

Patrician College of Arts and Science

Department of Accounting &
Finance

ADVANCED COST ACCOUNTING

Subject Code CPG6B

VI Semester

Presented By
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Unit – I

- ✓ **Methods of Costing :**
- ✓ **Unit Costing**
- ✓ **Tenders or Quotations**
- ✓ **Job Costing**
- ✓ **Batch Costing EBQ.**

JOB COSTING

COMPONENTS

OF

JOB

COSTING

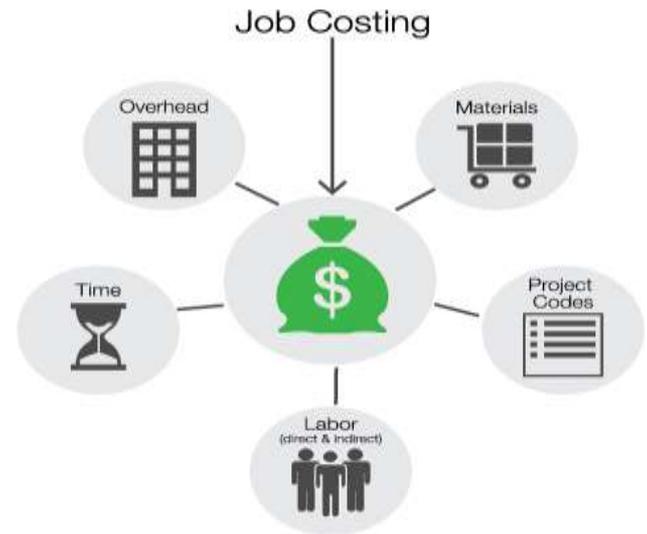


JOB COSTING- MEANING

Job costing

It is the accounting which tracks the costs and revenues by "job" and enables standardized reporting of profitability by job.

For an accounting system to support job costing, it must allow job numbers to be assigned to individual items of expenses and revenues. A job can be defined to be a **specific project done** for one customer, or a single unit of product manufactured, or a batch of units of the same type that are produced together.



JOB COST SHEET

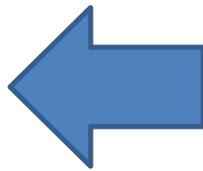
Nox Job Cost Sheet

Job Number 78 Date Initiated May 16
 Date Completed _____
 Supervisor _____ Units Completed _____
 Item Kitchen cabinets

Direct Materials		Direct Labor			Manufacturing Overhead		
Req. No.	Amount	Ticket	Hours	Amount	Hours	Rate	Amount

<u>Cost Summary</u>	
Direct Materials	
Direct Labor	
Manufacturing Overhead	
Total Cost	
Unit Cost	

**JOB
 COST
 SHEET
 MODEL**



FEATURES OF JOB COSTING

- ❖ It is a specific order costing
- ❖ The job is carried out or the product is produced to meet the specific requirements of the order
- ❖ It is concerned with cost of Individual Job
- ❖ Cost are collected to each job at the end of its completion
- ❖ Work in progress may or may not exist at the end of the accounting years

BATCH COSTING

Definition of **Batch Costing**

A system where the **cost** of making a product is calculated by the **batch rather than by the individual item**, including comparing the **costs** of different sized **batches** made under different conditions.

MEANING OF BATCH COSTING

Batch cost is the cluster of costs incurred when a group of products or services are produced, and which cannot be identified to specific products or services within the group. For cost accounting purposes, it may be considered necessary to assign the batch cost to individual units within a batch.



BATCH COSTING – FEATURES

Features of Batch costing

- ✓ Batch costing is similar to job costing in that each batch of similar articles is separately identifiable.
- ✓ A batch is a group of similar articles which maintains its identity during one or more stages of production and is treated as a cost unit.
- ✓ The cost per unit manufactured in a batch is the total batch cost divided by the number of units in the batch.

$$\text{Cost per unit in batch} = \frac{\text{Total production cost of batch}}{\text{Number of units in batch}}$$

- ✓ The selling prices of batches are calculated by adding a profit to the cost of the batch, i.e. very similar to job costing.

ECONOMIC BATCH QUANTITY

(EBQ) is a formula for calculating the quantity of inventory that a company should order in cases where the resupply is gradual e.g. when the company produces it's own inventory and takes a while to complete production

Economic Batch Quantity = Square root of $2AO/C$

A = Demand of components in a year

O = Setting up cost per batch

C = Cost of capital and storage (carrying cost) per unit per annum

COSTING

Meaning

A unit cost is the total expenditure incurred by a company to produce, store and sell one unit of a particular product or service. Unit costs include all fixed costs, or overhead costs, and all variable costs, or direct material costs and direct labor costs, involved in production.

Definition

The simplest way to describe unit cost is the amount of money it takes to produce one unit. A giant corporation might build an entire factory to produce a new product with anticipated high demand.

OUTPUT COSTING

Definition of Unit or Output costing

According to Walter W. Bigg. “Unit Costing method is a method of costing applied to ascertain the cost per unit or production where standard and identical products are manufactured”

Objectives of Unit / Output Costing

- To know the total cost of Production
- To classify cost under related categories such as prime cost and works cost
- To determine the effect of each element of cost
- To determine proposed setting price to earn desired profit
- To determine tender price on the basis of cost data and future prospects.

JOB, BATCH & UNIT COSTING

To check problems and solutions in Job, Batch and output costing...
Click the following link

<http://keydifferences.com/difference-between-job-and-batch-costing.html>

<http://www.yourarticlelibrary.com/cost-accounting/job-costing/top-5-job-costing-problems-with-solutions-cost-accounting/76189>

<http://www.yourarticlelibrary.com/cost-accounting/batch-costing/batch-costing-problems-top-3-problems-on-batch-costing-with-solutions/75941>

<http://www.yourarticlelibrary.com/cost-accounting/output-costing/output-costing-calculation-illustrations-and-solutions/55919>



Thank you

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