



The Lecture on Process Costing  
Lecture Delivered By  
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# Types of Process costing

- **Simple Process - Calculation of abnormal loss & abnormal gain**
- **Inter profit process**
- **Equivalent Production Units**
- **Joint product & by product**

# Problem on equivalent production unit

During the month of April 4,000 units were introduced into process A. The cost of 4,000 units was Rs. 23,200. At the end of the month 3,000 units had been produced and transferred to process B, 720 units were still in process and 280 units were scrapped. A normal wastage of 5% on input is allowed. It was estimated that incomplete units have reached a stage in production as follows:

Material 70% complete, Labour 50% complete, Production overhead 50% complete.

The cost incurred in addition to that on 4,000 units introduced were:

Direct materials:       Rs. 6,160

Direct wages:           Rs. 13,760

Production Overheads: Rs. 6,880

Units scrapped realised Rs. 2 each were 100% complete as regards material, labour and overheads. Prepare the process account and abnormal wastage account.

# Solution

## Statement of equivalent production in April

Input units	Particulars	Output units	Equivalent Production					
			Material		Labour		Overheads	
			%	Units	%	Units	%	Units
4,000	Unit introduced							
	Normal Wastage	200	-	-	-	-	-	-
	Abnormal Wastage	80	100	80	100	80	100	80
	Finished Output	3,000	100	3,000	100	3,000	100	3,000
	Closing WIP	720	75	540	50	360	50	360
<b>4,000</b>		<b>4,000</b>						
	Equivalent Production			<b>3,620</b>		<b>3,440</b>		<b>3,440</b>



## Statement of Apportionment of Process Cost incurred in April

Output terms	Cost element	Equivalent Production (units)		Cost per unit Rs.		Cost Rs.	Total Cost Rs.
Units Introduced and completed	Material	3,000	x	8	=	24,000	
	Labour	3,000	x	4	=	12,000	
	Overheads	3,000	x	2	=	6,000	<b>42,000</b>
Abnormal wastage	Material	80	x	8	=	640	
	Labour	80	x	4	=	320	
	Overheads	80	x	2	=	160	<b>1,120</b>
Costing WIP	Material	540	x	8	=	4,320	
	Labour	360	x	4	=	1,440	
	Overheads	360	x	2	=	720	<b>6,480</b>

## Process A A/c

Particulars	Tons	Rs.	Particulars	Tons	Rs.
Unit introduced	4,000	23,200	Normal wastage	200	400
Material		6,160	Process B A/c	3,000	42,000
Labour		13,760	Abnormal wastage	80	1,120
Overheads		6,880	Work in progress at the end	720	6,480
	<b>4,000</b>	<b>50,000</b>		<b>4,000</b>	<b>50,000</b>