

PROBLEM 30

A factory produced and sold 1000 units of a product in the month of July, 2011 for which the following particulars are available

Stock of raw materials on 1st July

Purchase and receipt of raw materials during the month of June

Direct wages paid in cash in June (which included Tk. 3,000 on account of June and Tk. 2,000 advance for August)

Works overhead charges for the month

Stock of raw materials on 31 July

Administration and selling overheads Tk. 25 per unit Sale price Tk. 300 per unit

- (a) From the above particulars you are required to prepare a statement of cost for the month of July, 2011
- (b) Estimate the sales price of a unit of the same product in August, 2012 assuming: -
- 10% increase in the cost of raw materials.
 - 10% increase in direct wages.
 - 5% increase works overhead charges.
 - 20% decrease in administration and selling overhead charges
 - Same percentage of profit on sales price as earned during the month of July.

Solution:

Workings:

(i) Purchase of materials for July 2011:

Cost of materials used for July at June price	1,40,000
Less: Opening stock of raw materials	10,000
Purchase of raw materials for July at June price	1,30,000

So, Purchase price of raw materials for July = $1,30,000 \times \frac{120}{100} = 1,56,000$

(ii) Percentage of profit on sales = $\frac{\text{Profit}}{\text{Sales}} = 100 = \frac{25000}{300000} \times 100 = 8.3333\%$

(iii) Profit for July:

Profit 8.3333% on sales

Let, sales = 100, then profit 8.3333

Cost = $100 - 8.3333 = 91.6667$

So, profit = $3,04,000 \times \frac{8.3333}{91.6667} = 27,636$

Requirements: