



COST SHEET

Cost Sheet

- Cost Sheet is a statement designed to show the output of a particular accounting period along with the breakup of costs.
- It provides information relating to cost per unit at different stages of the total cost of production.

Importance of Cost Sheet

- Ascertainment of cost
- Controlling costs
- Fixation of selling price
- Submitting of tenders

Components of Total Cost

- **Prime Cost:** The sum total of direct material, direct labor & direct expenses.

Example: Calculate the Prime Cost from the following particulars of a carpenter for manufacturing a window:

Particulars	Rs.
Cost of wood	10,000
Cost of glass	2,000
Cost of frames	200
Wages paid	4,000
Rent of a special machine	800

Treatment of Stock of Raw Material

- The ‘**direct material**’ refers to the cost of material consumed. The cost of direct material is found by adjusting the opening and closing stock of materials. For e.g., from the following calculate the value of material consumed:

Raw material purchased	50,000
Opening Stock	10,000
Closing Stock	8,000

- **Factory Cost or Work Cost:** The sum total of prime cost plus the total factory overheads or works overheads. E.g., factory rent, factory insurance, depreciation on plant & machinery, coal, gas etc.

Example: Calculate factory cost from the following:

Material consumed	50,000
Productive wages	30,000
Unproductive wages	3,000
Salary of factory manager	6,000
Consumable Stores	1,000
Rent of factory premises	2,500
Depreciation on machine	1,500
Oil. Grease etc	500
Salary of factory clerks	2,000
Rent of factory furniture	800

Treatment of stock of Work-In-Progress

- Work-in-progress represents the units on which some work is yet to be completed. The stock of such goods form part of works cost and adjusted while calculating the factory cost or works cost. **Example:** Calculate works cost from the following:

Material Consumed	60,000
Labor	40,000
Direct Expenses	10,000
Factory Overheads	50,000
Opening WIP	10,000
Closing WIP	8,000

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- **Administration Cost or Office Overheads:** It is obtained by adding the office or administration overheads to works cost. It is also known as office cost or cost of production. E.g., salaries of office staff, depreciation on office building, rent & rates, taxes & insurance, printing & stationery, postage etc.

Example: Compute the cost of production or office cost from the following particulars:

Particulars	Rs. ('000)
Material Used	120
Labor employed	90
Lighting & heating (Factory and office 3:2)	5
Depreciation, rent & repairs (50 % is related to factory)	10
Taxes and insurance (40% is related to office)	8
Office salaries	1

Treatment of finished stock

- Finished goods are the goods on which all the factory work has been completed. The stock of finished goods is adjusted in the cost of production.

Example: Calculate the cost of goods sold from the following:

Particulars	Rs.
Cost of production	1,00,000
Opening stock of finished goods	10,000
Closing stock of finished goods	15,000

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- **Selling & Distribution Cost:** The selling cost or cost of sales is obtained by adding the selling & distribution overheads to cost of goods sold. The selling & distribution overhead includes advertisement, selling expenses, salesman's salaries & commission, distribution expenses, carriage outward, transporting charges etc.

Example: Calculate the total cost or the cost of sales from the following particulars:

Particulars	Rs.
Cost of goods sold	75,000
Selling expenses	10,000
Advertisement cost	5,000
Salesman's salaries	10,000

Prepare a cost sheet from the following information.

Particulars	Units	Rs
Sales	80,000	8,00,000
Material Inventory 1-1-09		40,000
Material Inventory 31-12-09		32,000
W.I.P 1-1-09		55,000
W.I.P 31-12-09		72,000
Finished goods 1-1-09	16,000	64,000
Finished goods 31-12-09	34,000	1,51,265
Material Purchased		1,52,000
Direct Labor		1,45,000
Manufacturing Overhead		1,08,000
Selling Expenses		50,000
General Expenses		40,000