cost is the amount of expenditure (actual or national) incurred on, or attributable to, a given thing"

(i) Material Cost "Material Cost is the Cost of material of any nature used for the purpose of production of a product or a Services.

Material Cost is two types

(i) Direct material Cost
(ii) Indirect material Cost

(ii) Labour Cost : According to CAS-1 "Labour Cost means the payment made to the employee permanent or temporary for their Services.

Labour Cost is two types.

(i) Direct Labour Cost
(ii) Indirect Labour Cost

(iii) Expenses: The expenses as the third element of cost mean the expenses other than Materials and Labour. The Cost of Services provided to an undertaking and the notional Cost of the use of owned assets

Expenses are of two types: (i)

(i) Direct Expenses
(ii) Indirect Expenses.

Distinguish between Cost Accounting and financial Accounting.

Cost Accounting:

Main goal: Find out the Cost of making products or Services.

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Focus: Helps managers make decisions inside the company.

Details: Gives detailed and analyzed data.

Time ~~force~~ frame: usually short term.

Financial Accounting

(i) Main goal: Prepare financial reports and show the company's financial situation.

(ii) Focus: Helps people outside the company like investors or banks.

(iii) Detail: Give summarized and overall data.

(iv) Time frame: usually long term.

(v) Users: Investors, banks and external users.

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(1) ans:	Particular	Total
	Opening Stock of Raw material	1,00,000
Add:	Purchase of raw material	2,50,000
		3,50,000
Add:	Carriage on purchase of R.M	5,000
		3,55,000
Less:	Return of Defective material	(25,000)
		3,30,000
less:	Sale of materials: [Cost (2,000)	(20,000)
		3,10,000
Less:	closing Stock of Raw material	(55,000)
		2,55,000
ess	Transferred to other job	(5,000)
		2,50,000

(2)

Particulars	Total
O/S of Raw material	12,500
Add: Purchase	1,50,000
Add: Freight on Purchase of raw material	1250
Add: Octroi duty on purchase	250
Add: Direct expenses on material	2,500
	1,66,500
Less: Closing Stock of raw material	(25,000)
Less: Cost of material Sold	(5,000)
Less: Sale of waste material	(6,000)
Less: Transferred to another job	(1250)
Less: Abnormal wastage of material	(500)
Material Consumed :	1,28,750

(3)

Particulars		Total
	Cls of Raw material	3,000
Add :	Purchase of material	19,000
Add :	direct expenses of materials	500
Add :	Octroi duty	30
Add :	Carriage Inward	100
		22,630
Less :	Sale of Defective materials	(300)
Less :	Defective materials Returned	(600)
Less :	Transferred to other jobs	(240)
Less :	Value of Scrap material	(160)
Less :	Material Sold	(1,000)
Less :	closing Stock of Raw material	(2,000)
Less :	Theft of materials	(800)
Less :	Material lost by fire	(1,600)
	Material Consumed :	15,930

	Particulars	Total
	Material Consumed	40,000
Add:	Direct Expenses	5,000
Add:	Direct Labour	56,000
		1,01,000
Less:	Abnormal Idle Labour	(6,000)
		95,000
Add:		8,000
		1,03,000
Less		(6,000)
	Prime Cost	97,000

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S.	Particulars	Total
	O/s of material (1-04-2006)	25,000
Less:	c/s of material (31-03-2007)	(12,500)
		12,500
Add:	Purchase of Raw material	1,25,000
		1,37,500
Add:	Octroi duty	1,250
		1,38,750
Less:	By-Product	(2,500)
	Material Consumed	1,36,250
Add:	Direct wages	2,00,000
		3,36,250
Add:	Direct Expenses	5,000
	Prime Cost	3,41,250
Add:	Factory overhead	37,500
	Factory Cost / work Cost	3,78,750
Add:	office & General Expenses	20,000
	Cost of Production	3,98,750

Percentage of Factory O/w with wages :

$\frac{37,500}{2,00,000} \times 100 \Rightarrow 18.75\%$

Percentage of office o/w with factory o/w:

$\frac{20,000}{37,500} \times 100 \Rightarrow 53.33\%$.

(e) Particulars	Job I Total	Job II Total
Material Consumed	1,20,000	1,60,000
Direct wages	80,000	1,20,000
Direct Expenses	16,000	24,000
Prime Cost	2,16,000	3,04,000
Add: Work overhead	32,000	48,000
Work Cost :	248,000	3,52,000
Add: office overhead	24,800	35,200
Cost of Production:	2,72,800	3,87,200

Job I

* Work Overhead:

40% of direct wages:

$30,000 \times \frac{40}{100} = 32,000$

Job II

* Work overhead

40% of direct wages:

$1,20,000 \times \frac{40}{100} \Rightarrow 98,000$

Job I

office overhead:

10% of work cost:

$2,48,000 \times \frac{10}{100} = 24,800$

Job II

office overhead

10% of work Cost:

$3,52,000 \times \frac{10}{100} = 35,200$

	Particulars	Total
	O/s of Raw material	80,000
Less:	C/s of Raw material	(26,100)
		23,900
Add	Purchase of Raw material	2,10,000
		2,33,900
Add:	Direct cargos	1,66,000
		3,99,900
Less:	Sale of Scrap	(4,100)
	Prime Cost :	3,95,800
Add	Factory Expenses	81,200
	Transfer to S.F to replace machinary	11,000
	Opening work-in-progress	52,000
less	closing work-in-progress	(60,000)
	Work Cost	4,80,000
		25,000
	Cost of Production :	5,05,000
Add:	O/s of finished goods	32,000
Less:	C/s of finished goods	(25,600)
	Cost of goods Sold:	5,11,400
	Selling and distribution expenses	8,600
	Cost of Sales :	5,20,000

Add:	Sales tax paid	16,000
	Total Cost	5,30,000
	Profit	50,000
	Sale of finished goods:	5,80,000

	Particulars	Total
	Opening Stock of raw materials	40,000
Less :	Closing Stock of raw materials	(42,000)
		(-2,000)
Add:	Purchase of raw materials	2,40,000
	Material Consumed	2,38,000
	Direct wages	1,36,000
	Prime Cost	3,74,000
Add :	Work Expenses	70,400
	Depriciation	10,000
+	Opening work in progress	64,000
−	closing work in progress	72,000
	Work Cost	4,46,400
Add :	office Expenses	24,000
	Cost of Production	4,70,400
Add:	Opening Stock of finished goods	30,000
Less:	closing Stock of finished goods	(32,000)
	Cost of goods Sold	4,68,400
Add:	Selling and distribution Expenses	32,000
	Cost of Sales	5,00,400
	Payment of GST	16,000
	Total Cost	5,16,400

Profit		33,600
Sale of finished goods		550,000

(5)

Particular		Total
Material Consumed		1,00,000
Direct wages		1,25,000
Royalty		25,000
	Prime Cost	2,50,000
Add: factory overhead:		
Drawing office Salaries		25,000
Indirect wages		20,000
Factory rent		27,500
Coal, gas and water		30,000
Salary of foreman		37,500
Lubricating oil, Brushes		5,000
Labour welfare Expense		12,500
Haulage		10,000
Workers Compensation		20,000
Estimating Expenses		3,000
Loose Tools used		2,500
	work Cost	4,43,000
Add: office overhead:		
Counting house salaries		40,000
office Salaries		50,000
Legal expenses		2,500

	Salary of managing director	40,000
	Audit Fee	5,000
	office, Rent, Tax and Insurance	12,500
	Bank charges	1,000
	Cost of production:	5,94,000
Add:	Selling & distribution overhead:	
	Comission on Sales	4,000
	Window dressing	5,000
	Packing materials	1,000
	Carriage outward	10,000
	up-keep of delievery van	4,000
	Rent of warehouse	10,000
	Depriciation on delievery Van	7,500
	Bad-debts	4,000
	Advertisement	6,000
	Salary of Sales department	40,000
	Travelling Expenses	2,500
	Cost of Sales	6,88,000

Factory overheads and its percentage with wages :

Factory overhead => 1,93,000

Percentage with wages = $\frac{1,93,000}{1,25,000} \times 100$

=> 154.4 %.

Office overhead and its percentage with work Cost =>

Office overhead =>

Percentage with work Cost => $\frac{1,51,000}{4,43,000} \times 100$ => 34.08 %.