A STUDY ON THE PROCESS COSTING OF LAKSHMI PAPER CONES LIMITED

by

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Under the guidance of

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IN MANAGEMENT STUDIES

A PROJECT REPORT

submitted

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BONAFIDE CERTIFICATE

Certified that this project report titled, **"A Study On Marginal Costing Of INDSIL Hydro Power And Manganese Limited"** is the bonafide work of **Ms. Vikashini.R** who carried out the project under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Faculty Guide	Director
Prof. S. Swaminathan	Dr.Vijila Kennedy
KCTBS	KCTBS

Submitted for the Project Viva-Voce examination held on _____

Internal Examiner External Examiner

DECLARATION

I, hereby declare that this project report as "A study on Marginal Costing of INDSIL Hydro Power And Manganese Limited", has undertaken for academic purpose submitted to Anna University in partial fulfillment of requirement for the award of degree of Master of Business Administration. The project is the record of the original work done by me under the guidance of Prof.S.Swaminathan from 26.6.2012 to 4.8.2012 during the academic year 2011-2012.

I, also declare hereby, that the information given in this report is correct to the best of my knowledge and behalf.

Place:Coimbatore .....

Date: **(VIKASHINI.R)**

ACKNOWLEDGEMENT

I express my gratitude to our beloved chairman **Arutchelvar Dr. N.MAHALINGAM and Management** for the prime guiding spirit of **Kumaraguru College of Technology** for giving me an opportunity to undergo the MBA Degree course and to undertake this project work.

I wish to express deep sense of obligation to Prof**. S. Swaminathan,** KCT Business School, for the guidance and moral support throughout the project from its inception to completion.

I whole heartily thank **Mr. Pradeep Kumar, Lakshmi Paper Cones Ltd** for his motivation to complete the project successfully.

At the outset, I wish to submit heartfelt sincere, humble gratitude to my beloved parents, brother and friends, who lead, guide all through my life and give me the courage and strength for the successful completion of this major project.

EXECUTIVE SUMMARY

This project named “A Study on the Process Costing of Lakshmi Paper Cones” was carried out at Lakshmi Paper Cones to analyze and understand the costing method done in each process of the company by using Process costing Concept and done a comparative study for the year 2011 and 2012.

I chose to do this project at Lakshmi Paper Cones because it is a group with core business interests in the manufacture of Paper Cones which is used for Textile business. They produce paper cones of 4 degree, 5 degree and 9 degree. Established in 1980’s, Lakshmi Paper Cones has been the best integrated private sector company. LPC has been the Highest quality: Lowest cost products manufacturers in India. Lakshmi Paper Cones has set the pace for the consolidation and globalization of the Paper Cones and Paper Products industry. Strong customer base, includes leading names in the Medical Textile, Apperal Textile, Geo Textile and Agro Textile.

The Process costing is an accounting methodology that traces and accumulates direct costs, and allocates indirect costs of a manufacturing process. Costs are assigned to products, usually in a large batch, which might include an entire month's production. Eventually, costs have to be allocated to individual units of product. It assigns average costs to each unit, and is the opposite extreme of Job costing which attempts to measure individual costs of production of each unit. Process costing is usually a significant chapter. The major elements of Process Costing are Direct materials (Primary Material, Secondary Material), Direct Labour, Direct Expenses, production Overheads.

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CHAPTER 1

INTRODUCTION

1.1 About the study:

The study is conducted to find out the process costing of Lakshmi Paper Cones. Process Costing is the form of operation costing which is used to ascertain the cost of the production at each process or stage of manufacture. The output of one process is passed on to the next process and the output of last process becomes the finished product.

1.2 Industry Profile:

Paper Industry:

The paper industry has an important social role to play for the country. Use of paper is considered as an index of cultural growth. The paper industry is also contributing towards fulfilment of various requirements of the industry as a whole like information dissemination, publicity etc. which in turn stimulate industrial growth of the country. The paper industry has, thus, a catalytic role to play not only for the overall growth of the industry but also for the living standards of the people. In the last few years, India's paper industry has grown by 6 per cent annually. India's paper industry is worth Rs 225 billion. It accounts for about 1.6 per cent of the world's production of paper and paperboard. In India, the demand for paper is set to far surpass supply and is expected to reach the level of 110 lakh tones by 2015 from 72 lakh tones in 2007. It is said that if the gross domestic product (GDP) grows at 10 per cent, paper demand will grow at 8 per cent. The per capita consumption of paper in India is barely 8 kg. Paper consumption is poised for a big leap forward in sync with the economic growth.

The paper industry in India is more than a century old. At present there are over 850 paper mills manufacturing a wide variety of items required by the consumers.

These paper mills are manufacturing industrial grades, cultural grades and other specialty papers. The paper industry in India could be classified into 3 categories according to the raw material consumed.

1. Wood based
2. Agro based &
3. Waste paper based

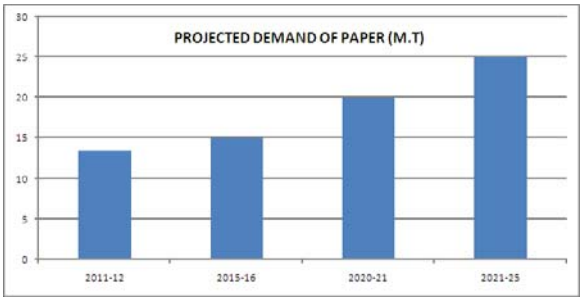
While the number of wood based mills is around 14 and balance 836 mills are based on non-conventional raw materials (Agro Residues and Recycled fibre - waste paper)

The Govt. of India has relaxed the rules and regulations and also delicensed the paper industry to encourage investment into this sector and joint venture is allowed and some of the joint ventures have also started in India. The paper industry in India is looking for state-of-art technologies to reduce its production cost and to upgrade the technology to meet the international standards.

The Indian Paper Industry is among the top 12 Global players today, with an output of more than 13.5 Million tonnes annual with an estimated turnover of Rs. 35000 Crores.

Paper Industry in India is moving up with a strong demand push and is in expansion mode to meet the projected demand of 20 Million tonnes by 2020. Thus paper industry in India is on the growth trajectory and is expected to touch 8.5% GDP in the coming years. Therefore, the growth of Industry will out span the present g

Many mills in India are in modernization and expansion spree. Many old Mills are under revival or new green field projects are under consideration.



- The demand is growing @ 8% to8.5% CAGR per Annum and is likely to reach to 25 million MT by the year 2020.

Top Paper Companies in India

S.No	Company Name	Headquarter
1	ITC PSPD	Secunderabad, Andhra Pradesh
2	Ballapur	Gurgaon, Haryana
3	JK Paper Limited	New Delhi
4	Tamilnadu Newsprint & Papers Limmited	Chennai, Tamil Nadu
5	Century Pulp & Paper	Mumbai, Maharashtra
6	The Andhra Pradesh Paper Mills Limited	Secunderabad, Andhra Pradesh
7	West Coast Paper Mills Limited	Bangalore, Karnataka
8	Abhishek Industries Limited	Ludhiana, Punjab
9	Orient Paper & Industries Limited	Kolkata, West Bengal

Outlook of Paper Industry in India

India consumes 11.4 million tonnes of paper products (excludes newsprint). This is expected to go up to 20 million tonnes by 2025.Indian Paper & Pulp Technical Association (IPPTA) stated, "the slowdown in the domestic demand in the industry has been impacted due the imports from China. The Chinese paper products that are imported are cheap compared to the domestic products and hence have more consumers."

Major changes are taking place in various segments like writing & printing paper, paperboard, newsprint, tissues, etc. New technologies and modern management will have vital part in this process. Besides that many overseas players are entering India by acquiring or by setting up new plants in Indian soil with an aim to make India as a paper manufacturing hub which will bring huge investments to Indian Pulp and Paper Industry.

Today India is an excellent and vibrant market for Paper and Paper products due to high spending of the middle class people and some of the Government initiatives in the Social Development front also make the industry more vibrant. Many Indian Paper Mills are eying now to new mills to setup or joint ventures with existing players abroad to widen their business horizon.

In 2012, paper companies saw a significant erosion in their profitability margins on account of raw material price increases, partly driven by rupee depreciation as imports account for a considerable proportion of their cost structures. This coupled with pricing pressures due to low demand and excess capacity further worsened the situation as sale realizations remained stagnant. High debt levels due to apex and low profitability led to weak credit metrics in 2012 for most of the paper companies, in line with the our 2012 mid-year review, and thus led to the revision in the outlook for the sector to negative.

Subdued Economic Growth to Result in Modest Demand

Subdued economic growth is likely to impact the overall paper demand from varied sectors such as industrial, office and educational in 2013. The domestic paper consumption has slowed down since 2011 after growing rapidly during 2009 and 2010 post the global economic crisis of 2008. As per industry estimates, the domestic demand growth slowed down to about 4% in 2012 from 6% in 2011 and double digit growth of

13.9% and 10.2% in 2009 and 2010, respectively. Growth is likely to improve to 2011 levels by end-2013 based on our industry estimations.

Problems faced by Paper Industry

Importing either of raw materials or spares or plant & machinery or technical knowhow will play a great role in the Indian paper industry. As we all know that due toUS crisis our INR is getting weaker and weaker every day and we all has to digest this bitter truth that our currency has weakened by 20 – 25% in a short span of last 4-5 months & it seems that situation will remain the same in the near future because our government is not showing any hardcore interest to cope with the situation. So we all have to be ready for the challenges and fight with the current economic scenario.

India's **wood resources** are limited therefore; cost of wood is much higher in global comparison. Since there is conspicuous absence of Government's enabling policies favouring industrial/production plantation, securing future wood supplies will be Industry's biggest challenge. Wood based segment of the paper industry meets its current wood requirements mainly through social/farm forestry and supplements with purchases made from the State Forest Development Corporations.

Recovered fibre consumption is going up globally. In India about 850,000-1,000,000 tons of **waste paper** is being currently recovered annually. The recovery rate works out to about 20% which is much lower in comparison with 65% recovery achieved by many global players. Low recovery is on account of alternate use of paper in wrapping, packing, etc. The utilization rate of recovered fibre is only 47%. Paper mills are heavily dependent on imported waste paper which commands exorbitant price due to inadequate availability. India needs a well-defined and aggressive system for collection, sorting, grading and utilization recyclable waste paper to contain imports.

Paper Cone and Tubes:

The main user of paper cones and tubes are textile industry, adhesive and insulating tape industry. With the rise in demand and growth of textile and synthetic yarn industry, paper cones and tubes have increased in demand. Tubes are widely used in packaging.

It has been estimated that an adhesive tape manufacturing unit consumes around 40 ? 50 tons of tubes per month whereas a yarn spinning plant consumes 150 to 160 tons of paper tubes on an average. The overall demand for paper cones and tubes has increased very rapidly. Due to the sophistication in official stationary items, use of adhesive tubes has increased the demand for paper tubes. Their use has recorded appreciable growth, which will further rise in future. A good investment for entrepreneur. Depending upon the application the specification of the cone varies.

Industries Using Process costing:

When pricing manufactured goods, manufacturers must understand how much each product costs to manufacture. Since products are often moved to multiple departments before they are finished, manufacturers must record the cost of each process to determine the cumulative cost of manufacturing the finished product. All the Industries where production is not on the basic of specific orders and the output is identical, process costing can be used. The most common examples: Mines, Textiles, Chemicals, Sugar, Oil, Refining, Paper, Food Products, etc.

Raw Material

Millboard is the generic term for any solid paperboard which, unlike corrugated board, contains no cavities. The surfaces may be finished by couching, i.e. applying an outer layer made from higher grade raw materials onto the web while it is still wet (to give "lined paperboard"). The properties of millboard may also be improved by adhesive lamination, lining, impregnating or coating. Millboard is made as machine-made board or wet machine board. Millboard is a flat packaging material which is preferably made from chemical pulp and/or mechanical pulp. Its basis weight is > 600 g/m², i.e. greater than that of paper and cardboard. Millboard is generally transported in rolls.

1.3 About the Organization:

Established in 1980's, Lakshmi Paper Cones has been the best integrated private sector company. LPC has been the Highest quality: Lowest cost products manufacturers in India. Lakshmi Paper Cones has set the pace for the consolidation and globalization of the Paper Cones and Paper Products industry. We have spread best practice and modern production techniques throughout our plant. Our strong customer base, includes leading names in the Medical Textile, Apperal Textile, Geo Textile and Agro Textile.

Our Philosophy

Lakshmi Paper Cones growth has been founded on a consistent philosophy: that to be able to deliver the range and quality of products. Lakshmi Paper Cones enjoys access to world market through a sales and marketing network that touches every corner of the globe. A comprehensive portfolio of products allows LPC to deliver whatever our customers require – wherever they require it – and whenever they require it.

The management is progressive and forward-looking. The company is fully committed to the idea that the customer is central to any business. Everyone in the company focuses on meeting and exceeding customer requirements – in terms of quality and timely supplies.

The management firmly believes in training and developing human resources. It is a matter of conviction that competent and committed employees are the best assets of an organization. Adequate in-house facilities are present for training and development of employees. They are also encouraged to attend professional seminars.

Apart from meeting their business objectives, the management believes there are social obligations to be met in terms of nurturing a safe, non-polluting and healthy environment for the employees and society. The LPC maintains plants and trees in and around the works. They have installed a rain-water harvesting unit within their works. High quality dust-collection systems have been installed in the works.

Our Vision

To be among the global top 100 paper products manufacturers.

Our Mission

Our mission is to be more than just successful. It is to be admired for our culture and for the quality, service and management standards that implies. Nothing less will do.

Pollution Control

Lakshmi Paper Cones has implemented pollution prevention control program.

What Is pollution prevention?

"An Act to improve, strengthen, and accelerate programs for the prevention and abatement of air pollution and all pollution"

Pollution prevention is the substantial reduction or elimination of discharges or emissions to the environment. This includes all pollution: hazardous and non-hazardous, regulated and unregulated, across all media, and from all sources. Pollution prevention can be accomplished by reducing the generation of wastes at their source (source reduction).

- By reducing or eliminating wastes
- Reduce waste disposal costs
- Reduce costs for energy, water and raw materials
- Reduce operating costs
- Protect workers, the public and the environment
- Reduce risk of spills, accidents and emergencies
- Reduce vulnerability to lawsuits and improve its public image
- Generate income from wastes that can be sold.

LPC demonstrates its commitment to pollution prevention and encourage employee participation by:

Training employees in pollution prevention techniques
Encouraging employee suggestions
Providing incentives for employee participation
Providing resources necessary to get the job done

Wind Energy

We are operating one Wind Electric Generator with installed capacity of 500 KW. This generator is capable to generating 50% of our total annual power requirements. LPC has planned to install more wind electric generators for our power requirements.

Quality Policy

Quality → Time → Money

"Our Target is Your Success"

Quality is only achieved through logical thoughts, intellectual direction, earnest efforts and adroit execution; it is not a one time achievement.

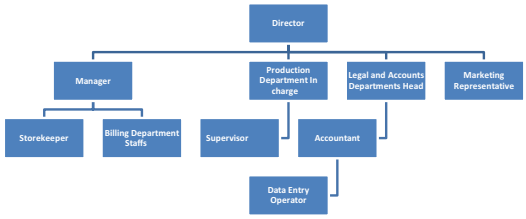
Since 23 years, Lakshmi Paper Cones have manufactured Paper Cones for customers with the highest quality requirements. An excellent product quality and a perfect customer service are the most important goals in our business.

Our Policy is to take a planned approach to continuous improvement of our products, processes and services to meet or exceed our customer's expectations 100% of the time.

People

Loyal, competent and committed people are the most precious resource in any organization. Selection of personnel, their training, monitoring effectiveness of training methods, providing them opportunities for development and growth etc are all planned carefully and monitored so identifiably. Employees are encouraged to attend professional seminars. The staff in Lakshmi Paper Cones are well qualified and experienced. They have the freedom and authority to run each individual department effectively. Clean and well-illuminated dining rooms are provided for the staff and workmen.

Organization Structure



Board of Directors

Mr. Natarajan and Mrs. Rudraveni Natarajan is the director of the company, she has been responsible for the strategic direction and development of its businesses. Mrs.Rudraveni's ability to guide the company in its identification, and turnaround of paper cone making has led to its emergence as one of the India's fastest growing paper products manufacturer.

Products portfolio / Types of products

Products	Specification
Cone	5 degree, 9 degree, and 4 degree

When it comes to **materials**, we stock a wide range of recycled chipboards, pulp boards and krafts. Tell us about your application and we'll recommend the right solution for you. LPC has in-house **printing** facility means we can supply tubes with printed ends very economically—even on smaller or infrequent production runs, ideal for trials, exhibitions

or special events As for **finishing**, we offer an unrivalled service, including cutting, sanding, bull-nosing, end-turning, wax-dipping, burnishing and slitting.

Competitors

Today in late 1990's the industry has grown to an extent that, it has become a cottage industry and more than 20 new companies has mushroomed. To make a note here most/ almost of them were started by Ex-employees of Lakshmi paper cones or in some way related to Lakshmi paper cones. So we do not consider anyone as competitors as we have developed a sourcing division where in we buy cones manufactured by them if they meet our strict quality norms.

Customers

To name a few Venilakshmi mills, Premier group, Lakshmi Mills group, NTC Group and all leading mills in India.

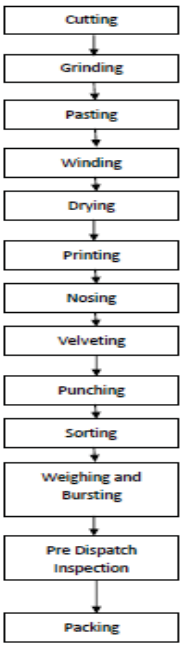
Other Businesses

- Raj Metal and Alloys - Year of Establishment 1975
- Sarvalakshmi Foundries, A ISO Certified Company(www.sarvalakshmifoundries.com) – Year of Establishment 1990
- Venilakshmi Mills Private limited, No 1 Trusted Brand (www.vlm.co.in) – Year of Establishment 1995
- Rajalakshmi Engineering – Year of Establishment 1995
- Lakshmi packages – Year of Establishment 2000
- Venilakshmi Gardens – II – Year of Establishment 2000
- Rajalakshmi Cones – Year of Establishment 2005
- Venilakshmi Wind Farms – Year of Establishment 2005
- Venilakshmi Gardens – I - Year of Establishment 2007
- Selvalakshmi Packs – Year of Establishment 2011

Turnover of the company

Product Type	No of cones	Value
9 degree	10000	28000
5 degree	30000	90000
4 degree	10000	29000
Daily Turnover		147000
Monthy Turn over		4410000
Yearly Turn over		Rs52332000

Process:



Working of each Process:

Cutting - Cutting the board sheet (raw material) according to the choice of customers.

Grinding - Grinding on the edges of the sheet to make it roll properly.

Pasting - After grinding paste is applied over the sheet and rolled.

Winding - Winding is done on the spindles of the same conicity.

Drying - The cone is dried at a certain temperature or in hot sun.

Printing - A design is printed on the top and bottom of the cone according to the customer.

Notching - At bottom the extra sheet is cut and two lines are given at the bottom.

Velveting - A rough finishing is given on the top of the cone.

Punching - Small shapes like u, v, i, y and moon is made at the bottom of the cones. It is also done according to the customer.

Weighing and Bursting -The weight and the pressure of the cone is checked, to know whether the cone can carry 2kg weighing thread.

Pre Dispatch Inspection - Before delivery each cone is checked thoroughly. If there is any defect in pasting, printing, notching it is rejected.

Packing - The cones are packed and delivered to the customer.

1.4 Statement of Problem:

In the study the process costing of Lakshmi paper cones trading has been analyzed and projected Process costing for the year 2011 & 2012.

1.5 Scope of the Study:

The process costing is performed in indentifying the normal and abnormal loss and gain in each process of manufacturing. Cost control is comparatively easier because the products are homogenous and production is stable.

CHAPTER 2

REVIEW OF LITERATURE

2.1 Dosch Jennifer and Wilson Joel, Strategic Finance; Aug2010[1], Vol. 92 Issue 2, p37-43, 7p, 1 Diagram, 1 Chart, 1 Graph made a case on the title **Process Costing and Management Accounting in Today's Business Environment** The article discusses process costing, strategic cost management in manufacturing, and management accounting. Topics include three companies in the consumer packaged goods industry that use process costing and standards to increase profitability. A five-step approach for the allocation of costs to inventory is noted. The benefits of standard costing and the process of developing costing standards are mentioned.

2.2 Skinner, R. C, Abacus; Jun80[2], Vol. 16 Issue 1, p67-72, 6p presented an article on the title **"Process Costing: Reply to a Comment".** This article responds to researcher Graham Partington's comments on the author's article "Process Costing," published in the December 1978 issue of the journal "Abacus." The author, in his reply, clarifies that his article was concerned not only with the differences between job and process costing, but more importantly, with the differences between process and operation costing. Further, according to the author, process costing is a special case of operation costing in the sense that it involves an additional complication, and in the sense that it appears to have little application in the real world. One feature which, by and large, separates job and process costing, is that, under the latter, product-unit costs are computed by an averaging procedure. The feature which unambiguously separates them, and which also distinguishes process and operation costing, is the device of equivalent units. According to the author, Partington suggests that processes are typically complex, whereas operations are typically simple, but he provides no evidence for this viewpoint.

2.3 Horngren, Charles T and Churchill, Neil C, Accounting Review; Jul67,[3] Vol. 42 Issue 3, p593-596, 4p, 2 Diagrams on the topic **"Process Costing in perspective: Forgot Fifo",** This article focuses on the product-costing aspects of process costing. First-in, first-out (Fifo) process costing has been overemphasized in cost accounting texts and in the Certified Public Accountants examination; it should be pruned from major consideration in courses and examinations. Fifo process costing is unnecessarily complex, is not used in practice, and is theoretically weak. Before examining the reasons

[1] **Dosch Jennifer and Wilson Joel, Strategic Finance; Aug2010,** Vol. 92 Issue 2, p37-43, 7p, 1 Diagram, 1 Chart, 1 Graph made a case on the title **Process Costing and Management Accounting in Today's Business Environment**
[2] Skinner, R. C, Abacus; Jun80**, Vol. 16 Issue 1, p67-72, 6p** presented an article on the title **"Process Costing: Reply to a Comment"**
[3] **Horngren, Charles T and Churchill, Neil C, Accounting Review; Jul67,**[3] Vol. 42 Issue 3, p593-596, 4p, 2 Diagrams on the topic **"Process Costing in perspective: Forgot Fifo",**

for this position, it should be noted that this article concentrates on the product-costing aspects of process costing. It is concerned only incidentally with planning and control. By definition, process costing is a type of product costing that deals with the mass production of like units which usually move in continuous fashion through a series of manufacturing steps called operations or processes. The complexities and conflicts between weighted-average and Fifo costing methods are eliminated by using standard costs.

2.4 Kachalay, Valeriy[1] Management Theory & Studies for Rural Business & Infrastructure Development; 2012,[4] Vol. 34 Issue 5, p66-73, 8p, on the title **"Modern Techniques of product costing at Industrial Enterprises"** An emergence of a global market comes from technological advancement and financial policies that have paved the way for global economic progress. Considering economic globalization an accurate, full, reliable accounting-analytical information on product cost per unit is, apparently, of crucial significance for any enterprise. Only modern methodical-organizational approaches to prod-uct costing allow businesses to be better equipped in order to enter a global market and compete in today's modern world. The aim of the paper is to examine a set of key shortcomings in the methodical and organizational principles of the cost accounting system at industrial enterprises. It is of crucial importance for identifying the most appropriate and applicable techniques for industrial costing which could be further successfully implemented in industrial production. This research was carried out by employ-ing a rigorous methodology: an extensive body of literature on the subject was critically reviewed to reveal advantages and drawbacks of modern and traditional techniques of costing, respectively. Moreover a comparative study of cost management systems of some huge world-known enterprises was conducted to provide evidence of their relevancy. As a result most effective and efficient techniques of product costing are identified to help to improve the cost management system of any industrial enterprise. They are target costing, activity-based costing and just-in-time approach.

[4] **Kachalay, Valeriy**[1] Management Theory & Studies for Rural Business & Infrastructure Development; 2012,[4] Vol. 34 Issue 5, p66-73, 8p, on the title **"Modern Techniques of product costing at Industrial Enterprises"**

CHAPTER 3

REASEARCH METHODOLOGY

3.1 Type of Research

Analytical research is Analysing the source whether it be primary or secondary. It is used here to analyze the Process costing for Lakshmi Paper Cones.

3.2 Objective of the study:

Primary Objective:

- A study on process costing of Lakshmi paper cones is done.
- To ascertain the cost of the product at each process or stage of manufacturing.
- To find out the normal and abnormal losses of each process.

Secondary Objective:

- To find out the flow of input and output in each process.
- To find out the comparison of cost per ton of 2011 & 2012.
- To find out the cost of production at each stage of manufacture.

3.3 Data and source of Data

Data used for study is secondary data. The secondary data that are used here are obtained from the annual accounts and the reports of Lakshmi Paper Cones.

3.4 Time period covered

The time period is for 2 financial years 2011 & 2012.

3.5 Statistical tools used

- Process Costing.

3.5 Limitations of the study

- The study was conducted only for the period of 2 years. (2011 & 2012).
- The market conditions are subject to fluctuations which would reflect on the parameters considered for the analysis.

Input sheet

Process	Description	Cost (Rupees) 2012	2011
Paper roll feeding	Size and dimension of the paper roll depends on the customer specification	1.80	1.66
Cutting	Paper is cut into conical shape	.05	.04
Grinding	Grinding the edges of the paper to bound with other layer easily	.10	.08
Pasting	Now the paper is ready to gets its shape, so the paste is applied on the paper uniformly.	.06	.05
Winding	With air pressure the papers is winded into cone form	.05	.04
Drying	Cone is taken out and kept for about 24 hours to naturally dry itself.	.05	.05
Printing	Cone will be printing witha design in the top and bottom.	.10	.07
Nosing and Cutting	Paper cone is now cut to meet the customer specification and top end of the cone is nosed(edge is bended).	.10	.05

Velveting/ Sanding	To give surface grip of the yarn to run smooth on the cone, the cones surface is uniformly velvetted.	.04	.03
Punching	Punching (grove) is made at the bottom of the cone. Lot of punching like u,v,y,l moon are options available in it.	.05	.03
Sorting	Now the cone is sorted according to order and variety	.03	.02
Weighing and Bursting	Cone is weighted and the pressure of the cone is checkedn	.01	.01
Pre-Dispatch Inspection	As the above process is prone to human errors, a pre inspection process is being carried out to remove the defective cones.	.01	.01
Packing	The finished product is now taken and packed in poly sacks of 500 or 1000 cones in stick form.	.05	.04

The cost of production would be in a range of 2.89 to 3.39 per cone depending on the specification.

Total cost break up for all the process:

Particulars	2011 - 2012	2010 – 2011
Raw Material	3,15,00,000	2,90,50,000
Wages	53,00,000	48,00,000
Electricity	84,00,000	67,00,000
Stores Allowance	48,00,000	42,00,000
Other Expenses	30,00,000	25,00,000

The details of all the direct expenses in process costing is given as a whole for a year. These are the input used in framing the Process Costing.

CHAPTER 4

ANALYSIS AND INTERPRETATION

4.1.1 Table showing the process costing of Cutting Process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Mill Board	7,250	1,21,15,385	By normal Waste	26.200	49,950
To Wages		3,78,571	By Grinding	7,223.8	1,37,71,238
To Electricity		7,50,000	Process A/c		
To Stores allowances		2,34,375			
To Other Expenses		3,42,857			
	7,250	1,38,21,188		7,250	1,38,21,188

Interpretation

Mill Board is the raw material used. In the first process the raw material is introduced 7,250 tonnes. As there is wastage in the process of 0.36% , the raw material taken to next process is 7,223.8 tonnes. The cost of per ton in this process is Rs.1,906.37.

4.1.2 Table Showing the Process Costing of Grinding Process for the year 2011-2012:

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Cutting	7,223.8	1,37,71,238	By normal Waste	6.550	15,368
To Wages		7,57,143	By Pasting	7,217.25	1,69,33,102
To Electricity		15,00,000	Process A/c		
To Stores allowances		2,34,375			
To Other Expenses		6,85,714			
	7,223.8	1,69,48,470		7,223.8	1,69,48,470

Interpretation

The wastage of this Process is 6.550 tonnes (0.0907%) as the grinding process gives a very fine dust. After wastage 7,217.25 tonnes is taken to Pasting Process. The electricity has doubled in this process, as cutting can be done manually. The grinding cannot be done manually.

4.1.3 Table Showing the Process Costing of Pasting Process for the year 2011-2012:

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Grinding	7,217.25	1,69,33,102	By Winding	7,217.25	2,59,68,047
To Paste		72,69,231	Process A/c		
To Wages		4,54,285			
To Electricity		9,00,000			
To Other Expenses		4,11,429			
	7,217.25	2,59,68,047		7,217.25	2,59,68,047

Interpretation

In the process a new raw material paste is introduced for the cost Rs. 72,69,231. As there is no wastage in the process the same quantity is carried to the winding process. There is no stores allowance in the process. After pasting it cannot be stored so immediately taken to winding process.

4.1.4 Table Showing the Process Costing for Winding Process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Pasting	7,217.25	2,59,68,047	By Drying	7,217.25	2,76,73,850
To Wages		3,78,571	Process A/c		
To Electricity		7,50,000			
To Stores allowances		2,34,375			
To Other Expenses		3,42,857			
	7,217.25	2,76,73,850		7,217.25	2,76,73,850

Interpretation

The process has high electricity expense of Rs. 7,50,000 as it is fully mechanical . There is no wastage in the process.

4.1.5 Table Showing the Process Costing of Drying Process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Winding	7,217.25	2,76,73,850	By Printing	7,217.25	2,85,61,171
To Wages		75,714	Process A/c		
To Stores allowances		4,68,750			
To Other Expenses		3,42,857			
	7,217.25	2,85,61,171		7,217.25	2,85,61,171

Interpretation

There is no electricity expense in the process as the drying is done in hot sun manually. The stores allowance Rs.4,68,750 is high in this process as it needs a big space to spread it in hot sun.

4.1.6 Table Showing the Process Costing for Printing Process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Drying	7,217.25	2,85,61,171	By Nosing	7,217.25	3,73,49,041
To Ink		60,57,692	Process A/c		
To Wages		75,714			
To Electricity		15,00,000			
To Stores allowance		4,68,750			
To Other Expenses		6,85,714			
	7,217.25	3,73,49,041		7,217.25	3,73,49,041

Interpretation

In printing the special ink is used at a cost Rs. 60,57,692 to print a design in the top and bottom of the cone according to customers choice.

4.1.7 Table Showing the Process Costing for Nosing Process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Printing	7,217.25	3,73,49,041	By Normal Waste	52.40	2,90,990
To Wages		75,714	By Velveting	7,164.85	3,97,88,229
To Electricity		15,00,000	Process A/c		
To Stores allowance		4,68,750			
To Other Expenses		6,85,714			
	7,217.25	4,00,79,219		7,217.25	4,00,79,219

Interpretation

Nosing process will give high wastage as the roll is cut on the top and bottom and brought to a proper cone shape. The normal wastage in this process is 52.400 tonnes (7.26%). By detecting the waste from 7,398.98 tonnes, the output carried to the velveting process is 7,346.58 tonnes.

4.1.8 Table Showing the Process Costing for Velveting process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Nosing	7,164.85	3,97,88,229	By Punching	7,164.85	4,11,52,872
To Wages		3,02,857	Process A/c		
To Electricity		6,00,000			
To Stores allowance		1,87,500			
To Other Expenses		2,74,286			
	7,164.85	4,11,52,872		7,164.85	4,11,52,872

Interpretation

As there is no wastage in the process. The same unit 7,346.58 tonnes is carried to the next process. The electricity expense is playing a vital role in the process which is fully mechanical.

4.1.9 Table Showing the Process Costing for Punching Process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Velveting	7,164.85	4,11,52,872	By Normal Waste	6.550	39,181
To Wages		3,78,571	By Punching	7,158.3	4,28,19,494
To Electricity		7,50,000	Process A/c		
To Stores allowance		2,34,375			
To Other Expenses		3,42,857			
	7,164.85	4,28,58,675		7,164.85	4,28,58,675

Interpretation

The wastage 6.550 units in this process is very low as the cut in the bottom will not bring that much wastage. After detecting wastage from the units introduced, 7,340.03 units is transferred to the punching process.

4.1.10 Table Showing the Process Costing for Sorting Process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Punching	7,158.3	4,28,19,494	By Weighing	7,158.3	4,33,92,976
To Wages		2,27,143	and Bursting		
To Stores allowance		1,40,625	Process A/c		
To Other Expenses		2,05,714			
	7,158.3	4,33,92,976		7,158.3	4,33,92,976

Interpretation

There is no electricity expense in the process as it is done manually. All expenses in the process are very low. For sorting process, it needs more employee as the sorting is done manually. So the wages Rs. 2,27,143 is high in this process.

4.1.11 Table showing the Process costing for Weighing and Bursting Process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Sorting	7,158.3	4,33,92,976	By Pre Dispatch	7,158.3	4,37,34,136
To Wages		75,714	Inspection		
To Electricity		1,50,000	Process A/c		
To Stores allowance		46,875			
To Other Expenses		68,571			
	7,158.3	4,37,34,136		7,158.3	4,37,34,136

Interpretation

In the process electricity is used much as the weighing and bursting machine is run by electricity. Bursting will check the pressure of the cone.

4.1.12 Table showing the Process Costing for Pre Dispatch Inspection process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Weighing and Bursting Process A/c	7,158.3	4,37,34,136	By Abnormal loss	58.95	3,64,227
			By Packing A/c	7,099.35	4,38,63,926
To Wages		3,78,571			
To Stores allowance		46,875			
To Other Expenses		68,571			
	7,158.3	4,42,28,153		7,158.3	4,42,28,153

Interpretation

The is no electricity expense in the process. In the process we will find abnormal loss which is unavoidable. After manual inspection, the abnormal loss is 58.95 tonnes (0.82%). This process will detect the damaged items like printing is not proper, nosing and pressure.

4.1.13 Table showing the Process Costing for Packing process for the year 2011-2012

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Pre Dispatch Inspection Process A/c	7,099.35	4,38,63,926	By Finished Goods	7,099.35	5,08,77,421
To Wages		3,78,571			
To Stores allowance		2,34,375			
To Other Expenses		3,42,857			
To Materials		60,57,692			
	7,099.35	5,08,77,421		7,099.35	5,08,77,421

Interpretation

There is material cost incurred in the process. It plays a vital role in the process expense. The output of the process comes out as the finished goods. In the process we can tell the cost of the product. The cost per ton is Rs. 7,166.49.

4.2.1 Table showing Process costing for Cutting process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Mill Board	6,875	1,01,67,500	By Normal Waste	24.104	41,170
To Wages		3,69,231	By Grinding	6,850.896	1,17,01,404
To Stores allowance		2,12,766	Process A/c		
To Electricity		6,70,000			
To Other Expenses		3,23,077			
	6,875	1,17,42,574		6,875	1,17,42,574

Interpretation

The cost of raw material Rs.1,01,67,500 plays a vital role in the process. The process has normal wastage of 24.104 tonnes (0.351%). After detecting the wastage the units taken to the next process is 6,875 tonnes. Another major factor is power. By using electricity only the mill board is cut to the shape.

4.2.2 Table showing the Process Costing for Grinding process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Cutting Process A/c	6,850.896	1,17,01,404	By Normal Waste	6.026	12,923
To Wages		7,38,462	By Pasting Process A/c	6,844.87	1,46,79,054
To Stores allowance		2,65,957			
To Electricity		13,40,000			
To Other Expenses		6,46,154			
	6,850.896	1,46,91,977		6,850.896	1,46,91,977

Interpretation

The electricity expense is Rs. 13,40,000. After grinding process the units carried to the next process is 6,844.87 tonnes as the process has normal wastage of 6.026 tonnes (0.088%). The wastage is low in the process. The electricity has doubled in this process, as cutting can be done manually. The grinding cannot be done manually.

4.2.3 Table showing the process costing for Pasting process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Grinding Process A/c	6,844.87	1,46,79,054	By Winding Process A/c	6,844.87	2,36,44,438
To Paste		72,62,500			
To Wages		4,61,538			
To Electricity		8,37,500			
To Other Expenses		4,03,846			
	6,844.87	2,36,44,438		6,844.87	2,36,44,438

Interpretation

The raw material paste is introduced in the process for the cost Rs.72,62,500. This is the major factor in the process. After pasting, the units are immediately transferred to the next process as it cannot be stored.

4.2.4 Table showing the Process Costing for Winding process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Pasting Process A/c	6,844.87	2,36,44,438	By Drying Process A/c	6,844.87	2,52,19,512
To Wages		3,69,231			
To Electricity		6,70,000			
To Stores allowance		2,12,766			
To Other Expenses		3,23,077			
	6,844.87	2,52,19,512		6,844.87	2,52,19,512

Interpretation

There is no wastage in the process. The electricity expense Rs.6,70,000 is high in the process as it is fully done mechanical.

4.2.5 Table showing the Process Costing for Drying process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Winding Process A/c	6,844.87	2,52,19,512	By Printing Process A/c	6,844.87	2,65,10,428
To Wages		4,61,538			
To Stores allowance		4,25,532			
To Other Expenses		4,03,846			
	6,844.87	2,65,10,428		6,844.87	2,65,10,428

Interpretation

There is no electricity used in the process as the drying is done in hot sun manually. The wages Rs. 4,61,538 is high in the process.

4.2.6 Table showing the Process costing for Printing process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Drying Process A/c	6,844.87	2,65,10,428	By Nosing Process A/c	6,844.87	3,50,76,807
To Ink		58,10,000			
To Wages		6,46,154			
To Electricity		11,72,500			
To Stores allowance		3,72,340			
To Other Expenses		5,65,385			
	6,844.87	3,50,76,807		6,844.87	3,50,76,807

Interpretation

Another raw material special Ink is used at a cost of Rs. 58,10,000. The next major factor is electricity cost for Rs. 11,72,500.

4.2.7 Table showing the Process costing for Nosing process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Printing Process A/c	6,844.87	3,50,76,807	By Normal Waste	48.208	2,60,910
			By Velveting Process A/c	6,796.66	3,67,84,738
To Wages		4,61,538			
To Electricity		8,37,500			
To Stores allowance		2,65,957			
To Other Expenses		4,03,846			
	6,844.87	3,70,45,648		6,844.87	3,70,45,648

Interpretation

The process has normal wastage of 48.208 tonnes (0.704%). After detecting wastage , the units transferred to next process is 7,019.67 tonnes.

4.2.8 Table showing the Process costing for Velveting process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Nosing Process A/c	6,796.66	3,67,84,738	By Punching Process A/c	6,796.66	3,79,66,043
To Wages		2,76,923			
To Electricity		5,02,500			
To Stores allowance		1,59,574			
To Other Expenses		2,42,308			
	6,796.66	3,79,66,043		6,796.66	3,79,66,043

Interpretation

The electricity expense Rs. 5,02,500 is high in the process as it is fully mechanical. There is no wastage in the process.

4.2.9 Table showing the Process costing for Punching process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Velveting Process A/c	6,796.66	3,79,66,043	By Normal Waste	6.026	34,709
			By Sorting Process A/c	6,790.63	3,91,12,639
To Wages		2,76,923			
To Electricity		5,02,500			
To Stores allowance		1,59,574			
To Other Expenses		2,42,308			
	6,796.66	3,91,47,348		6,796.66	3,91,47,348

Interpretation

There is normal wastage in the process of 6.026 tonnes (0.089%). After detecting normal wastage the units transferred to next process is 6,971.46 tonnes.

4.2.10 Table showing the Process costing for Sorting process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Punching Process A/c	6,790.63	3,91,12,639	By Weighing and Bursting Process A/c	6,790.63	3,95,65,175
To Wages		1,84,615			
To Stores allowance		1,06,383			
To Other Expenses		1,61,538			
	6,790.63	3,95,65,175		6,790.63	3,95,65,175

Interpretation

The sorting is done manually so there is no electricity expense in the process. As it is done manually the wages Rs. 1,84,615 is high.

4.2.11 Table showing the Process costing for Weighing and Bursting process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Sorting Process A/c	6,790.63	3,95,65,175	By Pre Dispatch Inspection Process A/c	6,790.63	3,99,58,944
To Wages		92,308			
To Electricity		1,67,500			
To Stores allowance		53,192			
To Other Expenses		80,769			
	6,790.63	3,99,58,944		6,790.63	3,99,58,944

Interpretation

The electricity expense Rs.1,67,500 is high in the process. Others are low as the weighing and pressure checking is done only using electricity.

4.2.12 Table showing the Process Costing for Pre Dispatch Inspection process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Weighing and Bursting Process A/c	6,790.63	3,99,58,944	By Abnormal Waste	62.09	3,67,433
To Wages		92,308	By Packing Process A/c	6,728.54	3,98,17,780
To Stores allowance		53,192			
To Other Expenses		80,769			
	6,790.63	4,01,85,213		6,790.63	4,01,85,213

Interpretation

The process is done manually. Hence there is no electricity expense. Wages Rs.92,308 is high. The Process has abnormal loss as 62.09 tonnes due to improper printing. After detecting all wastages, the units transferred are 6,728.54 tonnes.

4.2.13 Table showing Process costing for Packing process for the year 2010-2011

Particulars	Units (tonnes)	Amount	Particulars	Units (tonnes)	Amount
To Pre Dispatch Inspection Process A/c	6,728.54	3,98,17,780	By Finished Goods	6,728.54	4,65,49,370
To Materials		58,10,000			
To Wages		3,69,230			
To Stores allowance		2,12,766			
To Other Expenses		3,23,077			
	6,728.54	4,65,49,370		6,728.54	4,65,49,370

Interpretation

The process brings the finished goods of 6,728.54 tonnes for Rs. 4,65,49,370. The cost of finished goods is identified in the process. The cost per ton is Rs. 6,918.198.

4.3.1 Table showing the flow of the units in each process for the year 2011-2012

'In tonnes

Process	Opening Input	Additional Input			Wastage		Closing Output
		Mill Board	Paste	Ink	Normal	Abnormal	
Cutting	_	7,250	_	_	26,200	_	7,223.8
Grinding	7,223.8	_	_	_	6.550	_	7,217.25
Pasting	7,217.25	_	_	_	_	_	7,217.25
Winding	7,217.25	_	_	_	_	_	7,217.25
Drying	7,217.25	_	_	_	_	_	7,217.25
Printing	7,217.25	_	_	_	_	_	7,217.25
Nosing	7,217.25	_	_	_	52.400	_	7,164.85
Velveting	7,164.85	_	_	_	_	_	7,164.85
Punching	7,164.85	_	_	_	6.550	_	7,158.3
Sorting	7,158.3	_	_	_	_	_	7,158.3
Weighing and Bursting	7,158.3	_	_	_	_	_	7,158.3
Pre dispatch Inspection	7,158.3	_	_	_	_	58.95	7,099.35
Packing	7,099.35	_	_	_	_	_	7,099.35

Interpretation

From the table we can interpret that the total units introduced is 7,250 tonnes. But the total output is 7,099.35 tonnes. There is a difference of 150.65 tonnes (2.12%). This is because of the wastage.

4.3.2 Table showing the flow of units in each process for the year 2010-2011

'In tonnes

Process	Opening Input	Additional Input			Wastage		Closing Output
		Mill Board	Paste	Ink	Normal	Abnormal	
Cutting	_	6,875	_	_	24.104	_	6,850.896
Grinding	6,950.896	_	_	_	6.026	_	6,844.87
Pasting	6,844.87	_	_	_	_	_	6,844.87
Winding	6,844.87	_	_	_	_	_	6,844.87
Drying	6,844.87	_	_	_	_	_	6,844.87
Printing	6,844.87	_	_	_	_	_	6,844.87
Nosing	6,844.87	_	_	_	48.208	_	6,796.66
Velveting	6,796.66	_	_	_	_	_	6,796.66
Punching	6,796.66	_	_	_	6.026	_	6,790.63
Sorting	6,790.63	_	_	_	_	_	6,790.63
Weighing and Bursting	6,790.63	_	_	_	_	_	6,790.63
Pre dispatch Inspection	6,790.63	_	_	_	_	62.09	6,728.54
Packing	6,728.54	_	_	_	_	_	6,728.54

Interpretation

From the table we can interpret that the total units introduced is 6,875 tonnes. The total output is 6,728.54 tonnes. This is because of the wastage of 146.46 tonnes (2.177%).

4.4.1 Table showing the comparison of cost per ton for the cutting process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	1,1,7,42,574	1,38,21,188
Total Units (tonnes)	6,875	7,250
Cost per ton (Rs)	1,708.01	1,906.37

Interpretation

The cost per ton has increased by 10.41% (Rs. 198.36). The increase is because the raw material cost has increased by 13.06%. Electricity cost has increased by 11.94%. The wages has increased by 2.53%. The normal wastage has also increased by 8.696%. the increase in waste also plays a role in change in cost per ton. As raw material cost has increased the wastage can be reduced.

4.4.2 Table showing the comparison of cost per ton for Grinding Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	1,46,91,977	1,69,48,470
Total Units(tonnes)	6,850.9	7,223.8
Cost per ton(Rs)	2,144.53	2,346.2

Interpretation

The cost per ton has increased by 8.6% (Rs. 201.67). The increase is because of changes in the cost of electricity which is increased by 11.94%. The wages has increased by 2.53%. The wastage has increased by 9.245%. This wastage is in dust form. So it cannot be controlled. This wastage may increase or decrease.

4.4.3 Table showing the comparison of cost per ton for Pasting Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	2,36,44,438	2,59,68,047
Total Units (tonnes)	6,844.87	7,217.25
Cost per ton (Rs)	3,454.33	3,598.05

Interpretation

The raw material paste's cost has decreased in 2011 - 2012 when compared with 2010 – 2011. Even though the cost per ton has increased by 5.44% (Rs.143.72). It's because of increase in electricity 7.46%

4.4.4. Table showing the comparison of cost per ton for Winding Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	2,52,19,512	2,76,73,850
Total Units (tonnes)	6,844.87	7,217.25
Cost per ton (Rs)	3,684.44	3,834.4

Interpretation

The cost per ton has increased by 5.44 % (Rs.149.96). The electricity cost has increased by 11.94% and the wages has increased by 2.53%.

4.4.5 Table showing the comparison of cost per ton for Drying Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	2,65,10,428	2,85,61,171
Total Units (tonnes)	6,844.87	7,217.25
Cost per ton (Rs)	3,873.04	3,957.35

Interpretation

The difference in cost per ton is 2.18% (Rs.84.31). There is no wastage in the process. The increase is cost per ton in less because there is no electricity expense and the wages has come down from Rs.4,61,538 to Rs.75,714.

4.4.6 Table showing the comparison of cost per ton for Printing Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	3,50,76,807	3,73,49,041
Total Units (tonnes)	6,844.87	7,217.25
Cost per ton (Rs)	5,124.54	5,174.97

Interpretation

The cost per ton has increased by 1.02% (Rs. 50.43). The cost of raw material Ink has increased by Rs.10000 per ton. The electricity cost has increased by 27.93%. The wages has increased by 17.18%.

4.4.7 Table showing the comparison of cost per ton for Nosing Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	3,70,45,648	4,00,79,219
Total Units (tonnes)	6,844.87	7,217.25
Cost per ton (Rs)	5,412.18	5,553.25

Interpretation

The cost per ton has increased by 2.61% (Rs. 141.07). The electricity has increased from Rs.15,00,000 to Rs. 8,37,500 and wages also has increased. The normal wastage has increased by 5.86%.

4.4.8 Table showing the comparison of cost per ton for Velveting Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	3,79,72,540	4,11,60,019
Total Units (tonnes)	6,796.66	7,164.85
Cost per ton (Rs)	5,586.94	5,744.71

Interpretation

The cost per ton has increased by 2.82% (Rs.157.77). The changes is because electricity has increased by 19.4%. The wages also has increased by 9.36%. the other expenses has reduced.

4.4.9 Table showing the comparison of cost per ton for Punching Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	3,91,47,348	4,28,58,675
Total Units (tonnes)	6,796.66	7,164.85
Cost per ton (Rs)	5,759.79	5,981.79

Interpretation

The cost per ton has increased by 3.85% (Rs.222). The normal wastage has increased by 8.696%. The electricity has increased 49.25%. The wages also has increased.

4.4.10 Table showing the comparison of cost per ton for Sorting Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	3,95,65,175	4,33,92,976
Total Units (tonnes)	6,790.63	7,158.3
Cost per ton (Rs)	5,826.44	6,061.91

Interpretation

The cost per ton is increased by 4.04% (Rs.235.47). There is no electricity expense in the process. The wages has increased by 23.03%.

4.4.11 Table showing the comparison of cost per ton for Weighing and Bursting Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	3,99,58,944	4,37,34,136
Total Units (tonnes)	6,790.63	7,158.3
Cost per ton (Rs)	5,884.42	6,109.57

Interpretation

The cost per ton has increased by 3.82% (Rs.225.15). The electricity has increased by 11.67%. The wages has decreased by 21.92%.

4.4.12 Table showing the comparison of cost per ton for Pre Dispatch Inspection Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	4,01,85,213	4,42,28,153
Total Units (tonnes)	6,790.63	7,158.3
Cost per ton (Rs)	5,917.74	6,178.58

Interpretation

The cost per ton has increased by 4.41% (Rs.260.84). There is no electricity in the process. The wages has increased heavily as this is done manually. There is abnormal loss in the process. When compared to previous the abnormal loss has decreased by 31.98%. The abnormal loss is controlled.

4.4.13 Table showing the comparison of cost per ton for Packing Process

Particulars	2010-2011	2011-2012
Total Amount (Rs)	4,65,49,370	5,08,77,421
Total Units (tonnes)	6,728.54	7,099.35
Cost per ton (Rs)	6,918.2	7,158.74

Interpretation

The cost per ton has increased by 3.47% (Rs.240.54). The material has come down. The wages has increased by 2.53%. This process will give us the cost of the finished product.

CHAPTER 5

Findings, Suggestion and Conclusion

5.1 Findings

- The cost of the raw material Mill board and paste has been increased when compared to the previous year. The cost of raw material has increased as they use a new mill board which is already imprinted design. So there is no need of ink while using this mill board. The printing process can be cancelled.
- The cost of the raw material ink has come down when compared to the previous yeardue to better sourcing.
- The cost per ton of 2012 has increased by 3.66% (Rs.246.9) as compared to 2011 because of increase in the electricity, wages and other expenses.
- The usage of electricity is high in the manufacturing process. Even though they use electricity from their own windmill, their electricity expense is high.
- When compared to the past 2 years process costing, there is about 4.19 tonnes increase in the production.
- The Abnormal loss has been controlled. It has come down from 62.09 tonnes to 58.95 tonnes.

5.2 Suggestions

- The Electricity expenses can be reduced by using their electricity got from their windmill. This will bring them more turnover.
- The usage of already imprinted mill board (Raw Material) can be preferred because this will reduce the cost of printing process and can earn more from it.
- The material cost can be reduced. When cones are being packed, it is placed one after the other and prevented by placing paper materials in all sides of the lorry. For this purpose, the wastage from cutting process can be replaced with the paper materials.
- , We can use wastage obtained from cutting process for packing the cone. Because packing is not a big work as the cone is not packed in boxes. It is just arranged one on the other and the material is placed in the side to prevent from side damage. By doing this the wastage will be used and material cost will be cancelled. This will gain more profit.
- No need of wages in Drying Process. This work can be done with others who will be free when they complete their work. And increase labours in Pre Dispatch Inspection Process as more work has to be performed in that process.
- The cost can be reduced in certain expenses like

Packing Material	60%
Mill Board can be replaced with Imprinted Mill Board	30%
Electricity	20%
Other Expenses	10%

5.3 Scope for furher study

A primary reason for this focus is to support external reporting of the financial statement. The study is done only for single company. The process costing is framed for 2 years. For future study it can be done as a comparative study for 2 or 3 companies of same industry and tell the difference.

5.4 Conclusion

Costing is an important process that many companies engage in to keep track of where their money is being spent in the production and distribution processes. Understanding these costs is the first step in being able to control them. It is very important that a company chooses the appropriate type of costing system for their product type and industry. One type of costing system that is used in certain industries is process costing that varies from other types of costing (such as job costing) in some ways. In process costing unit costs are more like averages, the process-costing system requires less bookkeeping than does a job-order costing system. Thus, companies often prefer to use the process-costing system.

When we start the production of goods through different processes, normal loss and abnormal loss will happen with this. Due to this our total cost of production will increase. If we do not treat the normal and abnormal loss, our total cost of production will be less than exact cost of production. Due to this, our sale price will not estimate correctly. So for making good plan of selling and controlling of losses, we need to treat the normal loss and abnormal loss in process accounts.

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