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A STUDY ON COST-BENEFIT ANALYSIS AT ALLOYSYS EXTRUCTION PVT LTD

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ABSTRACT:

Cost-benefit Analysis is a statement of cost showing cost per unit of any product at every level of production. It is important to know at what stage of production we are and what price at the production stage. Cost of production includes various factors from manufacturing to administration expenses. These variables need to be given special care and attention by the company to bring about efficiency in cash management. Hence the major objectives of the study undertaken were, to analyze the cost at different stages of production, to assist in fixing of selling price, to make a comparison of cost sheet with previous years and provide suitable suggestions. The secondary data is chosen for the study on Cost-benefit Analysis. The data were collected from various journals, websites and the annual report of Alloysys Extrusion Pvt Ltd.

KEYWORDS:

Cost, Benefit, Analysis, Overhead costs, Return on investment, Cost sheet, Profit and loss, Current ratio

INTRODUCTION:

Cost-benefit Analysis is a statement prepared to show the various elements of costs. It is prepared at regular intervals, for example weekly, monthly, quarterly, yearly etc. In some cases, comparative figures of various periods are also shown in the cost sheet so that assessment can be made about the progress of a business.

Cost-benefit Analysis is a statement of cost showing cost per unit of any product At Every level of production. It is important to know at what stage of production we are and what price



of the production stage.

Elements of cost are necessary to have a proper classification and analysis of total cost. Thus, elements of total cost provide the management with necessary information for proper control and management decisions. For this purpose, the total cost is analysed by the elements or nature of cost, i.e., material, labour, and overheads.

OBJECTIVES OF STUDY:

PRIMARY OBJECTIVES:

1. A study on Cost-benefit analysis for the Alloysys Extrusion Pvt Ltd at Chennai.

SECONDARY OBJECTIVES:

1. To understand the cost structure of the company.
2. To understand how the cost will affect performance and profit of the company.
3. To evaluate each cost of the company and suggest them what are the changes they must implement.

REVIEW OF LITERATURE

1. ALI MOHAMMED ALASHWAL (Simulation Techniques for Cost Management, 2017) studied about the Malaysian construction sector. And he found that they are applying very low-cost simulation techniques. And their knowledge of responding also low. And he also finds the problem of adopting this technique. Performance of cost, in Malaysian construction sector is adequate even though there is no matching between the technique and performance.

2. MUKESH CHOUHAN & MRUPEE SHIVANI in May 2013, the management accounting,

Mukesh Chouhan & Mrupee Shivani conducted study on the costing techniques –life cycle costing need for better asset management. Both the capital and the ongoing operating maintenance cost must be considered wherever asset management decision involving cost is made. This is the life cycle cost approach. It is a process to determine the sum of all cost associated with an asset or part thereof, including acquisition, installation, operating, maintenance, refurbishment, and disposal cost.

3. SHIM AND SIEGEL 2013,

In his study says a budget is a plan expressed in quantitative, usually monetary terms covering



a specified period, usually a year. Budgeting, a term for several terms cannot be changed easily and only under specified circumstances to attain the budget targets. The budget is also reviewed and approved by someone who is higher in authority than the person who accepts the responsibility.

4. DIJKMAN IN JUNE 2007, THE MANAGEMENT ACCOUNTING,

DIJKMAN in his paper tries to address as many issues possible with adequate variations, to capture the dynamics of industry and evolve a costing process using activity-based costing. In the final, much depends on the level of detail and the costs and the benefits in the exercise.

5. PER DAHLEN GUNNAR S BOLMSJO IN DECEMBER 1996 INTERNATIONAL JOURNAL OF PRODUCTION ECONOMICS,

Per Dahlen Gunnar S Bolmsjo conducted a study on life cycle analysis of the labor factors. In their study they highlighted the purpose of this paper is to widen the field of application of life cycle costing and carry through an analysis of investment done.

6. DAVID G. WOODWARD ON 10TH JUNE 1998, DIVISION OF ACCOUNTING, STAFFORD UNIVERSITY BUSINESS SCHOOL,

DAVID G. WOODWARD undertook study on life cycle costing. It is not limited to forecasting of future costs in the beginning of a life cycle. The focus of LCC changed during the product life cycle.

RYALL, in his Dictionary of costing

“From a technical point of view, the term cost may be used when referring to the cost of manufacturing only or the cost of selling and distribution of goods or to indicate the total cost of manufacturing, selling and distribution.”

RESEARCH DESIGN:

DESCRIPTIVE RESEARCH DESIGN: Research design is of condition for collection specification of methods and procedures for acquiring the information needed to structure or to solve problem.

SOURCES OF DATA:

•Primary Data –The primary data is that the data which is collected fresh or first hand and for first time, which is original in nature. Primary data can be collected with the support to the



secondary data.

•Secondary Data– This data, which have already been collected and presented by any agency, may be used for the purpose of investigation. Such data may be called secondary data. Secondary data may earlier be published data or unpublished data. Usually published data are available in annual report.

TOOLS FOR ANALYSIS:

I. PERCENTAGE OF OVERHEADS

- Factory Overhead
- Administration Overhead
- Selling & distribution Overhead

II. DIRECT MATERIAL, LABOUR & EXPENSES

- Percentage of Indirect Material in Direct Material
- Percentage of Indirect Labor in direct Labor
- Percentage of Indirect Expenses in direct Expenses

III. RATIO ANALYSIS

- Current Ratio



Table No. 4.1

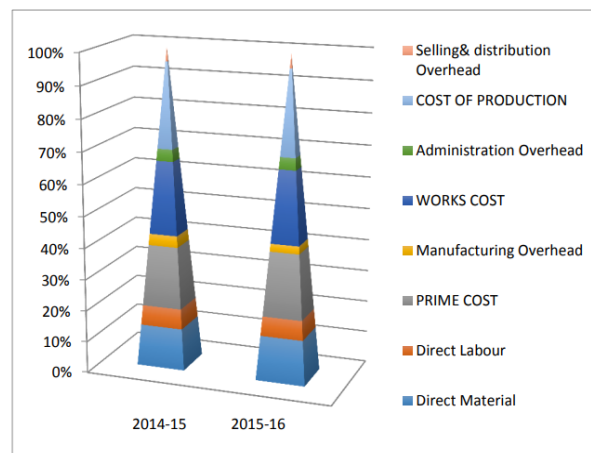
COST SHEET FOR THE YEAR 2018-19 & 2019-20

Amount in Rupees

PARTICULARS	2014-15	2015-16
Direct Material	30,713,383	35,125,919
Direct Labour	14,842,242	15,222,877
Direct Expenses	-	-
PRIME COST	45,555,625	50,348,796
Manufacturing Overhead	8,432,665	6,064,001
WORKS COST	53,988,290	56,412,797
Administration Overhead	8,787,414	9,155,459
COST OF PRODUCTION	62,775,704	65,568,256
Selling & distribution Overhead	10,620,473	10,963,526
TOTAL COST	73,396,177	76,531,782
Net SALES	80,160,360	85,677,188
Less Total Cost	73,396,177	76,531,782
PROFIT	6,764,183	9,145,406

Chart No. 4.1

Chart showing Cost Sheet for the Year 2014-15 & 2015-16





Interpretation:

In the year 2018-19 the total cost was 73,396,177 but in the year 2019-20 it was increased to 76,531 Chart showing Cost Sheet for the year 2018-19 & 2019-20 ie company need to take certain measures to increase its profit level by decreasing its production cost. But the company reach its desired goal as there is a more sales.

Table No. 4.4

Table showing % of increase/decrease of Direct Material

Amount in Rupees

Particulars	Year	Amount	Percentage to Base Year
Direct Material	2018-19	73,396,177	100%
	2019-20	76,531,383	104.41%
	2020-21	35,125,919	47.87%
	2021-22	33,425,395	45.57%
	2022-23	26,570,749	36.21%



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Analysis:

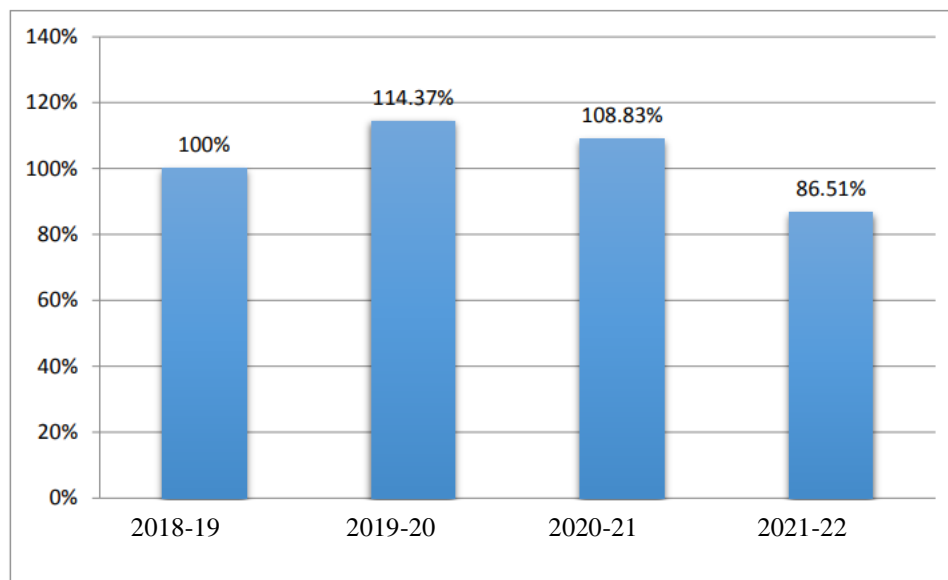
In the year 2018-19 direct material shows 100 %(as basic year) but in the year 2019-20 it is increase to 114.37%. And in the year 2020-21 direct material increase to 108.83% and in the year 2021-22 it was decrease to 86.51%.

Interpretation:

From the above graph we can observe that the percentage of direct material in the year 2018-19 is considered as 100% (as base year) then it has been increased to 114.37% in the year 2019-20. But in 2020-21 and 2021-22 it has been decreased to 108.83% and 86.51%.

Chart No. 4.4

Chart showing % of increase/decrease of Direct Material





SUGGESTIONS AND CONCLUSION

1. Profit of Alloysys Extrusion Pvt Ltd was increasing continuously but in 2020-21 the profit reduced. But in 2021-22 company again increased their profit.

2. The cost of manufacturing overhead is decreased continuously till 2020-21. But in the year 2021-22 it has been increased slightly.

3. In Selling and distribution overhead there are some fluctuations over years when compared to the base year 2018-19. But in last year company-controlled expense and it is a good achievement by the company.

4. Cost of production has increased in the year 2019-20 but the company could reduce it during last two years.

LIMITATIONS OF STUDY

1. This project has completed with annual reports and it's just constituting one part of data collection i.e. secondary. There were limitations for primary data collection because of confidentiality.

2. This project is based on five-year annual conclusions are based on such limited data. The trend of last five year may not reflect the real working capital position of the company.

3. Also, it was difficult to collect the data regarding the competitors and their financial Information industry figures difficult to get.

CONCLUSION:

Alloysys is a company of producing different power equipment, and it supplying its products mainly in Chennai and other states. Its adopted good quality checking instruments for inspection of each individual products in the organizations. It sells the products at reasonable price to the customers. In the current market situation, all the industry competes the competitive market, Alloysys manufactures and sells the products more economically.

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