

COST ACCOUNTING

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LABOUR COST

Labour cost may be basically divided into direct and indirect costs.

Direct labour cost:

It is the remuneration paid to the employees who are directly engaged in the manufacturing operations or the conversion of raw materials into finished products.

Example: A workman printing the cloth in a textile unit.

Indirect labour cost :

It is the remuneration of those employees who are not directly connected with manufacturing operations. In other words, labour that cannot be identified with a particular job or product is indirect labour.

Examples: labour cost include wages paid to supervisors, repair workmen, time keepers, etc.

TIME KEEPING

It refers to correct recording of the employees' attendance time. It is the recording of time of arrival and departure at the factory gate.

It is required for ascertaining normal time, overtime and also idle time for costing purposes.

It serves the following purposes:

Preparation of payrolls, where the workers are paid on time basis.

Enforcing regularity, discipline and ensuring daily requirement of labour force in the factory.

Proper distinction between normal time, late attendance, early leaving and overtime.

Meeting the statutory requirements.

Overhead rates, if based on labour hours.

Internal administration like increments, pension, provident fund, gratuity and leave benefits.

Ascertaining and controlling labour cost.

Time Booking

It refers to the process of recording actual time taken by a worker on various jobs or work orders undertaken by him in the factory.

It refers to the analysis of the time of direct workers job-wise.

It serves the following objects:

- To ascertain labour cost of every job.

- To find out the work on which a worker is employed.

- To ascertain the idle time (i.e. the difference between time-keeping and time-booking) so as to control it.

- To provide suitable apportionment of overhead expenses.

Thank you