

**VIVEKANANDA COLLEGE**  
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**NAAC ACCREDITED 'A' GRADE**



**Topic: Employee Cost and Incentive Systems**

**Course Title: CC 2.1Cg**

**Paper: COST&MANAGEMENT ACCOUNTING-1**

**Unit: 03**

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**Name of the department: COMMERCE**

## COST & MANAGEMENT ACCOUNTING-1

### Labour cost

DR. SARBAPRIYA RAY

#### **Halsey-Weir premium plan :**

Like **Halsey** method, in **Halsey-Weir premium plan**, Worker is paid at an hourly rate for the time for which he has worked. (b) A standard time is decided and if a worker completes a job before the time fixed, he is paid a bonus for the time saved, as well the wages for the actual time spent via him on the job.

Under the **Halsey-Weir scheme**, a worker is entitled to bonus which is equal to his time wage for  $33\frac{1}{3}\%$  (often 30%) of the time saved; instead of 50% in case of the **Halsey scheme**.

#### **Practical Problem 1:**

Standard Time = 12 hours

Time taken = 8 hours

Time Rate = Rs.5.00 per hour.

Compute the total earnings under Halsey and Halsey-Weir Plans.

#### **Under Halsey-Weir Plan:**

Earnings =  $T \times R + (33\frac{1}{3}\% \text{ of time saved} \times R) = 8 \times 5 + (1/3 \times 4 \times 5) = \text{Rs.}40 + \text{Rs.}6.67 = \text{Rs.}46.67.$

#### **Practical problem:2**

Two workmen, X and Y, produce the same product using the material. X is paid bonus according to Halsey plan, while Y is paid bonus according to Rowan plan. The time allowed to manufacture the product is 150 hours. X has taken 90 hours and Y has taken 120 hours to

complete the product. The normal hour rate of wages of workman X is Rs 20 per hour. The total earnings of both the workers are same.

Calculate the normal hour rate of wages of workman Y.

**Answer:**

Wages of X under Halsey Plan = Hours worked  $\times$  Rate per hour + (50%  $\times$  time saved  $\times$  rate per hour) = 90 hrs  $\times$  Rs 20 + [50%  $\times$  (150-90)  $\times$  Rs 20] = Rs 2,400

Let normal hourly rate of wages of workman Y = Rs **K** per hr ;

Wages of Y under Rowan Plan = Hours worked  $\times$  Rate per hour + (Time taken / Time allowed  $\times$  time saved  $\times$  rate per hrs)

= [120hrs  $\times$  Rs **K**] + [(120 /150  $\times$ 30  $\times$  **K**)] = Rs144 **K**

Earnings of Y = Earnings of X ;

Therefore, 144 **K** = Rs 2,400

Therefore, **K** = Rs 16.67 per hour .

**Thus normal hourly rate of wages of workman Y = Rs16.67 per hr.**

**Practical Problem:3**

Bharat Shawl works has introduced the following sliding scale for its workers:

Within first 10% of savings in standard time	Bonus is 40% of time saved
Within next 20% of savings in standard time	Bonus is 50% of time saved
Within next 30% of savings in standard time	Bonus is 60% of time saved
For the balance	Bonus is 75% of time saved

Mr A.Ray ,who is worker, whose basic rate per hour is Rs2, completed a particular job in 120 hours, time allowed 200 hours. Compute her earnings from the job.

**Solution:**

Standard time= 200 hours

Less: Time taken= 120 hours

Time saved = 80 hours

**Calculation of Bonus hour**

<b>Savings in standard time</b>	<b>Bonus hour</b>
For first 10% savings in standard time i.e 10% of 200hours=20hours, out of time saved of 80hours	40% of time saved= $\frac{40}{100} \times 20 = 8 \text{ hours}$
For second 20% savings in standard time i.e 20% of 200hours=40hours ,out of time saved of 80hours	50% of time saved= $\frac{50}{100} \times 40 = 20 \text{ hours}$
Balance[80-(20+40)]= 20 hours of time saved	60% of time saved= $\frac{60}{100} \times 20 = 12 \text{ hours}$
	Total bonus hours=[8+20+12]=40 hours

**Statement showing the earnings of Mr.A.RAY**

Particulars	Rs
<b>Basic wages for hours worked : 120hours@Rs2 per hour</b>	<b>240/-</b>
<b>Bonus: 40hours@Rs2 per hour</b>	<b><u>80/-</u></b>
<b>Total earnings</b>	<b><u>Rs 320</u></b>

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