

PROCESS COSTING

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ABSTRACT

The process costing system is a focus on the process quantity that the company used to produce a product. The production process is continuous resulting in homogeneous process until it stops. So in this project we would like to consider the process involved in production of Milk and also to ascertain the cost involved in each process and its final price. To also study about the different cost involved in the process and its effect on total process cost. For above mentioned objectives of the study, the data will be collected i.e., through primary data - direct interview with KMF employees in Yelahanka.

The process costing system is a focus on the process quantity that the company use to produce a product. the production process is a continuous, resulting in homogeneous process until it stops. Equivalent unit are those which are not completed. Although such materials are complete in time production system, transforming the materials into final product. Calculate the cost of incomplete conversion is typically the focus of calculating equivalent units for work in process. the current costs to the equivalent units depend on inventory evaluation system used by the company. the process is the same, simply replace direct materials instead of conversion costs in the process.

OVERVIEW OF PROCESS COSTING

Process costing is also a method of costing which is used in those industries where the production is in continuous process. The methods of costing basically aim to find out the cost of products and services, which is offered by the organisation. Process costing is one of the methodologies that traces and accumulates the direct costs and allocates indirect cost of a manufacturing process. Costs are assigned to products, usually in a large batch, which might include an entire month's production. Costs must be allocated to individual costs to units of the product. It assigns average cost to units. It is a method of assigning costs to units of production in companies producing large quantities of homogeneous products. Process costing is a type of operating costing which is used to ascertain the cost of a product at each stage of manufacturing process.

ADVANTAGES OF PROCESS COSTING:

- It is possible to determine process costs periodically at short intervals. Average unit costs can be computed weekly or even daily.
- It is simple and less expensive to find out the process costs.
- It is possible to have managerial control by evaluating the performance of each process.
- It is easy to allocate the expenses to process in order to have accurate costs.
- Allocation of expenses can be easily made and the costs in each process accurately determined.
- It is easy to quote the price with standardisation of process. Standard costing can be established easily in process type of manufacture.

DISADVANTAGES OF PROCESS COSTING

- Cost obtained at the end of the accounting period are only of historical value and are not very useful for effective control.
- Valuation of work in progress is generally done of estimated basis which introduces further inaccuracies in total cost.
- Where different products arise from the same process, it is not possible to exactly ascertain the total cost of the products.
- If any error occurs while calculating average costs, it will be carried through all the processes in the valuation of work in progress and finished goods.
- The computation of average cost is more difficult in those cases where more than one type of product is manufactured, and a division of cost element is necessary.

ABOUT KMF

The Karnataka Milk Federation (KMF) is a dairy cooperative from Karnataka, India, which sells products such as milk, curds, ghee, butter, ice cream and sweets under the brand name Nandini. It is a federation of milk producers under the ownership of Ministry of Cooperation, Government of Karnataka. Almost every district in state of Karnataka has milk producing co-operatives. The milk is collected from farmers who are its members, processed and sold in the market by the brand of Nandini. It is the second largest milk co-operative in India after Amul.

PROCESS

- Milk collected from the farmers are filled in the tankers and is discharged in the milk unit.
- The milk discharged is stored in big silos, it can store up to 6 lakh litres of milk every day.
- It is subjected to quality standard test-MBRT Test.
- Once the standard is being maintained, only then milk is accepted.
- The stored milk is then boiled at 100 degrees Celsius and is cooled down completely at 5 degrees Celsius for 2-3 minutes.
- This process is necessary to destroy the disease-causing bacteria in the milk.
- Then the milk and other products are packed according to the defined weightage.

RESEARCH DESIGN

TITLE OF THE STUDY

“A Study on Process costing in relation to KMF milk product.”

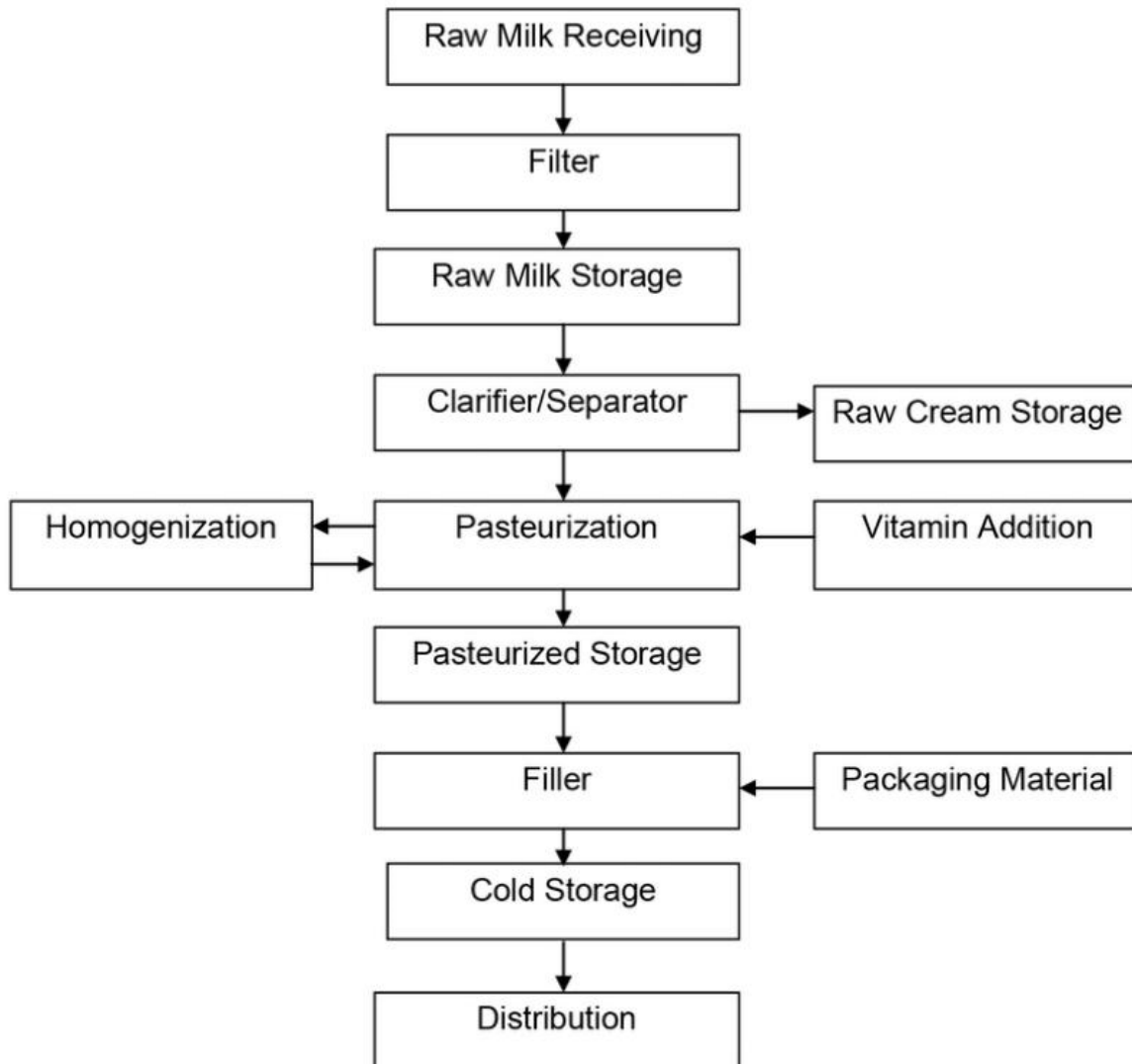
OBJECTIVES OF THE STUDY

- To study the relationship between Raw Material Cost of a Process and its impact on Process cost.
- To analyse the Impact of Labour Cost on the process.
- To Understand the Correlation between Direct Expenses and Process cost.

SOURCES OF DATA COLLECTION

Primary data:

Primary data is collected through formal interviews and discussion with employees of KMF



PROCESS NAME	COST(Litre) in Rs
RAW MILK RECEIVING (Collection from Formers)	25
Filter	1
Raw Milk Storage	1
Separation Of Raw Cream	9
Pasteurization	1
Packing	1
Cold Storage	1
Distribution	1
Total Cost	40

CONCLUSION

Process costing helps us to ascertain the cost in each process by considering the total material cost incurred, labour cost directly involved in the process of manufacturing an armature, direct expenses considered. It is concluded that the process costing is one of the methods which helps the company to reduce its cost of production. As the unwanted cost centres are not allowed in calculation of process cost. It results in company's growth towards the achievement of profit maximisation.

LEARNING EXPERIENCE

We witnessed different process of raw milk getting converted into skimmed milk and its by-products.

It was good experience visiting KMF as we understood the actual functioning of the manufacturing industry.

It was worth visiting to KMF

like repair and maintenance cost of each machine, depreciation etc