

CA INTER Cost MANAGEMENT

Version 5

JAN/MAY/SEPT 27

Handwritten
**Concept
Book**

CA
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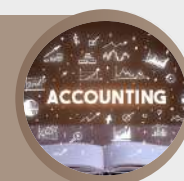


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Let's fall in love..

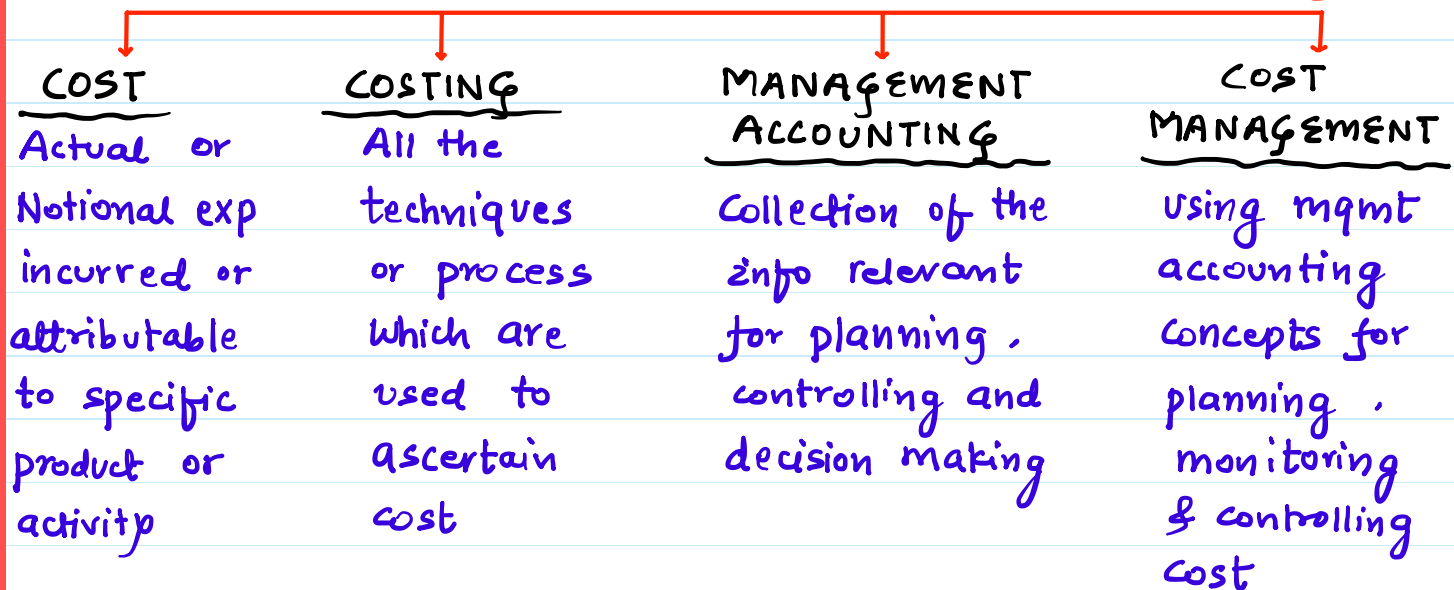
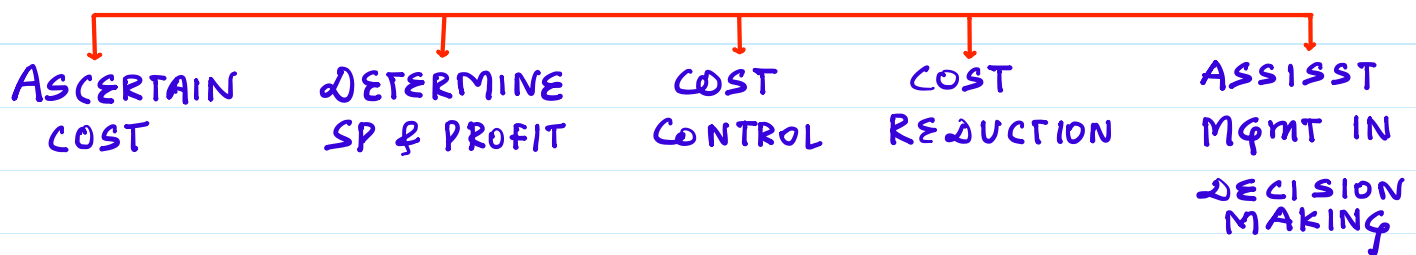
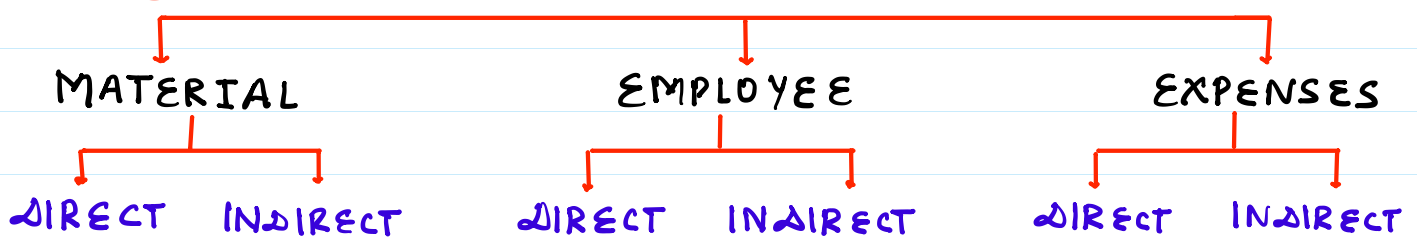
With every chapter, With every page, With every concept.

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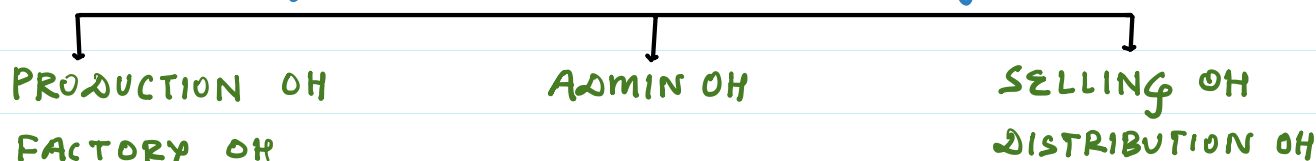
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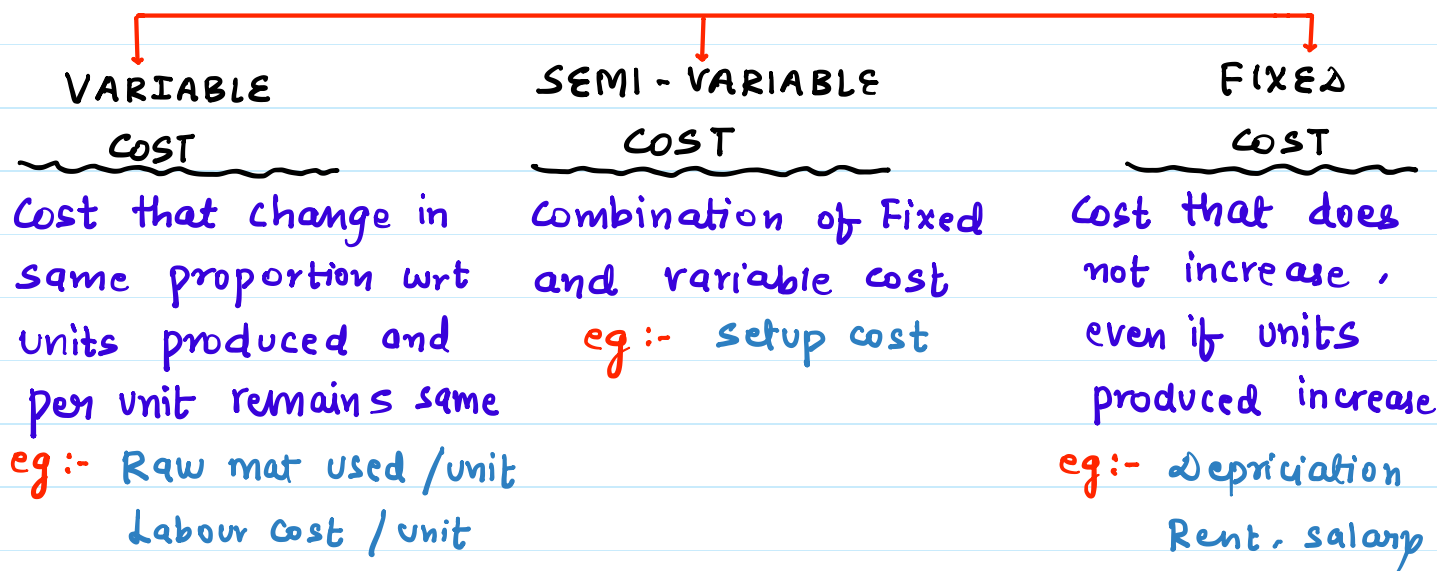
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CHAPTER**INTRO TO COST ACCOUNTING****① COST AND MANAGEMENT ACCOUNTING****② OBJECTIVES OF COST MANAGEMENT****③ TYPES OF COST (NATURE/ELEMENT)**

Imp. Note :-

All the Indirect expenses are clubbed under the umbrella of OVERHEADS or we can club all the Indirect cost under banner of overheads and sub-categorised into :-



④ TYPES OF COST (BEHAVIOUR/VARIABILITY)



- Variable Cost remains "Same per unit" and "Total cost increases" with increase in units produced.
- Fixed Cost remains "Same in Totality Basis" and "per unit cost falls" with increase in units

Question :- HOW TO IDENTIFY VARIABLE , FIXED COST

Q1. Does my Total cost increase , if no of units produced increase

YES

NO

It is Fixed cost

Q2. Does my cost increase in same proportion wrt increase in units produced

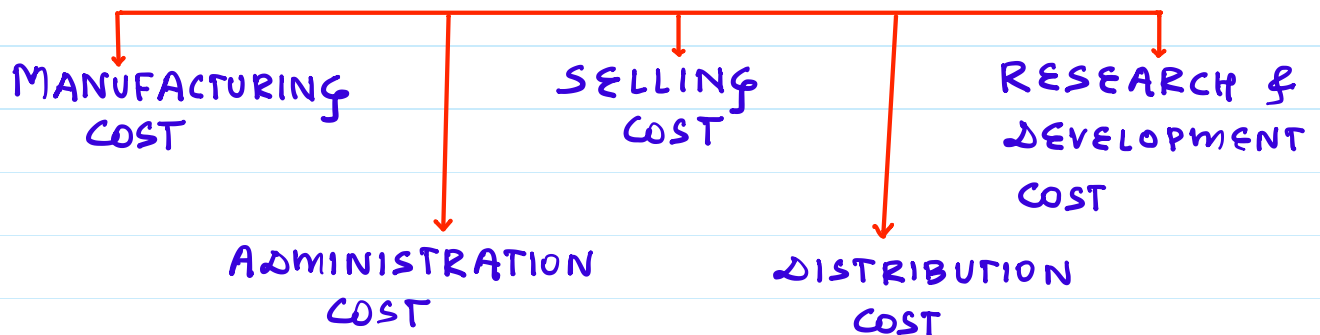
YES

NO

It is pure
VARIABLE COST

It is SEMI
VARIABLE COST

⑤ TYPES OF COST (FUNCTION)



⑥ TYPES OF COST (NORMALITY)

NORMAL COST

Cost or expense which is incurred normally for a given level of output under specified / normal given conditions.

ABNORMAL COST

Cost which is **not incurred** normally for a given level of output under specified or normal given conditions.

⑦ NORMAL LOSS V/S ABNORMAL LOSS

- Losses incurred as normal part of the production process

- Entire loss is borne by the remaining good units and it increases cost per unit

- Losses incurred due to Abnormal reasons like floods, fire, theft

- Entire loss is ~~tf~~ to PIL a/c and both units and cost per unit are subtracted

⑧ HOW TO BIFURCATE SEMI-VARIABLE COST

- Variable cost per unit $\therefore \frac{\text{DIFFERENCE OF TOTAL COST}}{\text{DIFFERENCE OF TOTAL UNITS}}$

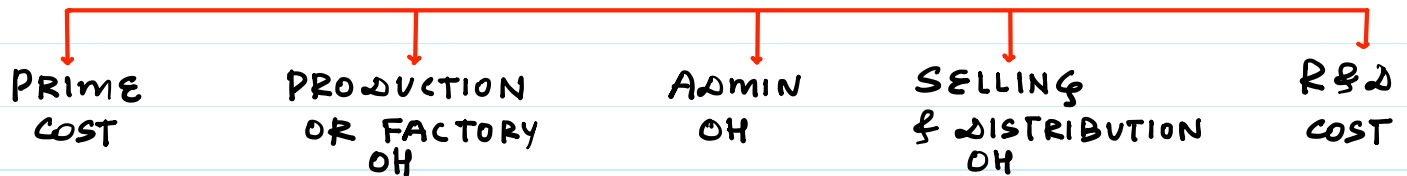
- Fixed cost (total) $\therefore \text{Total cost} - \left[\text{variable cost per unit} \times \text{No of units} \right]$

2 CHAPTER

COST SHEET

It helps us to identify information w.r.t cost or cost info which is prepared on the basis of Functional classification

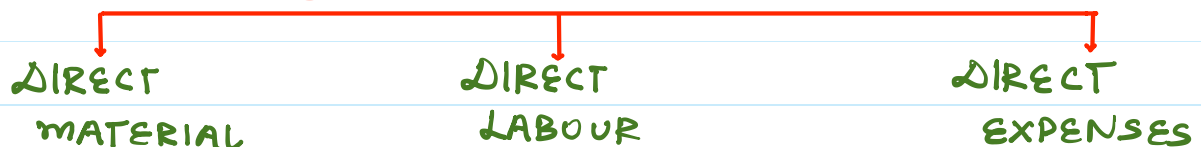
FUNCTIONAL CLASSIFICATION



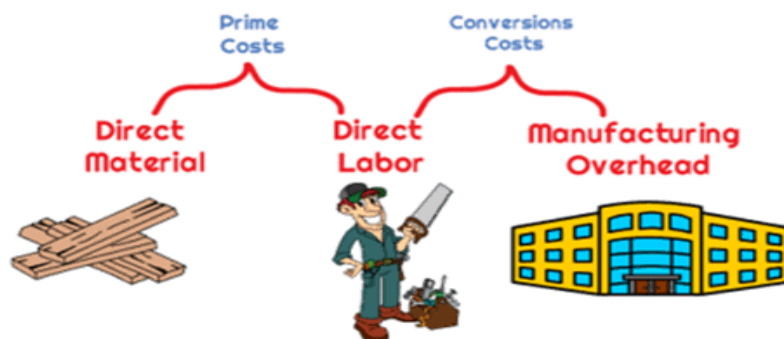
① HEADS OF COST SHEET



② PRIME COST



Manufacturing Costs



③ DIRECT MATERIAL

It is the cost of physical commodities which is used to make the final product and can be directly attributable to it
example :- Handle , Net , wheels used in CHAIR.

Imp. Note :-

How to identify if the material is DIRECT MATERIAL or not?
If the physical product is used only for or only one single product , then its Direct material , else not.

HOW TO CALCULATE COST OF DIRECT MATERIAL

	Opening stock of Raw Material	xx
+	Cost of material purchased	xx
+	Freight Inwards	xx
+	Insurance and other direct exp	xx
+	Any tax	xx
-	Trade Discount	(xx)
-	Abnormal loss	(xx)
-	Sale amount of scrap of RM	(xx)
-	Closing stock of Raw material	(xx)
	<u>DIRECT MATERIAL COST</u>	<u>xxx</u>

④ DIRECT LABOUR COST

Any amount paid to employees for their efforts or labour put into making the product. (in short whatever employer gives to workers)

- It includes :-
- wages
 - Employer's contribution to PF/ESI
 - Other Benifits like free food , travel etc
 - Bonus
 - Overtime

5 DIRECT EXPENSES

Any expense other than material and labour which directly contributes in making of the product :-

(i) Hire charges of machine for specific product

(ii) Cost of specific design or software for product

(iii) Technical Assistance (Job worker)

(iv) Power , Fuel , Electricity or Royalty paid.

(v) Amortisation of Patents

(vi) Amortised cost of moulds

6 FACTORY OVERHEADS

Any material , labour , expense not directly related to the product but still used in making the product IN FACTORY.

Imp. Note :-

It is charged on the basis of NO. OF. UNITS PRODUCED

- | | |
|------------------------------|--------------------------------------|
| (i) Stores & spares like oil | (ii) Depreciation of Plant |
| (iii) Insurance of Plant | (iv) Repairs & Maint. of Plant |
| (v) Design Dept in Factory | (vi) Rent of Normal Assets |
| (vii) Supervisor cost | (viii) Amortised cost of signs/tools |
| (ix) Tool Room | (x) Pollution Control Equip. |

⑦ POINTS FOR TAXATION

If full tax is eligible
for ITC (refund)

Tax paid	100
Refund	(100)
Tax to be included	0

If partial tax
is eligible for ITC

Tax paid	100
Refund	(40)
Tax to be included	60

If No tax is
eligible for ITC

Tax paid	100
Refund	0
Tax to be included	100

⑧ QUALITY CONTROL COST

Cost of all the resources used for Quality control purpose. (It will be directly given in the Question)

9 RESEARCH & DEVELOP COST

It means the cost incurred for improvement of current process, product, service & it will be given in the Ques.

10 ADMIN OVERHEAD

It refers to the expenditure which are incurred in the office and may be related to production or not related to production.

Admin OH related to production :-

If the Question specifies :-

- Admin OH is related to production
- Admin OH is linked to production
- Admin OH is given on basis of ₹ per unit produced
- Admin OH is given separately

It means the expenditure incurred in office is related to the production hence it is included in calculating **cost of prod.**

Admin OH not related to production :-

It includes office expenses but not directly related to production process.

If the Question says Admin OH is ₹ per unit sold then it is general admin OH and is **not** included in calculating **cost of production.**



(i) Depreciation of office Building or Office Furniture

(ii) Salary of Admin employee or any Director

(iii) Office Rate, Tax, light

(iv) Remuneration, Commission

(v) Legal charges

(vi) Director's sitting fee

(vii) Office Stationery

(viii) Meeting Expenses

(ix) Company's Income Tax

(x) Audit fees

11 SALES OVERHEAD

All the indirect expenditure incurred for selling the product are known as sales overhead. They all are charged on the basis of no. of units sold :-

(i) Advertisement, Media cost, Website, Sales Market Research.

(ii) Salary of Sales Department Person

(iii) Depreciation, Maintenance of Sales Department.

12 DISTRIBUTION OVERHEADS

It refers to expenditure done for distribution of goods & it is charged on basis of no. of units sold

(i) Salary of employees in distribution department.

(ii) Depreciation, maintenance of vehicles for distribution.



CA Inter Cost Management Concept Book

Clear COST-FM-SM with Amit Sharma

- ◆ Cleared All levels of CA in First Attempt.
- ◆ Secured AIR 30 in CA Inter.
- ◆ Articleship from one of the Big 4s (KPMG) & awarded with best performance on the first project.
- ◆ Industrial training from one of the top Investment Banking firm (Goldman Sach) in FPN domain. Hence implementing practicing concepts of Cost FM & SM.



Book Highlights:

- The only single material for your exemption
- Color coded book covering all Imp Questions.
- Prepared in most concise & student friendly manner
- Best Material for First Time Learner - subsequent revision-Final 1.5 Days revision
- Covering all the amendments & concepts for the new course

