

COST ACCOUNTING

Unit 1 Ref. BOOK :- Cost Accounting - Jain & Narang.

Meaning and Scope of Cost Accounting -  
Relationship of cost accounting and Financial Accounts -  
Cost analysis and concepts and classifications.  
Elements of cost - costing methods - Preparation of cost sheet - Tender.

Meaning of Cost Accounting :-

Cost Accounting is the classifying, recording and appropriate allocation of expenditure for the determination of the cost of products or services.

Scope of Cost Accounting :-

- 1. Cost Ascertainment
- 2. Cost Accounting
- 3. Cost Control.

Relationship/Difference between cost and Financial Accounting :-

- |                       |                              |
|-----------------------|------------------------------|
| 1. Purpose            | 7. Nature of Transactions    |
| 2. Forms of Accounts  | 8. Information               |
| 3. Recording          | 9. Fixation of Selling Price |
| 4. Control            | 10. Reference                |
| 5. Periodicity Report | 11. Figures                  |
| 6. Analysis of Profit | 12. Stock valuation          |

Costing system - Features .

1. Suitability to the business
2. Simplicity
3. Flexibility
4. Economical
5. Comparability
6. Capability
7. Uniformity
8. Adequate wage procedure.

Cost Analysis, concepts, classifications of Cost Accounting

Elements of cost :-

1. Direct materials
2. Direct Labour
3. Direct Expenses.
4. Overheads.

Costing Methods :-

- |                |                                |
|----------------|--------------------------------|
| 1. Job costing | 5. operation/operating costing |
| 2. Contract "  | 6. Farm costing.               |
| 3. Batch "     | 7. Service costing.            |
| 4. process "   | 8. Multiple costing.           |

Cost concepts :-

- a) Cost
- b) Expenses.
- c) Loss
- d) Cost centre

Classification of cost :-

1. By Nature
2. By Functions
3. By Degree of Traceability to the product
4. By changes in Activity or volume
5. By controllability
6. By Normality
7. By Relationship with Accounting
8. By Time
9. According to Planning and control.
10. By Association with the product
11. For managerial decisions.

Tender :- It is a official letter or report. It is essentially an office to send for the procurement of the goods and services required on a large scale.

# Preparation of Cost Sheet -

	Cost Per Unit Rs.	Total Cost Rs.
Direct Materials	- - -	xxx
Direct Labour	- - -	xxx
Direct overheads.	- - -	xxx
<b>PRIME COST</b>		<u>xxx</u>
Add! - Works overheads	- - -	xxx
<b>WORK COST</b>		<u>xxx</u>
Add! - Administration overheads	- - -	xxx
<b>COST OF PRODUCTION</b>		<u>xxx</u>
Add! - Selling & Distribution overheads	- - -	xxx
<b>TOTAL COST</b>		<u>xxx</u>
Add! - Profit	- - -	xxx
<b>TOTAL SALES</b>		<u>xxx</u>

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	Jan-1 Rs.	Jan-31
Cost of Raw materials	30000	25000
Cost of W-I-P.	12000	15000
Cost of Finished goods.	60000	55000

Other Transaction :-

Purchase of Raw materials	Rs. 450000
wages paid	Rs. 2,50000
Factory overheads	Rs. 92000

Administration Overheads Rs. 30000  
 Selling & Distribution Overheads Rs. 20000  
 Sales Rs. 9,00,000.

Prepare Cost Sheet.

Problem. 2 / (P. NO. I-36) Cost Ac - Jain & Narang  
 Rs.

Finished goods on 1.1.2016	5000
Raw materials on 1.1.2016	10000
Work-in-Progress on 1.1.2016	14000
Direct Labour.	1,60,000
Purchase of Raw materials	98000
Indirect Labour	40000
Light & power	20000
Factory Insurance	5000
Repairs to plant	3000
Factory Supplies	5000
Depreciation - Factory Building	6000
- Plant	10000

Factory cost of goods produced in 2016 Rs. 2,80,000  
 Raw material consumed in 2016 Rs. 95,000  
 Cost of goods sold in 2016. Rs. 1,60,000

NO office and administration expenses were incurred during the year 2016.

Prepare a statement of Cost for the year ending 2016.