4^{th} Day Class of Management and Control of Cost by S.K Muktar

COST SHEET

Cost Sheet is an statement which is used to determine the total cost of goods produced units in a specific period and in what total cost, per unit cost and the cost incurred at various stages from manufacturing a product to the stage of making it saleable are shown. Cost Sheet is an statement in which the cost of production is presented in an analytical way.

Advantages of Cost Sheet

1. Determination of Selling Price:- Cost Sheet helps in fixing the selling price of the product.
2. Control on Expenses:- Cost sheet helps the management to compare the costs of any two periods, and ascertain the inefficiencies and control the express.
3. Help in minimising the Expenses:-Cost sheet helps in minimizing the expenses during the periods of trade depression and competition.
4. Comparative study of Cost:-Where different factories producing similar products are run by the same management at different places, a comparative study of the costs of the different factories is possible the cost sheets prepared by them.
5. Benefit to Common Man:-It helps in cost-control, cost-reduction and better management ,the benefit to which goes to the common people as they can get good products at reasonable price.

Statement of Cost Sheet

Particulars	(rs)	(rs)
Direct Material		
Direct Labour	**	
Direct Expenses	**	
Prime Cost	**	
Add Factory Overhead		**
Factory Cost		**
Add office overrided		**
Cost of Production		**
Add opening sources		**
Finished goods		**
Ten closing stock of Finished goods		(**)
Cost of goods sold		**
		**
Add spelling Distribution expenses		**
Cost of sale		**
Add profit		**
Sales		**

valuation of closing stock

(Cost of production /No. of units produced)*unsold units

3rd day class of management & control of costs by S.K.MuKtar.

According to Relevance to Decision-making and Control. The costs classified on this basis the following:

(i) Shut-down Cost =A cost which will still be required to be incurred even though a plant is closed or shut-down for a temporary period, e.g., the cost of rent, rates, depreciation, maintenance expenses etc., is known as shut-down cost.

(ii) Sunk Cost =A Cost which has been incurred in the past or sunk in the past and is not relevant to the particular decision-making is a sunk cost. If it is decided to replace the existing plant, the written down book value of the plant less the sale value of the existing plant, is a Sunk or Irrevocable cost. Sunk cost are generally historical cost in nature.

(iii) Opportunity Cost =The costs which are related to the sacrifice made or the benefits foregone are opportunity costs.

(iv)Imputed Cost =it is a hypothetical cost required to be considered tomate comparable. If the owner of the factory charges rent of the factory to the cost af production to make cost comparable with that of those undertakings which production in rented factories, it is an imputed cost.

(**v) Out-of Pocket Cost** =A cost which will have to be paid to outsiders as against ot h as depreciation, which do not require any cash payment. This cost relevant infiscati of prices during trade recession or in make or buy decisions.

(**vi) Replacement Cost** =It is the cost of replacing a material or asset, by purchase from the current market.

(**vii) Marginal Cost** = Marginal cost as defined by LCMA is the amount at any given volume of output by which aggregate costs is changed if the volume of output is increased or decreased by one unit.

(**viii) Differential Cost** =Thd difference in total costs between two alternatives is termed as differential cost. The change in total cost due to the change in method or technique of production or charge in level of production is called differential cost.

(**ix)Standard Cost** = Standard cost is a predetermined cost or estimate which is compared with the actual cost in order to determine variance and carry out an analysis of variance for cost control.

(x)Relevant Cost =The relevant costs are: those cost which aids to makes specific manage ment decisions. The cost is said to be relevant if it help managers in taking it right decision in furtherance of company's objectives.

2nd day class of management & control of costs by S.K.MuKtar .

According to nature cost is classified into three types there are as follow:

(i) Fixed Cost, (ii) Variable Cost and (ii) Semi-fixed or Semi variable Cost.

1)Fixed Cost

fixed Cost is a cost which tends to be unaffected by variations in volume of output.
fixed costs depend mainly on the effluxion of time and do not vary directly with volume rate of output.
Fixed cost per unit varies due to change in output. If production decreases, fixed cost per unit increases and if production increases fixed cost per unit decreases.

2)Variable Cost

Variable costs or Product costs are those which increase in direct proportion with the increase in production or which decrease in direct proportion with the decrease in production,eg., Direct Materials, Direct Labour, Power, Fuel ete. They are also known as Product Costs.

3)Semi fixed or Semi Variable Cost

Semi fixed or Semi Variable cost is 'a cost which is partly variable."
This is a cost which changes but not in direct proportion to the increase or decrease in the production-output, e.g. Repairs and Main tenance, Electricity bill, Telephone bills, ete.A part of the cost tends to remain constant for a specific period (fixed) and the other part tends to change proportionately with change in output.