

PRACTICAL COSTING

Presented by

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(AUTONOMOUS)

TRICHY-20.

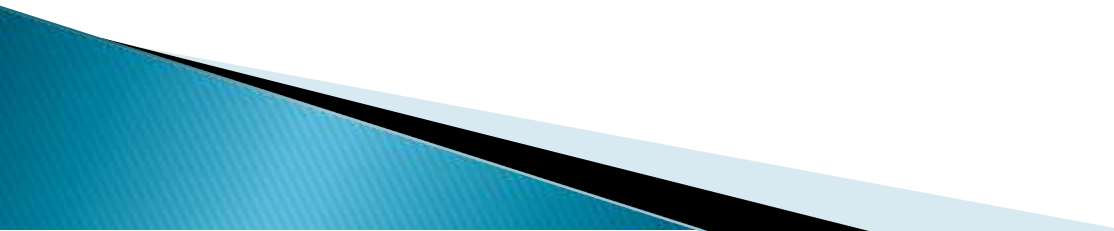
PROCESS COSTING

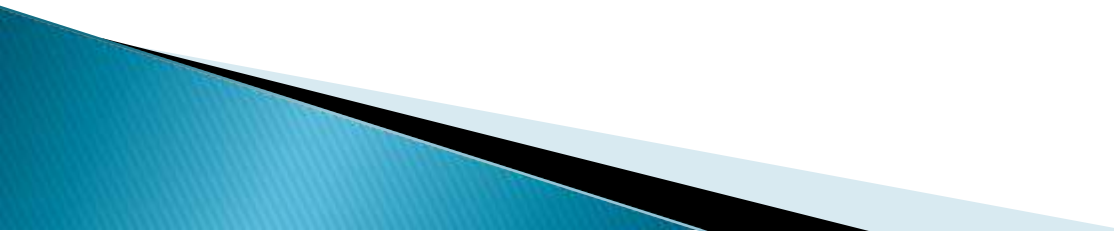
INTRODUCTION:


It is a method of costing which is used to ascertain the cost of output at each stage of production.

According to I.C.M.A., London, “ Process Costing is that form of operation costing, where standardised goods are produced”.

FEATURES OF PROCESS COSTING

1. Production is continuous, in a series of stages called processes.
 2. Each process is deemed as a cost centre and costs are accumulated for each process separately along with output, finished and in progress.
 3. Products and processes are standardised.
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4. The output of one process becomes the raw material to the next process, usually till the final product is completed.
 5. The cost of previous process is transferred to the next process along with the output. Sometimes, the transfer may be at a transfer price inclusive of profit.
 6. There may be process losses of the input. They may be normal or abnormal or both.
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7. Completed and semi finished outputs have to be expressed in common terms for cost determination.
 8. Since production is of identical units, the total cost of process is divided with the units of output to obtain average cost per unit.
 9. Two or more products may be produced unavoidably in the same process. They may be of equal importance or of disproportionate values.
 10. It is not possible or necessary to trace or identify specific lots of material inputs with product or output.
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Distinction between Process Costing and Job Costing

PROCESS COSTING	JOB COSTING
1. Production is continuous.	1. Production is intermittent
2. Product is homogenous.	2. Output differs from order to order significantly.
3. Output is in anticipation of demand.	3. Production is against specific orders.
4. Each process is a cost centre and the Process costs are divided to the units of output.	4. Each job or order of a customer is a cost unit in relation to which costs are accumulated.

Process costing	Job costing
5. Cost ascertainment is for specific periods like month or quarter.	5. Cost ascertainment is for each job.
6. Cost of processes is transferred to the next process till the final product is obtained.	6. No transfer of costs is necessary.
7. Work-in-progress is always there because production is continuous.	7. Work -in-progress may not be there.
8. Control of costs is easier.	8. Cost Control is more difficult.
9. Less paper work is involved.	9. Since, each job is separately costed, more paper work is involved.

