

8210561032

SUB-COST ACCOUNTING

CLASS-B.COM PART-3

Chapter **Tender**



Problem 9

Following are the particulars for the production of 2,000 Sewing Machines of Amit Engineering Co. Ltd. for the year 2007 :

Material Consumed	Rs.
Direct Wages	1,60,000
Manufacturing expenses	2,40,000
Salaries	1,00,000
Office Rent, Tax & Insurance	1,20,000
General expenses	20,000
Selling expenses	40,000
Sales	60,000
	8,00,000

The Company plans to manufacture 3,000 sewing machines during 2008. You are required to submit a statement showing the price at which the machines should be sold so as to earn a profit of 20% on the selling price.

The following additional information is supplied to you :

- (i) The price of material will rise by 20% on the previous year land.
- (ii) Wages rates are expected to show an increase of 10%.
- (iii) Manufacturing expenses will rise in proportion to the combined cost of materials and wages.
- (iv) Selling expenses per unit will remain the same.
- (v) Other expenses will remain unaffected by the rise in the output.

Solution

Statement of Cost of 2,000 Sewing Machines

		Rs.
Materials Consumed		1,60,000
Direct Wages		2,40,000
	Prime Cost	4,00,000
Manufacturing Expenses		1,00,000
	Works Cost	5,00,000
Office Overhead :		
Salaries	1,20,000	
Office Rent, Tax & Insurance	20,000	
General Expenses	40,000	1,80,000
	Cost of Production	6,80,000
Selling Expenses		60,000
	Total Cost	7,40,000
Profit		60,000
	Sale	8,00,000

(i) Percentage of manufacturing exp. with combined cost of materials and wages

$$= \frac{1,00,000 \times 100}{4,00,000} = 25\%$$