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2. Value of Work Uncertified (WUC)

The work completed/done after the issue of certificate by an expert of the contractee till the end of the financial year is termed as work uncertified. The value of WUC is computed on the basis of cost of work done.

= Cost of Work Done Till the end of Reporting - Work Certified Period

IV.

NOTIONAL PROFIT

- Rules for Amount of Profit/Loss to be taken to P&L Account
 - a. In case of a Loss, the entire amount of loss should be charged to P&L A/C.
 - In case of Profit

% of Work Certified to Contract Price	Amount of Notional Profits to be taken to P&L A/c	
< 25%	NIL	
≥25% <50%	$\frac{1}{3} \times N.P \times \frac{C.R.}{W.C}$	
≥ 50% < 90%	$\frac{2}{3} \times N.P \times \frac{C.R.}{W.C}$	
≥ 90% < 100%	$E.P. \times \frac{C.R}{C.P}$	

Where,

N.P. = Notional Profits

C.R. = Cash Received

W.C. = Work Certified

C.P. = Contract Price

E.P. = Estimated Profits

TEACHING



Ques.) Explain the accounting treatment of Waste?

Ans.)

TREATMENT OF WASTE SCRAP

MEANING



- Waste is the residue such as smoke, dust, gases etc., which arises in course of manufacturing process and practically having no measurable sale or utility value.
- In certain types of processes and operations some material physically disappears on account of shrinkage, evaporation etc., with the result that the quantity of output is less than the input.
- Waste may be Visible (remnants of basic raw material) or it may be Invisible (disappearance of basic raw material).

TREATMENT

- Normal Waste: This is unavoidable and uncontrollable and treated as part of the product cost. The wastage cost is borne by the good units.
- Abnormal Waste: The cost of abnormal waste is directly transferred to Costing Profit & Loss A/c.

Ques.) Explain the accounting treatment of Scrap?

Ans.)

MEANING

- Scrap represents the unusable loss which can be sold.
- It is a residue which is measurable and has a minor value.
- It may result from the processing of materials, obsolete stock or defective parts.
- Scrap should always be physically available unlike waste which may or may not be present in the form of residue.



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METHODS OF SECONDARY DISTRIBUTION

1. DIRECT DISTRIBUTION METHOD

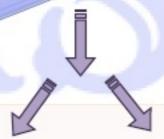
Under this method,
the total cost of
Service Departments
are directly
apportioned to
Production
Departments ignoring
the services rendered
by one service
department to
another.

2. RECIPROCAL SERVICE METHOD

These methods are used when different service departments offer services to each other, in addition to rendering services to Production Departments. Thus, various service departments are mutually dependent.

3. STEP DISTRIBUTION METHOD

- This method involves apportionment of total cost of service departments to other service departments on nonreciprocal basis.
- Under this method, the service department which provides more service to but gets less service from other service departments ranks first for distribution.



> We have two methods under Reciprocal Service Method:

a) REPEATED DISTRIBUTION METHOD

Under this method, the overheads ascertained as per Primary Distribution are arranged in one row & then the overheads of service department are distributed & re-distributed to all departments till a negligible amount is arrived

b) SIMULTANEOUS EQUATION METHOD

Under this method, two
mathematical equations are
made considering the reciprocal
service of one service
department to another and viceversa, these equations are then
equated in orde to determine
overhead distribution.



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