



# JOB COSTING

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# Job Costing

- Job costing is a method of costing used to determine the cost of **non-standard jobs** carried out according to **customer specification**
- In this method cost units are separately identified and are costed individually.
- It is also called job costing, specific order costing, terminal costing and production order costing
- Example: Printing Press, Repair Shops, Interior Decoration etc...



# JOB COSTING

- It is useful for the industries which manufacture variety of products according to the specification of customers
- The work is carried out usually in a factory or workshop
- Treatment of costs and nature of costing methods are same in job costing and contract costing
- But these two costing methods are different only with the period of completion of work



# Job costing procedure

- Job number: When an order has been accepted, an individual job number must be assigned
- Production order (quantity): PO Copies are passed on all departmental foremen concerned with the job, storekeeper for issuance for materials, tool room for tools required
- Job cost sheet: Direct Materials, Direct Labour, Direct wages & Overheads are recorded



# Features of Job Costing

- Each job is different from others
- On receipt of an order, the production estimate the requirements of materials, tools etc... It also plans the plans of operation for executing the job
- In job costing profit or loss of each job can be ascertained
- The job sheet indicates job number, date of commencement, date of completion, cost, selling price and profit



# Advantages

- Indicates total cost and profit of each job
- Detailed description about cost of material, labour and overheads. This data will also be helpful for estimating of similar jobs
- Helps in determining selling prices
- Defective work and spoilage can be easily identified
- Past records can used for statistical purpose



# Disadvantages

- Involves great deal of clerical work
- In case of inflation it is not suitable
- It is an actual cost. It ascertain cost of job only after its completion. It does not provide control of cost unless used with standard costing



# Difference between job costing and contract costing

Basis of Distinction	Job Costing	Contract Costing
Cost Unit	Each job is treated as cost unit	Each contract is treated as cost unit
Duration	Short Duration	Long Duration
Suitability	Adopted in manufacturing industries	Adopted in construction firms
Size	Size of job is smaller	Size of contract is larger
Number	Jobs undertaken are large	Contract undertaken are smaller
Execution	In factory premises	At site of the contract





<b>Basis of Distinction</b>	<b>Job Costing</b>	<b>Contract Costing</b>
Price of the job	Price is paid in full after the completion of a job	Price is paid in installments