

Report On

Investigating client's benefit and client's fulfillment by preparing cost sheet and cost assurance.

A study on Amrita consumer food products ltd. Barisal.

By

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An internship report submitted to the Department of Business at BRAC University in partial fulfillment of the requirements for the degree of Masters in Business Administration (MBA).

Department of Business Administration

Brac University September 2020.

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Declaration

It is hereby declared that

1. The internship report submitted is my own original work while completing my MBA degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

Student Full Name

Student ID

Supervisor's Full Name & Signature:

Supervisor Full Name
Designation, Department
Institution

Letter of Transmittal

Dr. Akbar Ali Khan
Professor,
BRAC Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: The submission of my internship report regarding my work experience at Amrita Food Products Ltd.

Dear Sir,

It is with great pleasure that I submit this report titled “Amrita food products Ltd and how to stimulate more foreign trade”. This report is mandatory for the completion of my Masters in Business Administration degree at BRAC University.

I had started work at Amrita food products ltd at Barisal branch on the 5th of June 2020, and I was assigned to the front desk to help our customers with, filing documents, to prepare and examine financial records, processing remittance transactions and in a couple of occasions even paid a visit to its factory to collect data forms of the floor manager. Overall this experience has provided me with a lot of knowledge on how an organization generally operates on a daily basis.

I have tried my best to complete this report following the templates and guidelines provided by BRAC University. I also owe my eternal gratitude to you for showing me your kindness and allowing me to have ample time to complete my report.

I pray that this report finds your acceptance.

Thank you kindly.
Sincerely yours,

Antara halder
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BRAC Business School
BRAC University
Date: 27 September 2020

Acknowledgement

My work on planning a report on “Measuring the client fulfillment of Amrita consumer food ltd” could be an extraordinary involvement for us in light of the internship. I am truly satisfied that, I have gotten the direction and help of our honorable staff in the preparation of this report. For this reason, I particularly appreciate my staffs, for their consistent exertion in important information and expertise enabling me to get ready such a legitimate study report on this appropriate center. It is additionally that the report is a combined exertion of the earnestness, productivity and assurance of all the colleagues and Assistant Common Chief of corporate deals in Amritar food products. I moreover express my appreciation to my companions for their gigantic commitment in planning the report. I also express my warm gratitude and thanks to Bhanu Lal Day (Managing Director).

I attempted to follow the rules of planning a formal report, which can be advantageous for me in future. At Last, I thank to the God to allow me the vitality and the persistence to total this report in this short time.

Executive Summary

Preparation of cost sheet is very important for any small and large organization for pricing their product or services. Social and economic environments are quickly changing all over the world especially in the developing country due to frequent change in political outlook and switchover to globalization of economy. A business has to stand firmly on its feet and accept challenge to face global competition. Thus the present day management of business grown in size and complexity is better than the management of earlier business having no keen competition.

As a business student we need to prepare a report on different subjects in different courses. This report is an assigned internship as a partial fulfillment of MBA requirement. It is the optimum aggregated outcome of my effort about "Preparation of cost sheet and price determination of Amrita Food Products". In this report i mainly focus on costing system of bakery products. Here i have showed the calculation of prime cost, factory cost, production cost as well as sales cost. Here we have also tried to show the calculation of profitability and selling price.

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1. Introduction

Established in 1948 in Barisal, the Venice of Bengal, by the extraordinary humanitarian Amrita Lal Dey, the organization prospered from a modest individual activity to its show day terrific status due to the genuineness, truthfulness, judgment, and commitment of the originator. Presently it stands as one of the popular ventures of the nation utilizing a huge work constraint and drawing much of great will from the common masses whereas contributing a part to the financial advancement. In 1988 Amrita Oil & Nourishment Items set cruise as a sister concern and started its travel along the way of nourishment things which got well reactions from the clients. Generation of universal standard and quality nourishment items like powdered flavors, blended flavors, noodles, vermicelli, snacks bakery, etc. saw the light of the day with the disposition in terms of taste, flavor, and surface. Side by side with extending neighborhood showcase the company is searching for space within the remote showcase which would empower winning of difficult foreign currency that might contribute to the progression of the national economy additionally improve business openings. The extreme objectives of our company: Proceed the generation and showcasing of clean and quality nourishment at least cost. Finding out the needs consumers and give them the items the year after. Investigate modern fragments of the internal market and put items within the worldwide advertisement. Keeping up the great will of the company by serving the inherent quality of items with true taste. Carrying on endeavors to grow the market globally and set up conveyance arrange so as to create items accessible at the doorstep the s of clients.

1.1 Objectives of Report

To meet the new challenges of the competitive world we should have to gather more and more knowledge about our courses. Firstly the purpose of the report is to meet up the requirement of “**Cost Accounting**”. To keep pace with the advance of new millennium as a student of MBA program, I have to gather knowledge about which factors are most important for the development of the country’s entire economy. My report is fully based on “Investigating clients benefit and fulfillment by preparing cost sheet and cost assurance” So; i have identified some objectives to prepare this report. My objectives of preparing this report are:

- To know how to prepare cost sheet;
- To analyze cost sheet for proper decision making ;
- To determine variable cost per unit and profit per unit.
- To gather knowledge about the business organization.
- To standardize financial information for organizations.
- To evaluate current operations.
- To know about the pricing system of the organization.
- To analyze profitability of the organization.

1.2 Scope of Report

Features and Aspects related to cost accounting System is a vast area which is impossible to show by a single research paper. It needs more and more research to find specific questions and answers. And here the research covered only the factors influencing towards fulfillment of Customer need in Amrita consume food ltd using respondents who taking service under Barisal branch But spread of data throughout the country can change the result of research and specifically security problem, customer cost-benefit analysis etc. can be answered by further research work.

1.3 Limitations of the Report

While preparing this report we faced some common hindrances as every work has some limitation. Our main problems were-

- The organization don’t keep any cost sheet;

- Employees were not willing and efficient to give information;
- Lack of previous practical knowledge.
- They have no previous track record of expenditures.
- Unwillingness of business proprietors to provide their internal data.

Due to the COVID-19 outbreak during my internship, my time at Amrita Food products ltd was cut even shorter and it became difficult to gain primary data from the officers who worked there.

Besides these, In spite of having whole hearted effort, there were some constraints which we weren't able to avoid with and which acted as a barrier of conducting the report.

1.4 Methodology of the Report

From the very beginning of preparing this report we have tried our level best to make this report as a standard report. To prepare this report we have used both primary and secondary data. Primary data are collected from field survey of **Amrita Food Products**. Secondary data was

collected from, documents, relevant records, books and internet.



Chapter 2 Organizational overview:

2.1 Background Of The Amrita Consumer Food ltd:

In the long stream of that change Amrita Consumer Food Products Ltd. has set its foot as a food producing entity. Fixing ‘Work is Virtue’ as our motto we have been running our productive activities with honesty and utmost sincerity. To make just profit is not our ultimate aim. Our concern is to bring the maximum of satisfaction to and receive the greatest of acceptance from the consumers while adding as much as possible to the productive scenario of the country.

Due to strict compliance with standards and use of safest raw materials each of our products has been earning and enjoying the deepest confidence of the consumers. It is our hope and firm conviction that in respect of taste, excellence and standard the well-timed as well as hygienic products of Amrita Consumer Food Products Ltd. shall once gain the unique status representing and disseminating the everlasting choices of Bengalese the world over.

We believe, each and every effort along the path of goodness with appropriate efficiency ultimately succeeds. Greetings on behalf of Amrita Consumer Food Products Ltd. on our production oriented way forward!

2.2 Mission:

- Stakeholders/customers' satisfaction to the fullest possible level shall forever remain.
- Maintaining high standard of business ethics

2.3 Vision:

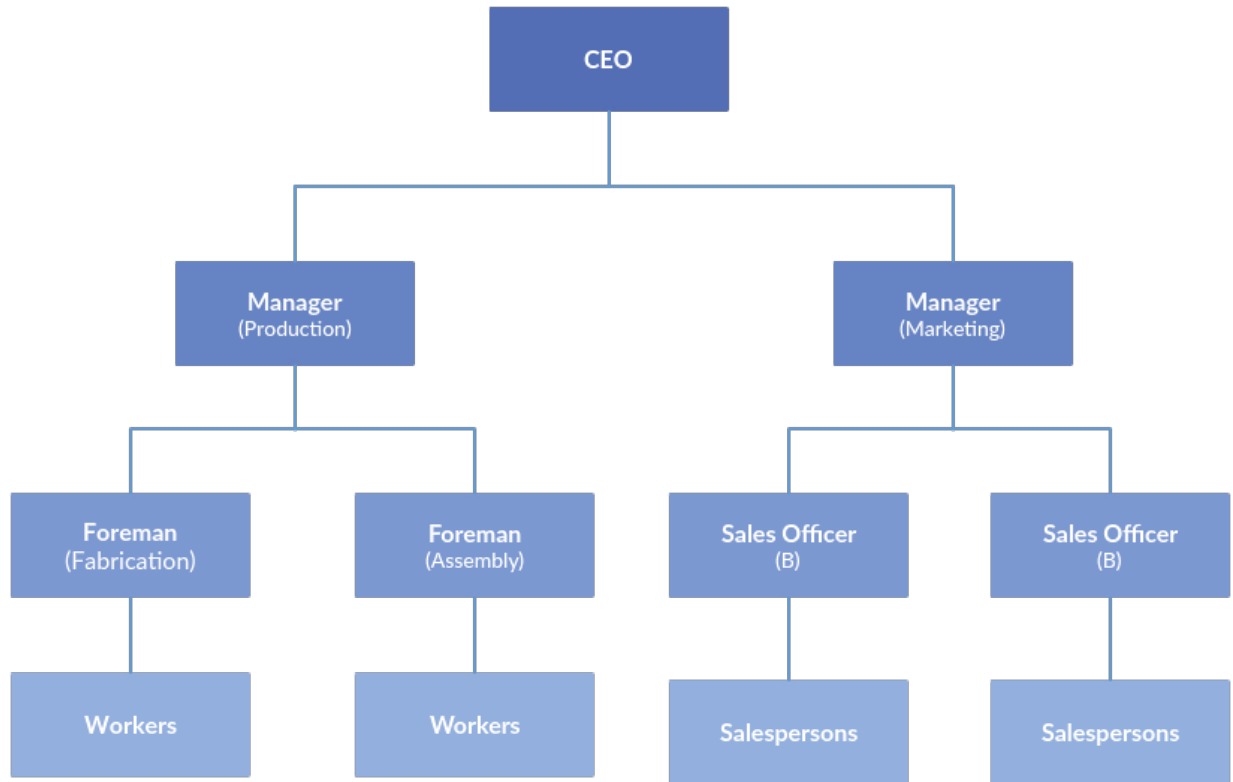
- Work is the virtue.

2.4 Core values:

The advanced framework of the generation of attractive nourishment materials has set in with the progression of financial, social, social, and, rural education. Nourishment things generation is getting to be commercialized day by day. To keep to changing times and its requests side by side with other competitors within the region Amrita Shopper Nourishment Items Ltd. has set its foot within the field. But it cultivates the firm conviction and development certain tall guidelines very uncommon with it. Amrita Buyer Nourishment Items Ltd. is the Firm avowedly dedicated to creating tall quality nourishment items within the greater southern region of the nation. With days passing it is picking up increasingly believe and certainty of the customers additionally of partners in its field. Benefit, in spite of the fact that required, isn't the as it was moving drive behind Amrita Customer Nourishment Items Ltd. Or maybe, stakeholders/customers' fulfillment to the fullest conceivable level might until the end of time stay its witticism.

2.4 Organization structure:

The Managing director is the apex body. For opera rational and management of the organization recommend by the committee to the director (CEO). The management hierarchy of Amrita consumer food ltd appears like this -



Picture of Organizational structure of Amrita consumes food Ltd

Chapter 3: Literature Review

3.1 Cost Accounting

Cost Accounting is one of the branches of Accounting and predominantly meant for meeting the informational needs of the management. Managers need cost information for informed decision-making. Cost Accounting is a quantitative method that accumulates, classifies, summarizes and interprets financial and non-financial information for three major purposes, viz

- ❖ Ascertainment of cost of a product and service.
- ❖ Operational planning and control, and
- ❖ Decision-making

In management accounting, Cost Accounting establishes budget and actual cost of operations, processes, departments or product and the analysis of variances, profitability or social use of funds. Managers use cost accounting to support decision making to cut a company's costs and improve profitability. As a form of management accounting, cost accounting need not to follow

standards such as GAAP, because its primary use is for internal managers, rather than outside users, and what to compute is instead decided pragmatically

3.2 Cost Sheet:

Cost Sheet is a document that reflects the cost of the items and services required by a particular project or department for the performance of its business purposes.

The costing department prepares a job cost sheet for each job. This facilitates accumulation of job costs, element wise, viz. direct material, direct labor, expenses, and overhead charges. Materials are requisitioned and labor is booked for each job separately. In this case job number is mentioned on the stores requisition and labor time's cards. When a job passes through various departments, department wise records for each job may be maintained.

Sometimes the cost sheet is prepared in a simple form and a detailed sheet is prepared to show the various costs incurred in each department for the job.

3.3 Importance of Cost Sheet:

The importance of cost sheet is as follows:

➤ **Cost ascertainment**

The main objective of the cost sheet is to ascertain the cost of a product. Cost sheet helps in ascertainment of cost for the purpose of determining cost after they are incurred. It also helps to ascertain the actual cost or estimated cost of a Job.

➤ **Fixation of selling price**

To fix the selling price of a product or service, it is essential to prepare the cost sheet. It helps in fixing selling price of a product or service by providing detailed information of the cost.

➤ **Help in cost control**

For controlling the cost of a product it is necessary for every manufacturing unit to prepare a cost sheet. Estimated cost sheet helps in the control of material cost, labour cost and overheads cost at every point of production.

➤ **Facilitates managerial decisions**

It helps in taking important decisions by the management such as: whether to produce or buy a component, what prices of goods are to be quoted in the tender, whether to retain or replace an existing machine etc.

3.4 Components of Cost Sheet:

There are some components of a cost sheet. These elements are used to find out the cost of a service or product oriented company. All components are combined by the costing department to ascertain the cost of a product. They are as follows:

- Raw Materials
- Direct Wages
- Indirect Wages
- Direct Expenses
- Indirect Expenses
- Factory Overhead Expenses
- Fixed Cost
- Sales

Materials:

A material or substance used in the primary production or manufacturing of a good. Raw materials are often natural resources such as oil, iron and wood. Before being used in the manufacturing process raw materials often are altered to be used in different processes. Raw materials are often referred to as commodities, which are bought and sold on commodities exchanges around the world.

A company's inventory records should show (1) the quantity of each kind of material on hand and (2) its cost. The most desirable method of achieving this result is to integrate the materials accounting system with the general ledger accounts.

Direct Wages

Wages paid to the direct laborer is called direct labor or direct wages, or productive wages or manufacturing wages. Direct laborers are engaged to alter the construction, composition, condition of the material & convert the materials in to the finished products. Direct labors are easily indefinable. These are also conveniently measured & directly charged to the cost of production. Example of direct labor is the wages paid to the factory workers

Indirect Wages

Wages paid to the indirect laborer is called indirect labor cost, or indirect wages, or unproductive wages. These laborers are not directly engaged in manufacturing of goods or services. They are engaged generally in office & maintenance activities, selling & distribution of goods & services. Examples of indirect labor are wages or salary paid to the office peon, clerk, watch man, store keeper etc.

Direct Expenses

Direct costs are directly attributable to the object. In construction, the costs of materials, labor, equipment, etc., and all directly involved efforts or expenses for the cost object are direct costs. In manufacturing or other non-construction industries the portion of operating costs that is directly assignable to a specific product or process is a direct cost. Direct costs are those for activities or services that benefit specific projects, for example salaries for project staff and materials required for a particular project. Because these activities are easily traced to projects, their costs are usually charged to projects on an item-by-item basis.

Indirect Expenses

Indirect costs are not directly attributable to a cost object. Indirect costs are typically allocated to a cost object on some basis. In construction, all costs which are required for completion of the installation, but are not directly attributable to the cost object are indirect, such as overhead. In manufacturing, costs not directly assignable to the end product or process are indirect. These may be costs for management, insurance, taxes, or maintenance, for example. Indirect costs are those for activities or services that benefit more than one project. Their precise benefits to a specific project are often difficult or impossible to trace. For example, it may be difficult to determine precisely how the activities of the director of an organization benefit a specific project. Indirect costs do not vary substantially within certain production volumes or other indicators of activity, and so they may sometimes be considered to be fixed costs.

Fixed Cost:

A cost that does not change with an increase or decrease in the amount of goods or services produced. Fixed costs are expenses that have to be paid by a company, independent of any business activity. It is one of the two components of the total cost of a good or service, along with variable cost.

Factory Overhead:

Factory overhead, also called manufacturing overhead or factory burden, is the total cost involved in operating all production facilities of a manufacturing business. It generally applies to indirect labor and indirect cost; it also includes all costs involved in manufacturing with the exception of the cost of raw materials and direct labor. Factory overhead also includes certain costs such as quality assurance costs, cleanup costs, and property insurance premiums.

In addition to indirect materials and indirect labour, it includes such items as depreciation, setup costs, quality costs, cleanup costs, fringe benefits, payroll taxes, and insurance. It is an inventorial cost charged by allocation to work - in - process.

Sales:

A sale is the act of selling a product or service in return for money or other compensation. Signaling completion of the prospective stage, it is the beginning of an engagement between customer and vendor or the extension of that engagement.

It is a idea that is based only on the selling of goods or services, rather than on whether or not they are actually needed. Operating under the sales concept, a business would produce goods that it anticipated a profitable return from and then attempt to persuade consumers to purchase them by using advertising and other sales techniques. Also called the selling concept.

Chapter 4: Cost and Profitability Analysis of Amrita Food Products

4.1 Amrita Food Products

Address:

The confectionery business of my concerned bakery is called “Amrita Food Products”. It is situated at Barisal, It has no branch office.

Owner of the business

As the nature of business is sole proprietorship business, the number of owner of the business is one. And he Vanu lal day. . He established this business in 1993.

Product line & Carriage charge:

Generally they produce three products. These are bread, cake and biscuit. But it also has some varieties of stationary products. Carriage charge is different because some of the items are not available in the local market. For example color for cake etc.

Source of capital

There is two source of capital for this business. The internal funds from the owner’s personal cash and loan from Agrani Bank. (Taking as the sample of a huge data set)

Number of employees:

At present there are 15 workers in production process and selling and distribution. There are no vehicles for the distribution of the products. They have only one selling and distribution center.

Period of Data Collection:

Our required data was collected at 14 august, 2020.

4.2 COST SHEET PREPARATION

Calculation of Prime Cost(Daily basis):

Bread (Raw material consumed)

Items	Unit	Rate (Tk.)	Total (Tk.)
Flour	120(kg)	40.00	4800.00
Sugar	21(kg)	50.00	1050.00
Yeast	1(kg)	220	220.00
Oil	5(Liter)	120.00	600.00
Baking powder			
			<u>6670.00</u>
Carriage charge*			1500.00
Total			<u>8170.00</u>

Biscuit (Raw material consumed)

Items	Unit	Rate (Tk.)	Total (Tk.)
Flour	60 (kg)	40.00	2400.00
Sugar	20(kg)	50.00	1000.00
Egg	60(Piece)	8.00	480.00
Oil	12(Liter)	120.00	1440.00
Dalda	17(kg)	90.00	1530.00
Baking Powder	1(kg)	200.00	200.00
Black seed			
Salt	0.5(kg)	26.00	13.00
			<u>7063.00</u>
Carriage charge*			700
Total			<u>7763.00</u>

Cake (Raw material consumed)

Items	Unit	Rate (Tk.)	Total (Tk.)
Flour	60 (kg)	40.00	2400.00
Sugar	30(kg)	50.00	1500.00
Egg	400 (Piece)	8.00	3200.00
Oil	8(Liter)	120.00	960.00
Baking Powder	1.5(kg)	200.00	300.00
Glucose	100(gm)	1000.00	100.00
Color	6(packet)	50.00	300.00
			8760.00
Carriage charge*			1000.00
Total			9760.00

Direct Labour:

Particulars	Basis of Apportionment	Total (Tk.)	Bread (Tk.)	Biscuit (Tk.)	Cake (Tk.)
Direct Wages	Ratio of Raw Materials Consumed (30:31:39)	7500.00	2250	2325	2925

Calculation of Prime Cost

Particulars	Total Amount (Tk)	Bread (Tk.)	Biscuit (Tk.)	Cake (Tk.)
Raw materials consumed:				
Direct material	22493.00	6670.00	7063.00	8760.00
Add: Carriage expenses	3200.00	1500.00	700.00	1000.00
	25693.00	8170.00	7763.00	9760.00
Direct Labor	7500.00	2250.00	2325.00	2925.00
Prime cost	33193.00	10420.00	10088.00	12685.00

4.3 Calculation of Overhead Allocation (Daily basis):

Factory Overhead:

Particulars	Total (Tk.)	Bread (Tk.)	Biscuit (Tk.)	Cake (Tk.)
Indirect wages	-	-	-	-
Depreciation Machine	181	56	42	83
Repair & Maintenance	84	28	14	42
Fuel and Water	1000	300	310	390
Electricity	1067	320	331	416
Rent of factory depreciation building	8000	2400	2480	3120
Total Factory Overhead (30:31:39)	<u>10332</u>	<u>3104</u>	<u>3177</u>	<u>4051</u>

Selling and Distribution Overhead:

Particulars	Total (Tk.)	Bread (Tk.)	Biscuit (Tk.)	Cake (Tk.)
Packing Expenses	2025	675	1000	350
Indirect wages	1200	360	372	468
Total Selling and Distribution Overhead	<u>3225</u>	<u>1035</u>	<u>1372</u>	<u>818</u>

Calculation of Selling Price (Total Sales)

Particulars	Total Amount (Tk)	Bread (Tk.)	Biscuit (Tk.)	Cake (Tk.)
Units sold*Price per unit	---	675(lb)*22	400(pak)*50	70(lb)*300
Selling price	<u>55850</u>	<u>14850</u>	<u>20000</u>	<u>21000</u>
Percentage of sale in Tk*	100%	27%	36%	37%

*Fraction Avoided for simplification of calculation.

Interpretation:

The table shows that, total sales volume is about 55850 Tk. Among these Bread, Biscuit, and Cake independently occupies 27%, 36% and 37% of total sales volume. This table also shows that which product occupies lower price, they have the maximum sales volume.

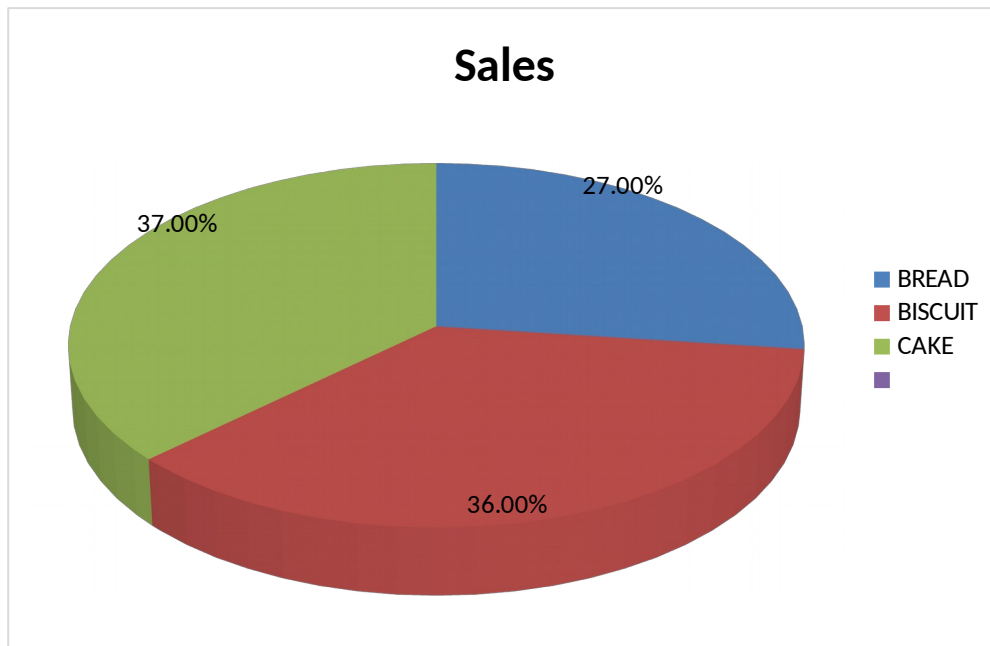


Fig-1: Graphical Presentation of Sales (%) of Overall Production

4.4 Cost Sheet Preparation (Daily basis):

Cost Sheet: (Overall)

Particulars	Total Amount (Tk)	Cake (Tk)	Biscuit (Tk)	Bread (Tk)
Raw materials consumed: Direct material	22493	8760	7063	6670
Add: Carriage expenses	3200	1000	700	1500
Direct Labor	25693.00 7500.00	9760.00 2925.00	7763.00 2325.00	8170.00 2250.00
Prime cost	33193.00	12685.00	10088.00	10420.00
Factory Overhead	10332	4051	3177	3104
Selling and Distribution Overhead	43525	16736	13265	13524
	3225	818	1372	1035
Cost of sales	46750	17554	14637	14559
Profit (Loss)*	9100	3446	5363	291
Selling price	<u>55850</u>	<u>21000</u>	<u>20000</u>	<u>14850</u>

*(Profit/Loss is calculated by the balancing figure)

Interpretation:

We calculate that total cost of cake is 17,554 Taka and selling price is 21,000 Taka. Total cost of biscuit is 14,637 Taka and selling price is 20,000 Taka. Total cost of bread is 14559 Taka and selling price is 14850 Taka.

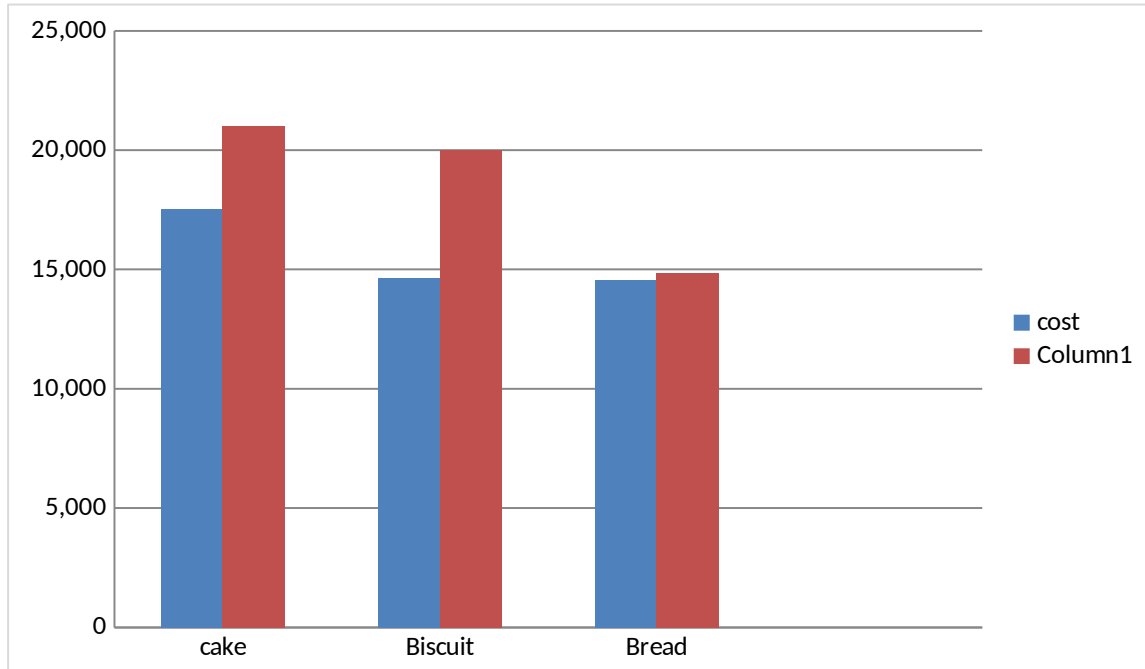


Fig-2: Graphical presentation of cost and selling price.

4.5 Cost Sheet: (per unit)

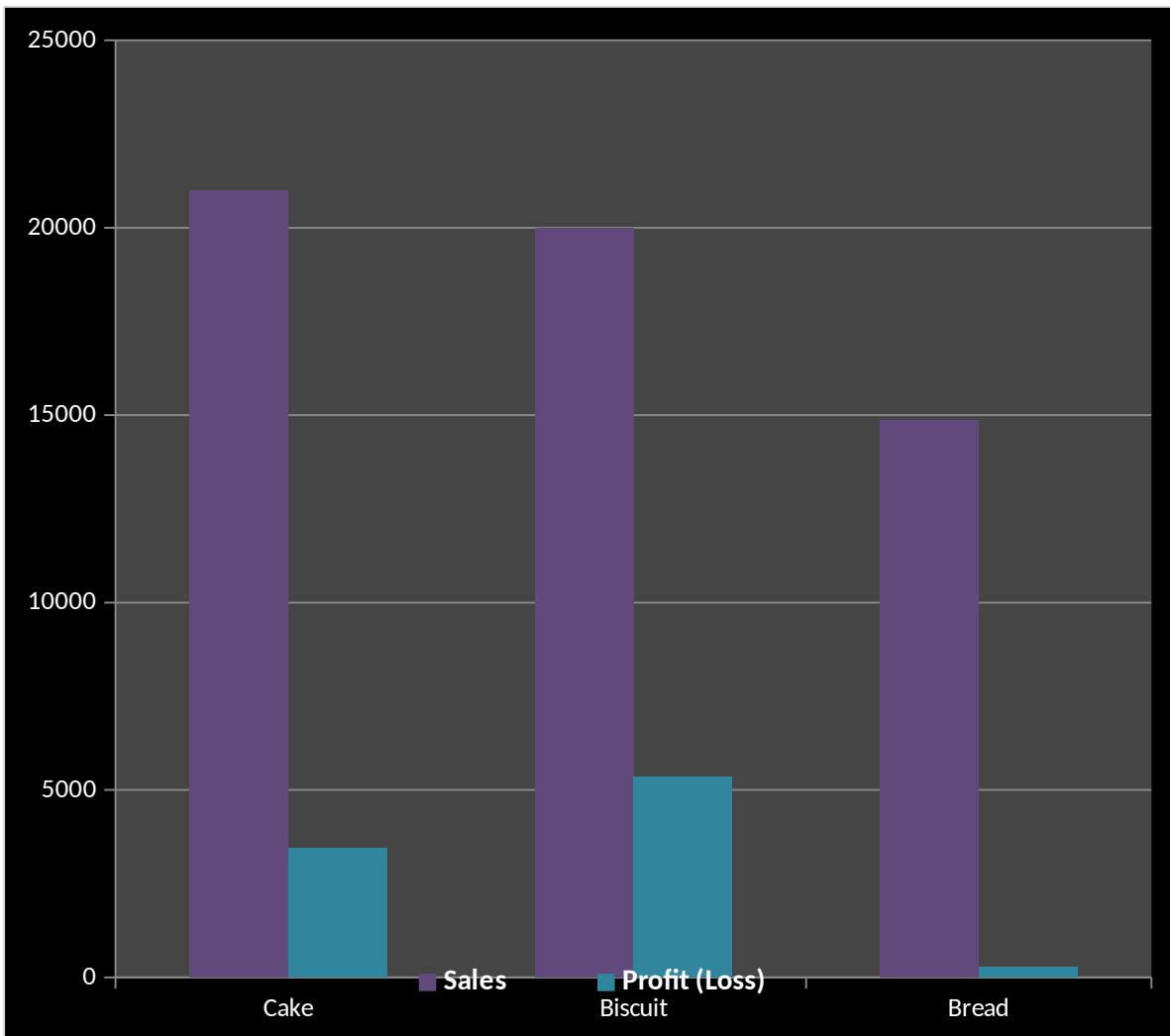
Particulars	Total Amount (Tk)	Cake (Tk)	Per unit cost	Biscuit (Tk)	Per unit cost	Bread (Tk)	Per unit cost
Raw materials consumed: Direct material	22493	8760	125	7063	17.65	6670	9.88
Add: Carriage expenses	3200	1000	14.28	700	1.75	1500	2.22
Direct Labor	25693.00	9760	139.28	7763.00	19.4	8170	12.1
	7500.00	2925	41.78	2325.00	5.81	2250	3.33
Prime cost	33193	12685	181.06	10088	25.21	10420	15.43
Factory Overhead	10332	4051	57.87	3177	7.94	3104	4.60
	43525	16736	238.84	13265	33.15	13524	20.03
Selling and Distribution Overhead	3225	818	11.69	1372	3.43	1035	1.53
Cost of sales	46750	17554	250.53	14637	36.58	14559	21.56
Profit (Loss)*	9100	3446	49.22	5363	13.41	291	0.43
Selling price	<u>55850</u>	<u>21000</u>	<u>300</u>	<u>20000</u>	<u>50</u>	<u>14850</u>	<u>22</u>

*(Profit/Loss is calculated by the balancing figure)

Interpretation:

The table reveals that, Bread, Biscuit, and Cake independently occupies 27%, 36% and 37% of total sales volume. Their profit margin is 291, 5363 and 3446tk. respectively. The total profit margin is about 16.3% of total sales volume. They make profit in all items. By this we can conclude that, bread product occupies the most significant portion of sales and profit.

Fig-3: Graphical Presentation (Sales & Profit) Of Overall Cost Sheet



Interpretation:

We calculate that the total cost 46,750 Taka, Prime cost is 33,193 taka, selling and distribution is 3,225 and factory overhead is 10,332 Tk. Here prime cost is 71% of total cost, selling and distribution cost is 7% of total cost, overhead cost is 22% of total cost.

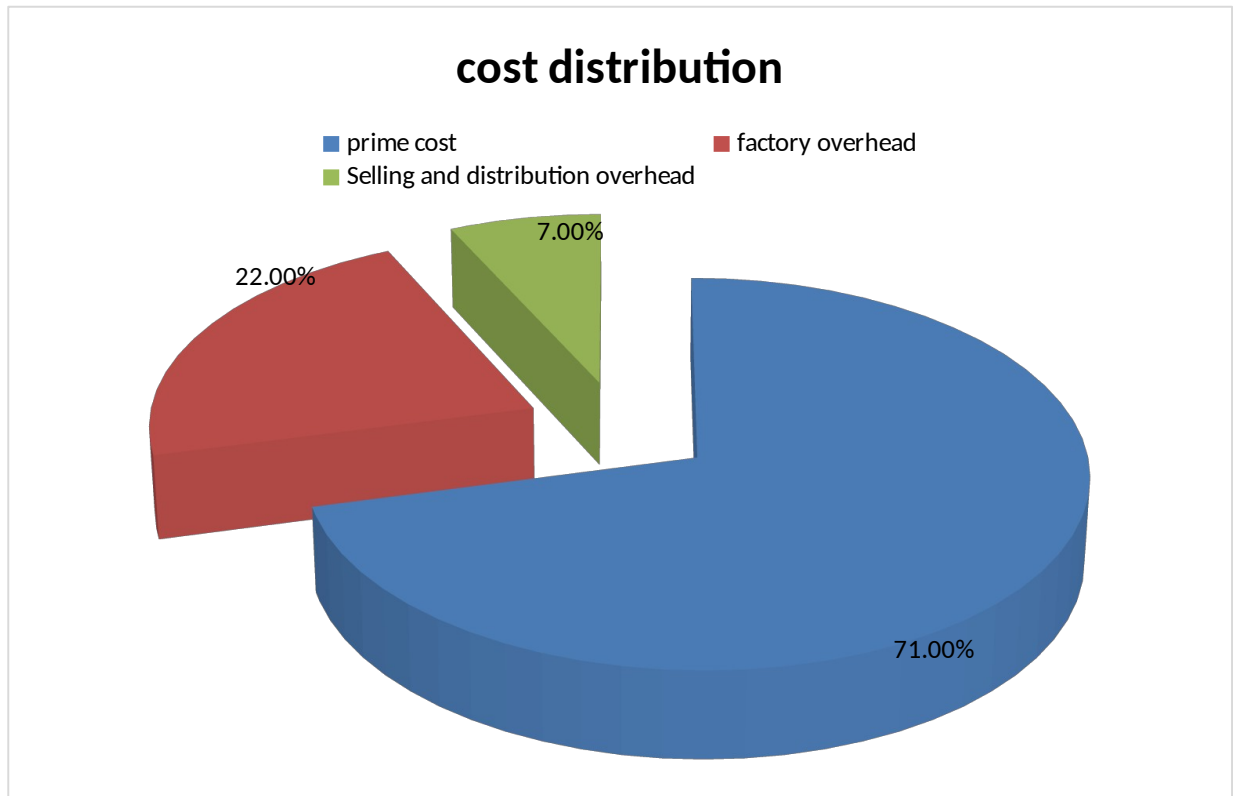


Fig-4: Pie chart of cost distribution.

Chapter 5: Conclusion

5.1 Findings

I have surveyed an organization named “Amrita Food Products ltd”. And through making this report I have some findings. My findings are:

Inappropriate accounting practice means they only follow cash accounting. A main drawback of cash accounting is that it may not provide an accurate picture of the liabilities that have been incurred but not yet paid for, so that the business might appear to be better off than it really is. But still they are making profit. It is a SME small and medium size organization.

5.2 Recommendations

I have some recommendation from my own for the bakery. Those are:

1. Proper accounting practice (Accrual accounting) should be developed.
2. They should be more conscious about the total volume of sales.
3. They should also pay attention to the costing system in case of pricing of product with the market price.
4. They should consider loan interest while pricing the product.
5. They should consider bad debt while pricing the product.
6. They should increase the production of most profitable product. By this they can earn Customers’ fulfillment.

5.3 Conclusion:

Cost sheet is a statement, which shows various components of total cost of a product. It classifies and analyses the components of cost of a product. The aim of preparing a cost sheet is to show the various types of costs incurred by the factory in the course of its operations. Previous data is given in the cost sheet for comparative study. It is a statement which shows per unit cost in addition to Total Cost. Selling price is ascertained with the help of cost sheet. The details of total cost presented in the form of a statement are termed as Cost sheet from the knowledge of costs, we can easily think of cost cutting ideas for companies and institutions. Most of the businessmen of our country are not well educated. That's why they cannot make maximum profit by using minimum asset. Their strategies are not appropriate all the time. And moreover it the labor force and the management are most of the time unskilled, and that's why they cannot help in achieving the goal of wealth maximization.

Chapter 6: References

6.1 References

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