Chapter 7

Variable and Absorption costing

Ex 7-1

Variable costing

Per unit cost

DM 120

DL 140

VMOH 50

Total 310

I/S

|  |  |  |
| --- | --- | --- |
| Particulars | Tk | Tk |
| Sales 500\*8000  \_ variable exp:  Variable cost of goods sold  8000\*310  Variable selling and adm exp  8000\*20  Total Variable cost  CM  \_ Fixed exp  Fixed manufacturing overhead  Fixed selling & Adm exp  Total fixed exp  Net Income | 2480000  160000  600000  400000 | 4000000  2640000  1360000  1000000  360000 |

Absorption costing

Per unit cost

DM 120

DL 140

VMOH 50

FMOH 60 (600000/10000)

Total 370

600000/10000

Income Statement

|  |  |  |
| --- | --- | --- |
| Particulars | Tk | Tk |
| Sales  \_Cost of goods sold  Beginning Inventory  +Cost of goods manufactured  10000\*370  Cost of goods available for sale  \_ending inventory  2000\*370  Cost of goods sold  Gross profit  \_ Selling and Adm exp:  Variable:8000\*20  Fixed selling & Adm exp  Total  Net Income | 0  3700000  3700000  740000  160000  400000 | 4000000(8000\*500)  2960000  1040000  560000  480000 |

Reconciliation Statement

|  |  |  |
| --- | --- | --- |
|  |  |  |
| Variable costing net operating income  + Fixed MOH cost deffered in inventory under absorption costing   * Fixed manufacturing overhead cost released from inventory   Absorption costing net operating income | 360000  2000\*60=120000  0  480000 |  |

**7-10**

**Variable costing**

**Per unit cost**

**DM 8**

**DL 10**

**VMOH 2**

**Total 20**

**I/S**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **Y1** | **Y1** | **Y2** | **Y2** |
| **Sales**  **\_ Variable Cost**  **1.Variable cost of gooods sold**  **2.Variable selling and administrative exp**  **CM**  **\_ Fixed Expense**  **FMOH**  **FS&A Exp**  **Net Income** | **20000\*20=400000**  **20000\*3=60000**  **350000**  **250000** | **1000000**  **460000**  **540000**  **600000**  **(60000)** | **30000\*20=600000**  **30000\*3=90000**  **350000**  **250000** | **1500000**  **690000**  **810000**  **600000**  **210000** |

**Reconciliation**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Tk** | **Tk** |
| **Variable costing net operating income**  **+ Fixed manufacturing overhead cost deffered in inventory under absorption costing**  **\_ FMOH cost released from inventory under absorption costing**  **Absorption costing net income** | **(60000)**  **5000\*14=70000**  **0**  **10000** | **210000**  **0**  **70000**  **140000** |

7-16

Variable costing

Per unit cost

Tk 6 per unit

Absorption costing:

Y1 y2

Variable manufacturing cost 6 6

FMOH cost 15 12

21 18

I/S

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Particulars | Y1 | Y1 | Y2 | Y2 |
| Sales  \_ Variable Cost  1.Variable cost of goods sold  2.Variable selling and administrative exp  CM  \_ Fixed Expense  FMOH  FS&A Exp  Net Income | 40000\*6=240000  40000\*2=80000  600000  270000(350000-40000\*2) | 1250000  320000  930000  870000  60000 | 40000\*6=240000  40000\*2=80000  600000  270000 | 1250000  320000  930000  870000  60000 |

Reconciliation

|  |  |  |
| --- | --- | --- |
| Particulars | Tk y1 | Tk y2 |
| Variable costing net operating income  + Fixed manufacturing overhead cost deffered in inventory under absorption costing  \_ FMOH cost released from inventory under absorption costing  Absorption costing net income | 60000    0  0  60000 | 60000  10000\*12(600000/50000=12)  =120000  0  180000 |

7-5:

Variable costing:

Per unit cost:

DM 60

DL 30

VMOH 10

100 Tk

|  |  |  |
| --- | --- | --- |
| Particulars | Tk | Tk |
| Sales (9000\*200)  \_ Variable expense:  Variable cost of goods sold(9000\*100)  Variable S&A expense(9000\*20)  CM  \_ Fixed expense:  Fixed manufacturing overhead  Fixed selling and administrative expense  Net profit | 900000  180000  300000  450000 | 1800000  1080000  720000  750000  (30000) |
|  |  |  |

Problem 7-1:

**Variable costing:**

Per unit cost:

DM 120

DL 140

VMOH 50

Total 310

I/S

Sales 8000\*500= 40,00000

\_ Variable expense:

Variable cost of goods sold 2480000

8000\*310=

Variable selling & adm exp 8000\*20=160000 2640000

CM 1360000

\_ Fixed expense:

Fixed manufacturing overhead 600000

Fixed selling & admin expense 400000 1000000

Net income 360,000

Absorption costing:

Per unit cost:

DM 120

DL 140

VMOH 50

FMOH 60 600000/10000=60

370

I/S

Sales 80000\*500= 4000000

\_ cost of goods sold

Beg inventory 0

+ cost of goods manufactured 3700000

10000\*370

Goods available for sale 3700000

\_ Ending finished goods

2000\*370 740000

Cost of goods sold 2960000

Gross profit 1040000

\_ Selling & administrative expense

Variable 8000\*20= 160000

Fixed 400000 560000

Net Income 480,000