Cost Accounting

Ascertain total cost & cost per Unit.

I Theory ✓

II Material

III Labour & Overhead

IV Unit costing & Job costing

V Process costing & contract costing

Output 1000

D. Material	---		
D. Labour	---		
D. Exps	---		
Prime cost	---		
Factory OH	---		
Office & Admn. OH	---		
Selling & Dist OH	---		
Total cost	100000	100	100000/1000
Profit & Loss on cost	20000	20	
Sales	120000	120	

Material 20% — 60% of total cost

(1) Stock level — Maximum

Minimum

Re order

Avg.

(2) EOQ - Economic Order Quantity = $\sqrt{\frac{2AO}{C}}$

(3) Pricing Issue Method — FIFO ✓

LIFO ✓

Avg — Simple

Weighted ✓

(1) Reorder level = Max consumption × Max Reorder period

(2) Min Stock level = Reorder level − (Normal cons. × Normal Reorder period)

(3) Max stock level = Reorder level + Reorder Qty/(EOQ) − (Min cons. × Min Reorder period)

(4) Avg. Stock level = Min stock level + ½ of Reorder Qty

(OR)

$$\frac{\text{Min Stock level} + \text{Max Stock level}}{2}$$

(6) ROL = 130 × 30 = 3900 Units

Min Level = 3900 − (100 × 27.50) $\frac{25+30}{2}$ = 27.5 days

= 3900 − 2750

= 1150 Units

Max Level = ROL + EOQ − (Min cons × Min Reord. Period)

= 3900 + 5000 − (60 × 25)

= 8900 − 1500

= 7400 Units

Avg. Stock level = Min Level + ½ of Re order Qty

= 1150 + (½ × 5000)

= 1150 + 2500

= 3650 Units

$$EOQ = \sqrt{\frac{2AO}{C}}$$

A = Annual consumption

O = Ordering cost per Order

C = carrying cost

cost per Unit × %

A = 10000 Units

O = 50

C = 25 × 10% = 2.5

$$EOQ = \sqrt{\frac{2 \times 10000 \times 50}{2.5}}$$

= 632.455 Units (OR) 632 Units

No. of orders = $\frac{A}{EOQ} = \frac{10000}{632}$ = 15.822 Orders

16 orders