

# Job & Batch costing

---

# Job costing: Meaning

---

Job costing is a method of cost ascertainment used in job order industries where production work is done against orders from customers. Each job work needs special treatment and can be clearly distinguished from other jobs.

According to definition given by **ICMA**, “Job costing is that form of special order costing which applies where work is undertaken to customer’s specific requirements and each order is of comparatively short duration.

---

Job costing is useful in :

- \* Printing press
- \* Automobile repair shop
- \* Interior decoration
- \* Machine tools, etc

# Features of job costing

---

1. Production is against customer's order and not for stocks.
2. Each job has its own characteristics.
3. The flow of production from one department to other department is not uniform.
4. Each job is of short duration.
5. A separate job cost card is used to record cost.
6. When job is completed and move out of the factory, the total cost accumulated on the job card is determined.

# Objectives of Job costing

---

1. Profit or loss on each individual job can be ascertained.
2. It enables the management to know profitable and unprofitable jobs.
3. It helps in future production planning.

# Procedure of Job costing

---

1. Assignments of Job number so that separate jobs are identifiable.
2. Production control department makes out a production order.
3. Job cost sheet will be prepared.

---

Job cost sheet consists of:

[A] Direct materials

[B] Direct wages

[C] Direct expenses

[D] Overheads

# Advantages of Job Costing

---

1. Management is able to judge the efficiency of various departments.
2. Management can able to determine the profitability of various jobs.
3. Helpful in giving quotations for tenders.
4. Corrective steps can be taken in order to avoid wastage, spoilage.
5. Helpful in taking steps to reduce idle capacity and idle time of workers which leads to cost reduction

# Limitations of job costing

---

1. It is expensive as it involves detailed clerical work.
2. It is difficult to establish standards as the work is not done for stock.
3. Pre-determined overhead rates are not beneficial if not accompanied by budgetary control system.

# Batch costing

---

It is a variant of job costing.

Batch costing is used when production consists of limited repetitive work and a definite number of articles are manufactured in each batch to be held in stock for sale to customers generally.

Batch costing is used in :

1. Shoe manufacture,
2. Pharmaceutical industry
3. Toys
4. Readymade garments etc.

# Economic Batch Quantity

---

In industries where batch costing is employed, an important point is to determine the optimum quantity in a batch at which cost per unit is minimum.

It is known as Economic Batch Quantity.

Two types of costs are considered:

[A] Setting-up costs

[B] Carrying costs

---

Economic Batch Quantity can be obtained by following formula:

$$EBQ = \sqrt{\frac{2US}{C}} \quad \text{where}$$

EBQ = Economic Batch size

U = Annual usage

S = Set up costs per batch

C = Carrying cost per unit p.a.