

Cost Sheet

Question:

Q.1 The following information is available to Z Ltd. for the Financial Year ending 31st March, 2016:

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Particulars	Rs.
Direct Material	3,45,000
Direct wages	3,90,000
Production Overheads (75% variable)	2,40,000
Administrative Overheads (75 % fixed)	1,20,000
Selling and Distribution Overheads (50% fixed)	1,60,000
Sales – 10,000 units	15,50,000
Opening Stock – Nil	
Closing Stock – Finished Goods – 5,000 units	
No WIP (Opening / Closing)	

- (i) Output will increase by one-third; Sales quantity will increase by 50% by incurring additional advertisement expenses of Rs. 1, 45,200.
Assume that opening stock is first sold before using the current year's output.
- (ii) Material prices will increase by 5%.
- (iii) Wage rate will increase by 5% while overall direct labour efficiency will decrease by 4%.
- (iv) The variable overheads will be at the same unit rates as last year.
- (v) Fixed production overheads will increase by 25%.
- (vi) Assume that production and sales units were achieved as per budget last year and will be achieved as per estimate this year also.
- (vii) The company will revise its selling price 2016-17 to Rs. 125 per unit. This same selling price will hold for the units sold from the opening stock also.

You are required to prepare a statement showing cost of sales and sales and profit giving effect to the above for the financial year 2016-17.

Answer:

Q.1Ans:

Statement of the Cost of Sales, Sales and Profit as under:

	2015-16			2016-17		
	Unit	Per unit	Amount (Rs.)	Unit	Per Unit	Amount (Rs.)
Direct Material	15,000	23	3,45,000	20,000	24.15*	4,83,000
Direct Wages	15,000	26	3,90,000		28.4375**	5,68,750
Prime Cost		49	7,35,000		52,5875	10,51,750
Add: Production OH						
75% Variable		12	1,80,000		12	2,40,000
25% Fixed		4	60,000		3.75	75,000
Factory/ Work cost		65	9,75,000		68.3375	13,66,750
Add: Administration OH						
25% Variable		2	30,000		2	40,000
75% Fixed		6	90,000		4.50	90,000
Cost of production		73	10,95,000		74.8375	14,96,750
Add: Opening stock				5,000	73	3,65,000
Less: Closing stock	5,000		3,65,000	10,000	74.8375	7,48,375
Cost of goods sold	10,000		7,30,000	15,000	74.225	11,13,375
Add: Selling & Distribution OH						
50% Variable		8@	80,000		8	1,20,000
50% Fixed		8	80,000			80,000
Adv. Exp						1,45,200
Total Cost			8,90,000			14,58,575
Sales (125/u × 15,000)					125	18,75,000
Profit						4,16,425

*Direct Material Rs. 23.00 × 1.05 = Rs. 24.15

** Direct Labour (Rs. 26.00 × 1.05)/ 0.96 (1.00 – 0.04) = Rs. 27.30/96 = Rs. 28.4375 @ Rs. 80,000/10,000 = Rs. 8.00 (Variable) .