JOB COSTING PROBLEM 5:

The following is the budget of Joy Engineering works for the year 2017:

Factory Overhead	Rs. 1,24,000	
Direct Labur cost	Rs. 1,96,000	
Direct Labur hours	3,10,000	hours
Machine Hours	1,00,000	hours

(i) From the above figures prepare the overhead application rates, using the following mathods :

(a) Direct Labour Hours

(b) Direct Labour Cost

(c) Machine Hours

(ii) Prepare a comparative statement of cost showing the result of application of each of the above rates to Job order No. 501 from the undermentioned data :

Direct Material Cost	Rs. 90	
Direct Wages	Rs. 100	
Direct Labour Hours	80	hours
Machine Hours	60	hours

[Kalyani University B.Com. (Hons.)1995]

Solution

Calculation overhead application rates

(i) Direct Labour Hours Rates

$$= \frac{\text{Factory Overheads}}{\text{Labour Hours}} = \text{Rs. } \frac{1,24,000}{3,10,000} = \text{Re. } 0.40 \text{ per hours}$$

(ii) Direct Labour Cost

$$= \frac{\text{Factory Overhead} \times 100}{\text{Direct Labour Cost}} = \text{Rs. } \frac{1,24,000 \times 100}{1,96,000} = 63.265\%$$

(iii) Machine Hours Rate

$$= \frac{\text{Factory Overhead}}{\text{Machine Hours}} = \text{Rs. } \frac{1,24,000}{1,00,000} = \text{Rs. } 1.24 \text{ per hours}$$

(iv) **Comparative Statement of cost of Job Order No. 501**

		Direct Labour Hours	*Direct Labour Cost*	*Machine Hours*
		Rs.	Rs.	Rs.
	Direct Material Cost	90.00	90.00	90.00
	Direct Wages	100.00	100.00	100.00
	Prime Cost	190.00	190.00	190.00
Add :	Factory Overhead	32.00 (80 × 0.40)	63.27	74.40
		222.00	253.27	264.40