

Method of Costing

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Different Methods of Costing

Process Costing

Service
Costing

Unit costing

Job Costing

Contract Costing

School of Finance and Commerce

Course Code : BCOM2014

Course Name: Cost Accounting

Service Costing

It refers to determination the cost per unit for the various services for example determining the various services like transportation, maintenance expenses, hotel and financial services.

Service Industry	Cost per unit
Hospital	Patients per days , room per day
Canteen	Per meal
Transport Services	Passenger per km
IT & ITES	Cost per project
Bank and Financial Institutions	Per transaction , per services
Cinema	Per ticket

Job Costing

Under this job costing method the cost will be determined on the basis of separate jobs , contract and work orders. Each job is independent and cost had been determined on the basis of each job. Job costing is used when production will be carried out in the different batches like repair of car , repair of building etc.

Contract Costing

Contract costing is the form of the specific costing method where job cost will be determined for the longer time period more than one year. For every contract separate account need to be maintained like the contract for the construction of bridges , road , bridges etc. The contractor will determine the expected profit and notional profit for the contract.

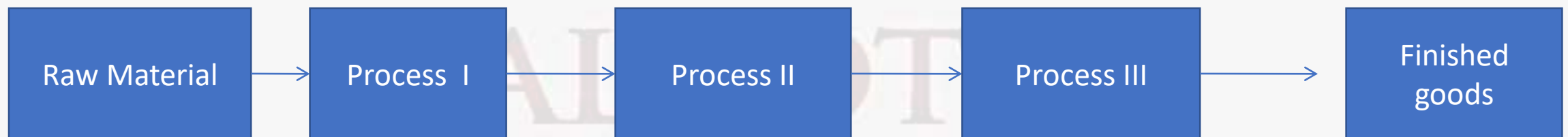
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Unit costing

Unit costing method is used where the each unit of output requires identical cost. It is suitable the products which is manufactured by the continuous manufacturing activity. Under this costing method cost are collected and analyzed element wise and total cost per unit by dividing the total cost by the number of units produced. For example cement manufacturing, flour mill etc.

Process Costing

Process costing method is used to ascertain the cost of production at each process, operation or the stage of manufacture. For example manufacturing cloths goes through different processes. First process is spinning. The output of spinning is yarn it is the finished product which is sold in the market.



Practical Question

The manufacturer of product “Fanta” requires three distinct process. On the completion of the product is passed from Process III to finished stock. During the month of December 2018 following information had been carried out:

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Practical Questions

Production overhead is absorbed by the processes at the percentage of direct wages. Production during the period was 1,000 kgs. There was no stock of raw material or work in progress at the beginning or the end of the month.

Elements of cost	Total	Process I	Process II	Process III
Direct Material	Rs 26,0000	15,000	11,000
Direct labour	Rs 26,500	12,500	6,000	8,000
Direct Expenses	Rs 8,000	3,000	-.....	5,000
Production overhead	Rs 79500			

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Solution

Process I A/C		Particulars	
Particulars	₹		₹
To Material	15,000	By Process II	68,000
To Direct labour	12,500		
To Direct Expense	3,000		
To Production OH	31,500		
	<u>62,000</u>		<u>68,000</u>

Process II A/C		Particulars	
Particulars	₹		₹
To Process I A/C	68,000	By Process III A/C	103,000
To Materials	11,000		
To Direct labour	6,000		
To Production OH	18,000		
	<u>1,03,000</u>		<u>103,000</u>

Process III A/C		Particulars	
Particulars	₹		₹
To Process II A/C	103,000	By finished stock	1,40,000
To Direct labour	8,000	1000 kg	
To Direct Expense	5,000		
To Production OH	24,000		
	<u>140,000</u>		<u>140,000</u>

References

Maheshwari , S. N and S.N Mittal Cost Accounting ; Theory and Problem

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