

PAPER - 8 : COST ACCOUNTING

SUGGESTED ANSWERS

SECTION - A

1.

- (i) (D)
- (ii) (C)
- (iii) (A)
- (iv) (D)
- (v) (B)
- (vi) (A)
- (vii) (B)
- (viii) (B)
- (ix) (B)
- (x) (D)
- (xi) (C)
- (xii) (C)
- (xiii) (D)
- (xiv) (C)
- (xv) (B)

SECTION - B

2. (a)

PQR Limited

Statement of Cost and Profit for the year ended on 31st March, 2026

Particulars	Amount (₹)
Materials consumed:	
Opening stock + Purchases - Closing stock	
₹ 85,000 + 34,00,000 – 1,35,000	33,50,000
Direct labour	16,00,000
Prime Cost	49,50,000
Factory Overheads (60% of the direct labour cost of ₹ 16,00,000)	9,60,000
	59,10,000
Add: Opening work-in-progress	1,20,000
Less: Closing work-in-progress	1,80,000
Factory Cost/ Cost of Production	58,50,000
Add: Opening stock of finished goods	3,60,000
Less: Closing stock of finished goods	2,20,000
Cost of Goods Sold	59,90,000
Administration overheads (6% of the sales of ₹ 98,00,000)	5,88,000
Selling & distribution expenses (12% of the sales of ₹ 98,00,000)	11,76,000
Cost of Sales	77,54,000
Sales	98,00,000
Net Profit (Sales – Cost of Sales)	20,46,000

Alternative Presentation:**PQR Limited****Statement of Cost and Profit for the year ended on 31st March, 2026**

Particulars	Amount (₹)
Materials consumed:	
Opening stock + Purchases - Closing stock	
₹ 85,000 + 34,00,000 – 1,35,000	33,50,000
Direct labour	16,00,000
Prime Cost	49,50,000
Factory Overheads (60% of the direct labour cost of ₹ 16,00,000)	9,60,000
	59,10,000
Add: Opening work-in-progress	1,20,000
Less: Closing work-in-progress	1,80,000
Factory Cost	58,50,000
Administration overheads (6% of the sales of ₹ 98,00,000)	5,88,000
Cost of Production	64,38,000
Add: Opening stock of finished goods	3,60,000
Less: Closing stock of finished goods	2,20,000
Cost of Goods Sold	65,78,000
Selling & distribution expenses (12% of the sales of ₹ 98,00,000)	11,76,000
Cost of Sales	77,54,000
Sales	98,00,000
Net Profit (Sales – Cost of Sales)	20,46,000

2. (b)**(i) Statement Showing the Total Annual Cost of the Existing Inventory Policy**

Particulars	₹
(i) Purchase Cost (80,000 × 5)	4,00,000
(ii) Ordering Cost [(80,000/8,000) × 25]	250
(iii) Carrying Cost [(1/2 × 8,000) × 5 × 20%]	4,000
Total Cost	4,04,250

(ii) Statement Showing the Total Annual Cost of the Proposed Inventory Policy (EOQ)

Particulars	₹
(i) Purchase Cost (80,000 × 5)	4,00,000
(ii) Ordering Cost [(80,000/2,000) × 25]	1,000
(iii) Carrying Cost [(1/2 × 2,000) × 5 × 20%]	1,000
Total Cost	4,02,000

Therefore, saving by using the EOQ = ₹ 4,04,250 - 4,02,000 = ₹ 2,250

Working Note:**Calculation of EOQ:**

$$EOQ = \sqrt{\frac{2 \times A \times O}{C}}$$

Where, A = Annual requirement

O = Ordering cost

C = Carrying cost

$$EOQ = \sqrt{\frac{2 \times 80,000 \times 25}{5 \times 20\%}} = 2,000 \text{ units}$$

3. (a)**Calculation of Over/Under-absorbed Overheads for the month of September, 2025**

Particulars	Amount (₹)	Amount (₹)
Total overheads incurred in September, 2025		4,00,000
Less: Amount paid as per Labour Court Award	60,000	
Expenses of the previous year	20,000	
		80,000
Net overheads incurred for the month		3,20,000
Less: Overheads recovered for 20,000 hours @ ₹ 20 per hour		4,00,000
Over-absorbed Overheads		80,000

Treatment of Over-absorbed Overheads in Cost Accounts

- (i) 60% of over-absorbed overheads are due to defective planning. This being abnormal should be credited to the Costing Profit and Loss Account.

So, Amount to be credited to Costing Profit & Loss A/c = (80,000 * 0.60) = ₹ 48,000

- (ii) Balance 40% of the over-absorbed overheads should be distributed between the closing stock of finished goods and the cost of goods sold by a supplementary rate.

Supplementary Rate = (80,000 x 0.40)/80,000 = Re. 0.40 per unit

- (a) Amount to be adjusted against closing stock of finished goods = (20,000 * 0.40) = ₹ 8,000
 (b) Amount to be adjusted against cost of goods sold = (60,000 * 0.40) = ₹ 24,000

The above treatment may also be shown by passing a journal entry as follows:

Journal

Date	Particulars	Dr.	Cr.
		Amount (₹)	Amount (₹)
	Production Overhead Control A/cDr.	80,000	
	To Finished Goods Control A/c		8,000
	To Cost of Sales A/c		24,000
	To Costing Profit & Loss A/c		48,000

3. (b)

ABC Limited
Journal

Date	Particulars	Dr.	Cr.
		Amount (₹)	Amount (₹)
	Work in Progress Control A/c Dr.	12,00,000	
	Factory Overheads Control A/cDr.	6,00,000	
	To Material Control/Stores Ledger Control A/c		18,00,000
	Work in Progress Control A/c Dr.	8,00,000	
	Factory Overheads Control A/cDr.	4,00,000	
	To Wages Control A/c		12,00,000
	Work in Progress Control A/c Dr.	13,50,000	
	To Factory Overheads Control A/c		13,50,000
	Finished Goods Control A/c Dr.	6,20,000	
	To Administration Overheads Control A/c		6,20,000
	Cost of Sales A/c Dr.	1,80,000	
	To Selling Overheads Control A/c		1,80,000
	Alternatively,		
	Work in Progress Control A/c Dr.	13,50,000	
	Finished Goods Control A/c Dr.	6,20,000	
	Cost of Sales A/c Dr.	1,80,000	
	To Factory Overheads Control A/c		13,50,000
	To Administration Overheads Control A/c		6,20,000
	To Selling Overheads Control A/c		1,80,000
	Factory Overheads Control A/c Dr.	1,80,000	
	To OH Adjustment/OH Suspense A/c/ Profit and Loss A/c		1,80,000
	OH Adjustment/ OH Suspense A/c/ Profit and Loss A/c Dr.	40,000	
	To Administration Overheads Control A/c		40,000

4. (a)

(i) Calculation of Expected No. of Room Days:

Single Rooms (300 x 365 x 80%)	87,600 Room days
Double Rooms (150 x 365 x 80%)	43,800 Room days
Triple Rooms (90 x 365 x 60%)	19,710 Room days

(ii) Computation of Total Cost:

<u>Variable Costs</u>		<u>Amount (₹)</u>
Single Rooms (87,600 x 330)	2,89,08,000	
Double Rooms (43,800 x 510)	2,23,38,000	
Triple Rooms (19,710 x 600)	<u>1,18,26,000</u>	
		6,30,72,000
<u>Fixed Costs</u>	1,57,68,000	
Single Rooms (87,600 x 180)	1,57,68,000	
Double Rooms (43,800 x 360)	<u>94,60,800</u>	
Triple Rooms (19,710 x 480)		4,09,96,800
Total Costs		<u>10,40,68,800</u>

(iii) **Computation of Total Revenue:**

Margin of Safety 20%, hence Break-even Point 80%

Sales at BEP = Total Costs = ₹ 10,40,68,800

Total Revenue = $10,40,68,800 \times 100 / 80 = ₹ 13,00,86,000$

Alternatively,

Total cost = ₹ 10,40,68,800

Add: Profit (20% on rent, i.e., 20/80 or 25% on costs) = ₹ 2,60,17,200

Total revenue = $(10,40,68,800 + 2,60,17,200) = ₹ 13,00,86,000$

(iv) **Computation of Notional/Equivalent Single Room-Days:**

Single Rooms (87,600*1) 87,600

Double Rooms (43,800*1.25) 54,750

Triple Rooms (19,710*1.50) 29,565

Notional Single Room-Days 1,71,915

(v) **Computation of Room Rent:**

Rent per day per Single Room = $₹ 13,00,86,000 / 1,71,915 = ₹ 756.68$ or ₹ 757

Rent per day per Double Room = $₹ 757 \times 1.25 = ₹ 946$

Rent per day per Triple Room = $₹ 757 \times 1.50 = ₹ 1,135$

Alternative Solution: Daily Basis

Nature of Rooms	Room Days
Single	$300 \times 80\% = 240$
Double	$150 \times 80\% = 120$
Triple	$90 \times 60\% = 54$

Computation of Total Cost per day:

	Amount (₹)	Amount (₹)
Variable costs:		
Single Rooms (240 × 330)	79,200	
Double Rooms (120 × 510)	61,200	
Triple Rooms (54 × 600)	32,400	
Total variable costs		1,72,800
Fixed costs:		
Single Rooms (240 × 180)	43,200	
Double Rooms (120 × 360)	43,200	
Triple Rooms (54 × 480)	25,920	
		1,12,320
Total costs		2,85,120

Computation of Daily Revenue:

Margin of Safety 20%, hence Break-Even Point 80%

Sales at BEP = Total Costs = ₹ 2,85,120

Total Revenue = $2,85,120 \times (100 / 80) = ₹ 3,56,400$

or,

Total cost = ₹ 2,85,120

Add: Profit (20% on rent, i.e., 20/80 or 25% on costs) = ₹ 71,280

Total revenue = $(2,85,120 + 71,280) = ₹ 3,56,400$

Computation of Notional Single Room-Days:

Single Rooms	(240 × 1)	240
Double Rooms	(120 × 1.25)	150
Triple Rooms	(54 × 1.50)	<u>81</u>
Notional Single Room-Days		<u>471</u>

Computation of Room Rent:

Rent per day per Single Room = ₹ 3,56,400 ÷ 471 = ₹ 756.69, i.e., ₹ 757

Rent per day per Double Room = ₹ 757 × 1.25 = ₹ 946.25, i.e., ₹ 946

Rent per day per Triple Room = ₹ 757 × 1.50 = ₹ 1,135.50, i.e., 1,135 or ₹ 1,136

4. (b)**Maharaja BuildCon Ltd.****Contract Account**

Dr.	For the year ended on 31.03.2025		Cr.
Particulars	₹	Particulars	₹
To Materials Used	8,62,500	By Work-in-Progress A/c	18,75,000
To Wages Paid	3,75,000	(16,87,500*100/90)	
To Overhead Expenses	1,12,500		
To Notional Profit c/d (bal.fig)	5,25,000		
	18,75,000		18,75,000
To Profit & Loss A/c	1,57,500	To Notional Profit c/d	5,25,000
(₹ 5,25,000 x 1/3 x 90%)			
To Work-in-Progress A/c	3,67,500		
(Reserve)			
	5,25,000		5,25,000

Percentage of completion = (18,75,000/46,00,000) × 100 = 40.75%

Since the completion is more than 25% but less than 50%, one-third of the notional profit on a cash basis must be transferred to the Profit and Loss A/c.

Dr.	Contractee Account		Cr.
Particulars	₹	Particulars	₹
To Balance c/d	16,87,500	By Bank A/c	16,87,500
	16,87,500		16,87,500

Contract Account

Dr.	For the year ended on 31.03.2026		Cr.
Particulars	₹	Particulars	₹
To Work-in-Progress	15,07,500	By Contractee A/c	46,00,000
(18,75,000 - 3,67,500)			
To Materials Used	11,50,000		
To Wages Paid	8,50,000		
To Overhead Expenses	2,50,000		
To Profit & Loss A/c	8,42,500		
(Profit – bal.fig)			
	46,00,000		46,00,000

Contractee Account

Dr.

Cr.

Particulars	₹	Particulars	₹
To Contract A/c	46,00,000	By Balance b/d	16,87,500
		By Bank A/c	26,75,000
		By Balance c/d	2,37,500
	46,00,000		46,00,000

5. (a)

(i) Statement of Equivalent Production

Particulars	Units	Material		Labour and Overhead	
		Completion Percentage	Units	Completion Percentage	Units
Transferred to next process	16,000	100%	16,000	100%	16,000
Incomplete Units	4,000	100%	4,000	50%	2,000
	20,000		20,000		18,000

(ii) Statement of Cost

Element of Cost	Amount ₹	Equivalent Production (units)	Unit Cost ₹
Material	1,00,000	20,000	5
Labour	54,000	18,000	3
Overhead	36,000	18,000	2
	1,90,000		10

(iii) Statement of Valuation of Work-in-Process

Particulars	Amount in ₹
Materials Cost (4,000 units @ ₹ 5)	20,000
Labour (2,000 units @ ₹ 3)	6,000
Overhead (2,000 units @ ₹ 2)	4,000
	30,000

(iv)

Dr.

Process Y Account

Cr.

Particulars	Units	₹	Particulars	Units	₹
To Raw materials	20,000	1,00,000	By Transfer to next process @ ₹ 10 per unit	16,000	1,60,000
To Labour		54,000	By Work-in-Process A/c	4,000	30,000
To Overheads		36,000			
	20,000	1,90,000		20,000	1,90,000

5. (b)

Computation of Standard Time and Actual Time

Category	Standard Time	Actual Time
Grade - X	60 x 40 = 2,400	55 x 44 = 2,420
Grade - Y	40 x 40 = 1,600	30 x 44 = 1,320
Grade - Z	50 x 40 = 2,000	70 x 44 = 3,080
Total	6,000	6,820

Computation of Standard Cost and Actual Cost

Category	Standard			Actual			Revised
	Time	Rate	Cost	Time	Rate	Cost	Time
	ST	SR	SC	AT	AR	AC	RST
Grade – X	2,400	5.00	12,000	2,420	6.00	14,520	2,728
Grade – Y	1,600	3.50	5,600	1,320	4.00	5,280	1,819
Grade – Z	2,000	2.50	5,000	3,080	2.00	6,160	2,273
Total	6,000		22,600	6,820		25,960	6,820

Computation of Revised Standard Time (RST)

Grade - X: $2,400 / 6,000 \times 6,820 = 2,728$ hours

Grade - Y: $1,600 / 6,000 \times 6,820 = 1,819$ hours

Grade – Z: $2,000 / 6,000 \times 6,820 = 2,273$ hours

Computation of Variances:

(i) $LCV = TSC - TAC = ₹ 22,600 - 25,960 = ₹ 3,360$ (A)

(ii) $LRV = AT (SR - AR)$

Grade - X : $2,420 (5.00 - 6.00) = ₹ 2,420$ (A)

Grade - Y : $1,320 (3.50 - 4.00) = ₹ 660$ (A)

Grade - Z : $3,080 (2.50 - 2.00) = ₹ 1,540$ (F)
 $= ₹ 1,540$ (A)

(iii) $LEV = SR (ST - AT)$

Grade - X: $5.00 (2,400 - 2,420) = ₹ 100$ (A)

Grade - Y: $3.50 (1,600 - 1,320) = ₹ 980$ (F)

Grade - Z: $2.50 (2,000 - 3,080) = ₹ 2,700$ (A)
 $= ₹ 1,820$ (A)

(iv) $LREV = SR (ST - RST)$

Grade - X : $5.00 (2,400 - 2,728) = ₹ 1,640$ (A)

Grade - Y : $3.50 (1,600 - 1,819) = ₹ 766.50$ (A)

Grade - Z: $2.50 (2,000 - 2,273) = ₹ 682.50$ (A)
 $= ₹ 3,089$ (A)

(v) $LMV = SR (RST - AT)$

Grade - X: $5.00 (2,728 - 2,420) = ₹ 1,540$ (F)

Grade - Y: $3.50 (1,819 - 1,320) = ₹ 1,746.50$ (F)

Grade - Z: $2.50 (2,273 - 3,080) = ₹ 2,017.50$ (A)
 $= ₹ 1,269$ (F)

6. (a)**Calculation of P/V ratio:**

Variable Cost Ratio = 60% (given)

P/V Ratio = 1 - Variable Cost Ratio

$$= 1 - 60\% = 40\%$$

(i) Break-Even Point (in ₹) = Fixed Cost / P/V Ratio
 $= ₹ 75,000 / 40\% = ₹ 1,87,500$

(ii) Desired Profit = ₹ 1,50,000 x 15% = ₹ 22,500

Expected Sales = (Fixed Cost + Desired Profit) / P/V Ratio
 $= (₹ 75,000 + ₹ 22,500) / 40\%$
 $= ₹ 2,43,750$

(iii) Profit if sales volume decreased to ₹ 2,00,000:

Contribution = Sales x P/V Ratio = ₹ 2,00,000 x 40% = ₹ 80,000

Less: Fixed Cost ₹ 75,000

Therefore, Profit = ₹ 5,000

6. (b)**Calculation for Ranking**

Particulars	Production		
	A (₹)	B (₹)	C (₹)
Direct Materials	5.60	3.20	12.00
Direct Labour	8.00	16.00	12.00
Variable Production Overheads	5.60	11.20	8.40
Variable Selling Overheads	3.00	4.00	5.00
(A) Total Variable Cost	22.20	34.40	37.40
(B) Selling Price	30.00	40.00	50.00
(C) Contribution per unit (B-A)	7.80	5.60	12.60
(D) Contribution per kg of raw material	11.14	14.00	8.40
(E) Ranking	II	I	III

Calculation of Product Mix and Profit

Product as per Ranking	Max Demand (Units)	Raw material per unit (in Kg)	Total R.M (in Kg)	Actual Production (units)	Contribution per unit (₹)	Total contribution (₹)
B	12,000	0.4	4,800	12,000	5.60	67,200
A	16,000	0.7	11,200	16,000	7.80	1,24,800
C	10,000	1.5	7,500 (b.f)	5,000 (7,500/1.5)	12.60	63,000
Total			23,500			2,55,000
(-) Fixed Cost						1,50,000
Total Profit						1,05,000

Most Suitable Sales Mix (must be supported by the calculation shown in the above table):

A – 16,000 units; B – 12,000 units, and C – 5,000 units

7. (a)

(i) Quarterly Production Budget (in units) of RST Ltd. for the year 2025

	Quarters			
	First	Second	Third	Fourth
Sales	40,000	48,000	60,000	72,000
Add: Closing stock (30% of the next month's sales)	14,400	18,000	21,600	16,000 (given)
Less: Opening stock	12,000 (given)	14,400	18,000	21,600
Production	42,400	51,600	63,600	66,400

Alternatively

(i) Quarterly Production Budget of RST Ltd. for the year 2025

Quarter	First	Second	Third	Fourth	Total
Units sold	40,000	48,000	60,000	72,000	2,20,000
Add: Closing stock					16,000
Total Requirements					2,36,000
Less: Opening stock					12,000
Annual Production					2,24,000
Quarterly Production Budget	First	Second	Third	Fourth	
70% of current quarter's sales	28,000	33,600	42,000	50,400	
30% of following quarter's sales	14,400	18,000	21,600	16,000	
Total	42,400	51,600	63,600	66,400	

Working Note – 1:

Total production in first three quarters = 42,400 + 51,600 + 63,600 = 1,57,600 units

Fourth quarter production = 2,24,000 – 1,57,600 = 66,400 units

(ii) Selling price per unit	₹ 40
Less: Variable cost per unit	₹ 35
Contribution per unit	₹ 5
Total fixed cost	₹ 4,40,000

Break Even Point (BEP) = Fixed Cost / Contribution Per Unit
= ₹ 4,40,000 / ₹ 5 = 88,000 units

Quarter	Sales Units	Cumulative Sales Units
First	40,000	40,000
Second	48,000	88,000 (BEP)
Third	60,000	1,48,000
Fourth	72,000	2,20,000

So, the Break-Even Point (BEP) will be achieved in the Second Quarter.

7. (b)

The Scope and Principles of Measurement of CAS – 10 on “Direct Expenses”:

Scope:

Applicable to cost statements requiring classification, measurement, assignment, presentation and disclosure of Direct Expenses, including those needing attestation.

Principles of Measurement:

1. Identification of Direct Expenses shall be based on traceability in an economically feasible manner.
2. (i) Direct expenses incurred for the use of bought out resources shall be determined at invoice or agreed price including duties and taxes, and other expenditure directly attributable thereto net of trade discounts, rebates, taxes and duties refundable or to be credited.

(ii) Direct expenses other than those mentioned above shall be determined on the basis of amount incurred in connection therewith.
3. If an item of Direct Expenses does not meet the test of materiality, it can be treated as part of overheads.
4. Finance costs incurred in connection with the self-generated or procured resources shall not form part of Direct Expenses.
5. Direct Expenses shall not include imputed costs. In case of goods produced for captive consumption, treatment of imputed cost shall be in accordance with Cost Accounting Standard – 4 (CAS-4).
6. Where direct expenses are accounted at standard cost, variances due to normal reasons shall be treated as part of the Direct Expenses. Variances due to abnormal reasons shall not form part of the Direct Expenses.
7. Any Subsidy/Grant/Incentive or any such payment received/receivable with respect to any Direct Expenses shall be reduced for ascertainment of the cost of the cost object to which such amounts are related.
8. Any abnormal portion of the direct expenses where it is material and quantifiable shall not form part of the Direct Expenses.
9. Penalties, damages paid to statutory authorities or other third parties shall not form part of the Direct Expenses.
10. Credits/ recoveries relating to the Direct Expenses, material and quantifiable, shall be deducted to arrive at the net Direct Expenses.
11. Any change in the cost accounting principles applied for the measurement of the Direct Expenses should be made only if, it is required by law or for compliance with the requirements of a cost accounting standard, or a change would result in a more appropriate preparation or presentation of cost statements of an organisation.

8. (a)

The differences between Financial Accounting and Management Accounting are as follows:

Basis for Comparison	Financial Accounting	Management Accounting
Purpose	Financial Accounting classifies, analyses, records, and summarizes the financial transactions of a particular period of the company.	Management accounting helps management make effective decisions about the business.
Application	Financial accounting is prepared to reflect true and fair picture of financial affairs.	Management accounting helps management to take meaningful steps and strategize.
Scope	The scope is pervasive, but not as much as the management accounting.	The scope is much broader.
Information type	Quantitative.	Quantitative and qualitative.
Inter dependence	It is not dependent on management accounting.	Management accounting is basically decision-making accounting and depends on information created by Financial Accounting as well as Cost Accounting.
Statutory requirement	It is legally mandatory to prepare financial accounts of all companies, (for example, in the Indian Context Companies Act 2013, relevant rules of accounting standards furnish the statutory requirements)	Management accounting has no statutory requirement.
Format	Financial accounting has specific formats for presenting and recording information.	There's no set format for presenting information in management accounting.
Users	Mainly for potential investors as well as stakeholders	Only for management
Verifiable	The information presented is verifiable.	The information presented is predictive and not immediately verifiable.

8. (b)

A good purchasing procedure ensures your organization acquires the right goods and services at the best possible value. It minimizes costs, prevents maverick spending, and mitigates supply chain risks.

Key qualities of an effective purchasing procedure include:

1. Right Quality
2. Right Time
3. Right Quantity
4. Right Price
5. Right Source

- (i) **Transparency and Standardization:** Standardized workflows (like using pre-approved requisition forms and purchase orders) ensure every transaction is traceable, fair, and easily auditable.
- (ii) **Clear Authorization:** A well-defined approval matrix ensures purchases are vetted and signed off by the appropriate management levels based on budget thresholds.
- (iii) **Centralized Control:** Consolidating purchasing through a dedicated procurement team or system prevents duplicate orders and leverages volume discounts.
- (iv) **Supplier Management:** Establishing strong, vetted relationships with reliable vendors ensures consistent quality, favourable payment terms, and dependable delivery schedules.
- (v) **Cost-Effectiveness:** The process should inherently involve competitive bidding, price negotiation, and total cost of ownership (TCO) evaluation rather than just looking at the initial sticker price.
- (vi) **Digital Integration:** Utilizing automated e-procurement systems speeds up cycle times, eliminates paperwork errors, and provides real-time visibility into spending and inventory.
- (vii) **Compliance and Ethics:** Strict adherence to legal regulations, organizational policies, and anti-corruption guidelines protects the company's reputation and financial integrity.
- (viii) **Continuous Evaluation:** Regularly tracking supplier performance metrics (e.g., on-time delivery, defect rates) and auditing the procurement process itself allows for ongoing optimization.

8. (c)

The features of Job Costing are enumerated as follows:

- (i) Each job maintains its separate identity throughout the production stage.
- (ii) The job is meant for a specific customer and not meant for a mass market.
- (iii) Production pattern is not repetitive and continuous.
- (iv) Production begins only after getting order from the customer.
- (v) Each job is executed as per the requirement of the customer. Each job order is considered as a separate cost unit.
- (vi) Duration of production cycle is usually short but a large order may extend beyond one year.
- (vii) A Job Cost Sheet is prepared and Job Register is maintained to record particulars of the job like price, date of commencement, special requirement etc. Profit or Loss is calculated on the completion of the job.