

PROBLEM 32

[BBA (Professional) 2015]

The percentage of office and general expenses to manufacturing cost: -

Items	Amount (Tk.)
Stock finished goods (31-12-2013)	56,000
Stock of materials (31-12-2013)	25,600
Purchase of raw materials	5,84,000
Productive wages	3,97,600
Sales of finished goods	11,84,000
Stock of finished goods (31-12-2014)	60,000
Stock of raw materials (31-12-2014)	27,200
Works overhead charges	87,472
Office and general expense	71,048

The company is about to send a tender for a large plant. The costing department estimates that the materials required cost of Tk. 40,000 and wages to workmen for making the plant would cost of Tk. 24,000. The tender is to be made at a net profit of 20% on selling price. Show what the amount of the tender would be if based on the above percentages.

Solution:

Particulars	TK
Opening Raw Material	
(+) Purchase of Raw material	25600
	584000
(-) Ending Raw Material	609600
	27200
(+) Productive wages	582400
	397600
(+) Works overhead expenses	980000
	87472
	Prime cost
(+) Opening Finished goods	1067472
	56000
(-) Ending Finished goods	1123472
	60000
(+) office and general expenses	1063472
	71048
	Cost of Goods Sold
Profit	1134520
	49480
	Total Cost
	1184000
	Sales

$$\% \text{ Wages Overhead} = \frac{87472}{397600} \times 100 = 22\%$$

$$\% \text{ Of office and general expenses} = \frac{71048}{1067472} \times 100 = 6.6557\%$$

Material	
(+) Wages	40000
Prime Cost	24000
(+) Overhead (24000×22%)	64000
Manufacturing Cost	52800
(+) Office and general (52800×6.6557%)	69280
Total Cost	46112
(+) Profit (Total Cost× $\frac{20}{80}$)	73891
Tender Price	18473
	92364