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 sold8000\*310Variable selling and adm exp8000\*20Total Variable costCM\_ Fixed expFixed manufacturing overheadFixed selling & Adm expTotal fixed expNet Income | 2480000160000600000400000 | 4000000264000013600001000000360000 |

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 soldBeginning Inventory+Cost of goods manufactured10000\*370Cost of goods available for sale\_ending inventory2000\*370Cost of goods soldGross profit\_ Selling and Adm exp:Variable:8000\*20Fixed selling & Adm expTotalNet Income | 037000003700000740000160000400000 | 4000000(8000\*500)29600001040000560000480000 |

 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 |  3600002000\*60=1200000480000 |  |

**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 Cost1.Variable cost of goods sold2.Variable selling and administrative expCM\_ Fixed ExpenseFMOHFS&A ExpNet Income | 40000\*6=24000040000\*2=80000600000270000(350000-40000\*2) | 125000032000093000087000060000 | 40000\*6=24000040000\*2=80000600000270000 | 125000032000093000087000060000 |

 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 costingAbsorption costing net income | 60000 0060000 | 6000010000\*12(600000/50000=12)=1200000180000 |

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 overheadFixed selling and administrative expenseNet profit | 900000180000300000450000 | 18000001080000720000750000(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