



TRINITY COLLEGE FOR WOMEN NAMAKKAL

Department of Commerce

COST ACCOUNTING

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Presented by

Mrs.G.NITHYA

Assistant Professor

Department of Commerce

<http://www.trinitycollegenkl.edu.in/>

COST ACCOUNTING

LABOUR

Labour:

Labour cost is an important element of cost. It is a part of prime cost and total cost. Labour is the most perishable commodity. At the same time labour is the only factor which has the unlimited productive capacity.

Types of Labour

a) Direct labour:

Direct labour cost is cost of labour expended in altering the construction, composition or condition of the product. Direct labour cost is easily identified and allocated to cost units.

b) Indirect labour:

Indirect labour cost is the amount of wages paid to workmen who are not directly involved in altering the composition of the product.

Methods of measurement of labour turnover

1. Labour turnover under separation method:

The basis of calculating labour under this method is the number of employees discharged during a period.

$$\text{Labour turnover} = \frac{\text{Number of employees left from The organization during a period}}{\text{Average number of employees During a period}} \times 100$$

2. Labour turnover under Replacement method:

The number of employees recruited as “Replacement” during a period is taken as basis for calculating labour turnover.

$$\text{Labour turnover} = \frac{\text{Number of employees replaced During a period}}{\text{Average number of employees During a period}} \times 100$$

3. Labour turnover under Flux method:

This method is taken in to account the number of employees who left the organisation and those recruited by the organisation during a period.

$$\text{Labour cost} = \frac{\text{Number of employees left} + \text{Number of employees Recruited during the period}}{\text{Average number of employees during a period}} \times 100$$

4.Additions Method:

Under this method of measurement of labour turnover, number of employees recruited during a particular period alone is taken into consideration, including those recruited for expansion Programmes etc.

$$\text{Labour turnover} = \frac{\text{Number of additions during a period}}{\text{Average number of workers During the period}} \times 100$$

Methods of Remuneration.

The remuneration paid to employees should reduce labour turnover, increase productivity of employees and improve the quality of output. There are two basic methods.

1. On the basis of Time
2. .On the basis of Production

- ❖ Payment made **on the basis of time** spent by the workers in the factory irrespective of output produced.
- ❖ Payment of wages **on the basis of production** or work done irrespective of time taken by the worker.

1. TIME RATE SYSTEM

- ❖ Flat time rate
- ❖ High day rate
- ❖ Measured day rate
- ❖ Graduated time rate
- ❖ Differential time rate

2. PIECE RATE SYSTEM

1. Straight piece rate
2. Differential piece rate.
 - a) Taylor's differential piece rate system
 - b) Merrick's multiple piece rate system
 - c) Gantt's task and bonus plan

Premium and Bonus Plans

- The Halsey premium plan
- Halsey-Weir scheme
- Rowan system or Rowan plan
- Barth's variable sharing plan
- Emerson's Efficiency plan
- Bedeaux's point premium system

THANK YOU

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