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Submitted To: Dr. Quaid** **Iqbal Cost Accounting**   **Date: 21/06/2020 Assignment**

**The topics we have covered under Chapter 2 are as under:-**

**Cost of Goods Sold Statement:**

In the income statement, the cost of goods sold is shown in one figure, which is also the general procedure in a published report. However, for internal uses, additional information is necessary for future planning and for evaluation of the past.

The cost of goods sold section of the income statement of any company and other manufacturing business can be divided into five distinct part:-

1. **Direct Materials:**
2. **Direct Labour:**
3. **Factory Overhead:**
4. **Work in Process:**
5. **Finish Good Inventory:**

**The Income Statement:-**

The income statement of a company based upon its revenue cost and expenses of manufacturing, marketing and administration, other incomes and expenses items and income tax. The income statement in complementary to the balance sheet. Neither statement alone offers a sufficiently clear picture of the status and progress of a company, for most purposes they should be presented together a unit.

**The topics we have covered under Chapter 6 are as under:-**

**Process Costing**

Process costing is a term used in cost accounting to describe one method for collecting and assigning manufacturing costs to the units produced. A processing cost system is used when nearly identical units are mass produced

**Meaning and Definition of Process Costing:**

Process costing is probably the most widely used method of cost ascertainment. Process costing refers to a method of accumulating cost of production by process. It is used in mass production industries producing standard products like steel, sugar, chemicals, oil, etc. In all such industries, goods produced are identical and all factory processes are standardized.

Process costing is so called because; under process costing cost of the ascertained process wise. Process costing is also known as ‘Continuous Costing’, because industries which adopt process costing undertake production of goods on a continuous basis. Process costing is also known as ‘Average Costing’, because the cost per unit of each process is ascertained by averaging the expenditure incurred on that process during a period by the number of units produced in that process during the period.

**Under process costing, the cost of materials, labour, and overheads are collected as follows:**

1. **Materials:**

Raw materials and sundry supplies required for each process are obtained from stores through stores requisitions. So, the costs of materials and sundry supplies chargeable to any process can be ascertained from stores requisitions.

In case, the materials are issued in bulk to any process, the process concerned intimates to the cost office the exact quantity of materials consumed in the process during the particular period, and with the help of this data, the cost of materials chargeable to the process is ascertained.

1. **Labour:**

Wages paid to workers engaged in a particular process are ascertained through the pay-rolls maintained for the concerned process, and are allocated directly to the process concerned.

1. **Factory Overheads:**

Overheads incurred on two or more processes are apportioned on the basis of direct wages or on any other suitable basis. Sometimes overheads are recorded at pre-determined rate based on direct wages, prime cost, etc.

**The topics we have covered under Chapter 6 are as under:-**

Job order costing  or  job costing is a system for assigning and accumulating manufacturing costs of an individual unit of output. The job cost record will report each item's direct materials and direct labor that were actually used and an assigned amount of manufacturing overhead.

## How to Calculate Job Costing

Job costing is calculated by accumulating the cost of labor, materials and overhead on a specific job. The accounting activities involved in calculating job costing are:

## CALCULATE LABOR COSTS

Calculate how much it costs your business to employ all staff members who will work on the project per day. Multiply the payroll day rate by the amount of time you estimate you’ll need to complete the job. If you’ll rely on subcontractors for work your company doesn’t complete itself, factor those costs into your total labor costs for the job. It can help to get an estimate from each of these contractors.

### CALCULATE MATERIAL COSTS

Calculate the cost of all materials used on the job. For a construction business, this would include materials such as lumber, wiring, screws and more. You may choose to add a margin to these materials to cover other related costs including wastage or delivery fees.

### ESTIMATE APPLIED OVERHEAD

Overhead is the most difficult cost to calculate, because you’ll need to rely on an approximation instead of a more exact figure. You’ll need to estimate the total overhead costs factoring into the job, including rent on your office, administrative costs and depreciation on the equipment used. Many businesses apply a blanket overhead fee to each project, such as 10 percent per job. An accountant can help you analyze your business and develop a specific approach to overhead. Or, you can calculate your predetermined overhead rate.