

Chapter 1 : Tally Group Lists

Indirect expenses are those expenses that are incurred to operate a business as a whole or a segment of a business, and so cannot be directly associated with a cost object, such as a product, service, or customer.

Materials which directly enter the product and from a part of finished product are direct materials. These can be identified in the product and can be measured and directly charged to the product. Examples of direct materials are timber in furniture making, cloth in dress making and pig-iron in foundry. Materials which are used for maintenance and repair of machinery, the running of service department, spare and components, packing materials etc. These do not normally form a part of the finished product. Labour is treated as direct if it can be conveniently allocated to different jobs or products, etc. If we know how much time a worker spent on each of the various jobs he undertook during a particular period, his wages would be treated as direct. Thus wages of workers put on definite jobs or products will be direct. Wages which cannot be allocated to different jobs or products are treated as indirect labour. Indirect wages are a part of factory expenses. Wages paid to watch and ward staff, repair gangs, supervisor, etc. Other Direct Expenses or Charges: Expenses which can be allocated conveniently to a unit of cost other than direct materials and direct labour are called other direct expenses or charges. Carriage on materials bought for particular job if not included in the cost of materials will be direct charge. Royalty paid on the basis of quantity of goods produced is another example of direct expenses. Manufacturing Works or Factory Expenses or Overheads: The term manufacturing include all operations and process starting from the receipt of raw materials and ending with storage of finished good. All expenses incurred in these operations and process, other than direct materials, direct labour and other direct expenses are classified as manufacturing or works expenses. Some examples are depreciation on plant and machinery, depreciation on works building, insurance charges and repair of plant machinery and factory building, power consumption coal and other fuel charges. Thus all expenses incurred inside a factory and for the benefit of manufacture as such will be included in factory expenses. The following are some of the items so included: Wages paid to indirect workers such as watch and ward staff, repair gangs, foremen etc. Cost of indirect materials, carriage inward on such materials, materials of small value. Buying and store-keeping expenses including value of normal losses. Factory rent and rates, insurance and repairs of factory premises and plants, etc. Power and fuel coal, gas, electricity, etc. Depreciation on plant and machinery, factory premises, etc. Office and Administrative Overheads: The usual items comprised in these overheads are as following: Salaries of the general manager, finance manager, the accountants, the secretary and their staff, clerks etc. Fees of directors other than those connected with sales or production 5. Telephone, telegrams and postage, printing and stationary. Legal charges, Audit fees, Bank charges etc. Selling and Distribution Overheads: Selling expenses are expenses of seeking to create and stimulate demand and of securing orders. Selling and distribution expenses form no part of the cost of production but a considerable proportion of the price of the product is taken up by them. The usual items included are selling and distribution expenses are as follows: Salaries of the sales manager and his staff including his office staff and his salesmen. Travelling expenses and commission payable to salesmen. Advertising and showroom expenses including rent and lighting. Printing of catalogues and price lists and general stationary. Rent of finished goods godowns and their repairs, etc. Bad debts, legal charges for recovery of debts. Packing and carriage outwards, insurance in transit. Fees of sales directors. Depreciation, repairs and running expenses of delivery vans. Telephone and postage, etc. Subscriptions to mercantile agencies and trade journals. In small concerns office expenses and selling expenses may be grouped together. This differs from Selling Price. The sum of direct wages, direct expenses and factory expenses is known as conversion cost. These terms should be carefully noted and their misuse avoided. For convenience, the various costs of a manufacturing concern are given ahead: Expenses Excluded from Costs: The total cost of a product should include only those items of expenses which form part of cost of production and which are charged against profit. Item of expenses which are appropriation or apportionment of profit should not form a part of the costs.

Chapter 2 : Classification of Expenditure: Direct and Indirect Expenses

All expenses other than direct expenses are assumed as indirect expenses. Such expenses have no relationship with purchase of goods. Such expenses have no relationship with purchase of goods. Examples of indirect expenses include rent of building, salaries to employees, legal charges, insurance of building, depreciation, printing charges etc.

The distinction between "direct" and "indirect" costs may appear intuitive and self-explanatory. Direct costs are traceable to the production of a specific good or service. The operative word is "specific. Indirect costs are those necessary to keep your business in operation. Think of them as the prerequisites for the production of any specific good or service. When you know the true costs of production, you can price both competitively and accurately. The distinction is equally important when filing your tax returns. Certain costs, both direct and indirect, are tax-deductible. Direct costs Direct costs are expenses that a company can easily connect to a specific "cost object," which may be a product, department or project. This includes items such as software, equipment and raw materials. It can also include labor, assuming the labor is specific to the product, department or project. For example, if an employee is hired to work on a project, either exclusively or for an assigned number of hours, their labor on that project is a direct cost. If your company develops software and needs specific pregenerated assets, such as purchased frameworks or development applications, those are direct costs. Labor and direct materials, which are used in creating a specific product, constitute the majority of direct costs. For example, to create its product, an appliance maker requires steel, electronic components and other raw materials. Two popular ways of tracking these costs , determining whether and when your company actually uses materials in production, include last in, first out LIFO or first in, first out FIFO. This can be helpful when the costs of materials fluctuate in the course of production. The majority of direct costs are variable. For example, smartphone hardware is a direct, variable cost because its production depends on the number of units ordered. A notable exception is direct labor costs, which are usually fixed, and remain constant throughout the year. Indirect costs Indirect costs go beyond the expenses associated with creating a particular product to include the price of maintaining the entire company. These overhead costs are the ones left over after direct costs have been computed, and are sometimes referred to as the "real" costs of doing business. These include items such as cleaning supplies, utilities, office equipment rental, desktop computers and cell phones. While these items contribute to the company as a whole, they are not assigned to the creation of any one service. For example, clerical assistants who maintain the office support the company as a whole instead of just one product line. Thus, their labor can be counted as an indirect cost. Other common indirect costs include advertising and marketing, communication, "fringe benefits," such as an employee gym, and accounting and payroll services. Much like direct costs, indirect costs can be both fixed and variable. Fixed indirect costs include things like the rent paid for the building in which a company operates. Variable costs include the ever-changing costs of electricity and gas. Classifying expenses Organizing business expenses as either direct costs or indirect costs is a matter that goes beyond simple product pricing – it affects your tax payments, too. Overhead expenses, such as the utilities that power equipment and the inventory needed to manage the office, are tax-deductible. In some cases, even the costs of goods sold qualify for deductions; they reflect expenses incurred from selling products. In cases of government grants or other forms of external funding, identifying direct and indirect costs becomes doubly important. Such programs are often strict about what constitutes a direct or an indirect cost and will allocate different amounts of funding to each classification. Often funding is for a specific project and will largely support direct costs. Certain funders will allow companies the opportunity to justify the necessity of indirect costs for specific projects, but they will expect honesty and rigor, and the decision to grant funding as requested is still at their ultimate discretion. For many companies, costs such as consultants, travel, communication, postage and printing, and computers may fall into a gray area. It may be difficult for a company to quantify their use of these resources for a designated purpose. In those instances, to determine whether it is a direct or indirect cost, each company should carefully consider if they need these costs for day-to-day operations or for a specific project, department or product. Once expenses are classified, many companies calculate the indirect cost rate, sometimes called the overhead

rate, to determine how to allocate administrative costs between programs or departments. The company can then determine what percentage of indirect costs each program or department should bear. In an effort to maintain efficiency and transparency, some companies set a target value for the indirect cost rate. When a company accepts government funds, the funding agency may also mandate a maximum indirect cost rate for the department or project.

Chapter 3 : Tally Ledger Groups List (Ledger under Which Head or Group in Accounts

Examples of direct and indirect expenses - Rent, light, salaries, wages, sales, etc. Direct and indirect expenses are defined and differentiated as follows; Direct Expenses "Direct" as the word suggests are those expenses which are completely related and assigned to the core business operations of a company.

The direct costs are those that can be specifically and easily identified with a particular project or activity and are allowable under the sponsoring organizations guidelines. Indirect costs, according to the federal Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards issued by the Office of Management and Budget Uniform Guidance , are those costs that are incurred for common or joint objectives, and cannot be easily and specifically identified with a particular sponsored project, an instructional activity, or any institutional activity. These indirect costs are different than direct costs. University indirect costs include building and equipment depreciation and use allowance; general administration; departmental, sponsored program, and sponsored project administration expenses; interest; operation and maintenance expenses; library expenses; and student administration and services expense. Most federal agencies and other sponsoring organizations pay the university for indirect costs in addition to the direct costs of a grant or contract award. By collecting indirect costs from sponsors, UL Lafayette is recovering those expenses. The federal government has established what costs may be charged as direct costs and what costs are considered included in indirect costs. The following summary gives a brief description of costs and whether they should be charged as direct or whether they are included in the indirect cost calculations. Clerical and administrative assistants, fiscal manager, secretaries, and directors see Considerations for Administrative Salaries on Sponsored Awards Materials and Supplies: Project related research and scientific supplies. General office equipment such as copiers, printers, office computers, and fax machines Facilities: Project specific space rental for off-campus facilities from a third party. Use of specialized equipment for which there is a commonly applied charge Facilities: Utilities, building use, grounds maintenance, renovations, and alterations of University property whether on- or off-campus Travel: Transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution related to the project Travel: Costs of entertainment, and any costs directly associated with such costs such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities Telephone: Long distance calls, phone surveys or calls to project participants Telephone: Requires justification that the expenditures are required and directly related to the specific award e. Maintenance and repairs to general purpose equipment, buildings, and grounds Advertising: Recruitment of research subjects or for job openings approved for a specific project Advertising: Project specific and project related. Copying included only when charges can be tracked Publications: General printing and copying Memberships, subscriptions and professional activity: Membership in business, technical, and professional organizations; related to and supportive of the project. Subscriptions to business, professional, and technical periodicals; related to and supportive of project Memberships, subscriptions and professional activity:

Chapter 4 : Direct and Indirect COGS in a Service Industry | calendrierdelascience.com

Direct and Indirect Expenses: It is usual to distinguish the total expenditure into two categories – "direct and indirect. Direct expenditure is that which can be conveniently allocated to a particular job or product or unit of service.

Generally accepted accounting principles specify that purchases in the two categories are part of your direct materials costs and are included, along with indirect costs, with your cost of goods sold. If your business does not require inventory to deliver your services, direct labor costs are accounted for as a cost of service. You report your cost of goods sold, or your cost of sales, on your income statement. Service Industry With Inventory If you operate a business in the service industry, you are selling your skills and knowledge. Your inventory of parts and supplies is deductible as part of your cost of goods sold if you use them to delivery your services. Your direct labor costs are the wages you pay to the professionals who deliver the services. The parts and supplies you use are your direct materials costs. The indirect costs, also known as factory overhead, are the wages paid to your support staff, dispatchers and cleaning crew. Calculating Cost of Goods Sold The cost of goods sold includes your direct materials, direct labor and indirect costs. Calculate your inventory cost by taking your beginning inventory, adding in your purchases and subtracting your ending inventory. Add the ending inventory value, the direct labor and the indirect costs to get your cost of goods sold for the accounting period. Personal Service Industry Companies in the personal service industry, including law firms, accounting firms and consulting firms, do not need inventory to deliver their services. Instead, your costs involved with providing these services are accounted for in the cost of services, also known as the cost of revenue, account. You do not have any direct materials costs. Your direct labor costs are the salaries paid to the professionals delivering the services, wages for part-time or freelance professionals and the costs of delivering the services, such as gasoline or travel time. Your indirect costs include the wages paid to your support staff and cleaning staff. Calculating Cost of Services Since a personal service company does not carry inventory, you can report your direct and indirect costs as expenses on the income statement. You can also use a separate cost of sales account to list the expenses on the income statement. Each cost is individually reported as a line-item expense. You can list the wages paid to your professional staff and support staff as two separate expenses to monitor your payroll costs. After subtracting the total expenses from the total revenue, the amount remaining is your net profit.

Chapter 5 : Direct and Indirect Expenses - Definition, Explanation and Examples - calendrierdelascience.com

calendrierdelascience.com calendrierdelascience.com Best place to learn Accounts, Tax, Excel and Tally. Do the premium course here. Direct Expenses All expenses which appear in Trading Account (except.

Chapter 6 : What are Direct Expenses and Indirect Expenses in accounting

Classifying business expenses as either direct or indirect costs is an important step to help you price your products and properly file your taxes.

Chapter 7 : Typical List of Overhead Expenses in a Construction Business | calendrierdelascience.com

Overhead expenses for a construction firm can be placed into two broad categories: direct and indirect. Indirect vs. Direct Overhead The estimate for any construction job includes projected.

Chapter 8 : Direct Costs vs. Indirect Costs | University Research

Direct expenses are those that are linked to a specific cost object, while indirect expenses are associated with the entire business and not specific cost objects. Indirect and direct expenses can.

Chapter 9 : List of a Construction Company's Direct & Indirect Costs | Bizfluent

Indirect Expenses: Indirect Expenses are those expenses that are paid for keeping up and running your entire home. Examples of indirect expenses generally include insurance, utilities, and general home repairs.