

The account of Fair Deal Ltd. shows for 1998 :	Rs.
Materials used	18,000
Manual and Machine Labour Wages directly chargeable	16,000
Works overhead Expenditure	4,000
Establishment and General Expenses	1,900

- (a) Show the works cost and total cost, the percentages that the works overhead cost bears to the Manual and Machine Labour Wages and the percentage that the Establishment and General Expenses bear to the works cost.
- (b) What price should the Company quote to manufacture a machine which, it is estimated, will require an expenditure of Rs.8,000 in material and Rs.6,000 in wages, so that it will yield a profit of 25% on the total cost or 20% on the selling price.

Solution**(a) Job Cost Sheet :**

		Amount
		Rs.
(a)	Materials used	18,000
(b)	Direct wages	16,000
	Prime Cost	34,000
(c)	Works Overhead Expenditure – bears to the (b) $\frac{4,000}{16,000} \times 100$	25% 4,000
	Works Cost	38,000
(d)	Establishment & General Expenditure	
	–bears to Works Cost $\frac{1,900}{38,000} \times 100$	5% 1,900
	Total Cost	39,900

Quotation Price

Details	Amount
	Rs.
(a) Direct Materials	8,000
(b) Direct Wages	6,000
Prime Cost	14,000
(c) Works Overhead – 25% on (b)	1,500
Works Cost	15,500
(d) Establishment & General Expenses—5% on Works Cost	775
Total Cost	16,275
(e) Profit—25% on Total Cost i.e. 20% on selling price	4,069
Selling Price	20,344

- The following direct costs were incurred on Job. No. 415 of Standard Radio Company:

Materials			Rs.
			4,010
Wages :	Deptt.	A - 60 hrs. - Rs. 3 per hr.	
	"	B - 40 hrs. - Rs. 2 per hr.	
	"	C - 20 hrs. - Rs. 5 per hr.	

Overhead expenses for these three departments were estimated as follows :

Variable Overheads :

Deptt.	A - Rs. 5,000 for 5,000 labour hours
	B - Rs. 3,000 for 1,500 labour hours
	C - Rs. 2,000 for 500 labour hours

Fixed Overheads : Estimated at Rs. 20,000 for 10,000 normal working hours.

You are required to calculate the cost of Job 415 and calculate the price to give profit of 25% on selling price.

Solution

STANDARD RADIO COMPANY

Job Cost Sheet

Customer :

Job No. 415

Job Details :

Completion Date

Date	MATERIAL COST		LABOUR COST			
	Mat. Req. No.	Amount	Dept.	Hours	Rate	Amount
...	Rs. 4,010	A	60	Rs. 3	Rs. 180
			B	40	2	80
			C	20	5	100
	Total	4,010		Total		360

OVERHEAD COST

COST SUMMARY

Nature	Dept.	Hours	Rate	Amount		Amount
				Rs.		Rs.
Variable	A	60	Rs. $\frac{5,000}{5,000}$ = Re. 1	60	Direct Material	4,010
	B	40	Rs. $\frac{3,000}{1,500}$ = Rs. 2	80	Direct Labour	360
	C	20	Rs. $\frac{2,000}{500}$ = Rs. 4	80	Overhead Costs	460
				220	Total Cost	4,830
					Profit - 25% on Selling Price	1,610
Fixed		120	Rs. $\frac{20,000}{10,000}$ = Rs. 2	240	i.e. $33\frac{1}{3}\%$ on cos	
	Total			460	Selling Price	6,440