

PROCESS COSTING

• accumulation of cost for a process and finding cost per unit in that process is termed as PC

$P_1 \rightarrow P_2 \rightarrow P_3 \rightarrow FG_1$

Process A/c

Particulars	Unit	Amt	Particulars	Unit	Amt
To Opn stock			By O/P to P2/FG1	XX	XX CPU
To RM	XX	XX			
To D. labour		XX			
To D. expenses		XX	By normal loss: units swap	XX	-
To OH		XX		XX	XX
To abnormal gain	(XX)	(XX) CPU	By abnormal loss	(XX)	(XX) CPU
			By FG held:		

good units = Total units introduced - normal loss units.

cost pu of process = $\frac{\text{Total cost} - \text{normal loss CP}}{\text{good units}}$

- normal loss - absorbed by good units.
- * abnormal loss/gain - P/L a/c A/c.

Statement of equivalent units of Prodⁿ

I/P	Particulars	O/P	%			Units		
			MA	MB	LOH	MA	MB	LOH
XX	Op ⁿ	YY	0	0	0	1x1	1x2b	1x2c
XX	introduced	YY	100	100	100-FG1			
	cl. WIP	YY	100	0	0			
	normal loss	YY	0	0	0			
	ab(gain) loss	YY	100	100	100			

Opⁿ WIP (MB, LOH) = 100 (0%)
 If 40% complete $cy = 100 - 40 = 60\%$

normal loss always "0"
 FG always 100%

Abnormal = FG = 100% unless specified.

- MA is always 100% and 0% opⁿ as it is transferred from earlier process.
- when opⁿ % = clⁿ %, only one mat (MA)
 opⁿ % ≠ clⁿ % - MA + MB.

Cost statement

Particulars	Cost	Unit	P.O.
material	XX		
(+) additional	YY		
(-) normal loss sale proceeds*	(XY)		
	XX	XX	XX
Labour	XX	XX	XX
OH	XX	XX	XX
			XX

separate costs for MA & MB
nil lost 100% complete

Total
 Cost of Production Report / Apportionment of Cost.

I] FG1

Opⁿ WIP:

Opening cost (total)	XX	
(+) cy (m) units x CPU	XX	
(-) LOH (m) units x CPU	XX	XX

FG1/cy Prodⁿ:

units x CPU = YY XX
 cl WIP AL AB
 units x ind CPU = XX
 Then make process A/c (should tally)

Normal loss:

Particulars	%
input	Op ⁿ WIP + cy input
current input	only cy
Prod ⁿ *	Op ⁿ WIP + introduced - closing WIP.

Weighted Avg method

Equivalent units:

Opⁿ WIP = always 100%
 irrespective of units.

Start of cost:

$$W. \text{ cost} = \frac{\text{Op}^n \text{ cost} + \text{CY cost}}{\text{Total units (introduced + op}^n)}$$

Prodⁿ report:

Only FG = no. of com units x
 (no. back up) WA. CPU.
 rest same (FIFO)

When to use?

- no opⁿ WIP % is given
- break up of opⁿ WIP cost in M, L, OH is given

Material

Opⁿ
 + CY
 → NLSP

$$\text{Total cost} \div \text{units CPU.}$$

LIFO method

Opⁿ WIP - % complⁿ = "0"
 (nothing is done additional)
 but add opⁿ cost

Process A/c

Pal. Cost Profit Total Pal. C P T

Opⁿ str F4
 DM
 PL

Prime cost 4 4 4
 x x x
 (→) Cost valued at PC

(+) FOM
 COGS
 (-) Profit