

Ganesh Utsav

Clay, Costs and Capacity



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Abstract

This case examines product costing, profitability analysis, and capacity allocation decisions at Ganesh Kala Kendra, a manufacturer of eco-friendly Ganesh idols. Faced with strong market demand but constrained by the limited availability of premium sculpting clay, the proprietor must determine how scarce resources should be allocated between two product categories: the Grand Ganesh Idol and the Family Ganesh Idol. Product-wise cost sheets and ICMAI-style cost statements form an integral part of the analysis. However, the case extends beyond traditional costing to incorporate marginal costing and limiting-factor analysis. By comparing profitability measures with contribution generated per kilogram of clay, a managerial dilemma emerges in which product rankings differ depending on the decision criterion employed. The case highlights the distinction between full-cost profitability and resource-constrained decision making, encouraging participants to evaluate alternative perspectives before recommending an appropriate production strategy. The case is suitable for courses in Cost and Management Accounting, Management Accounting for Decision Making (MADM), Cost Analysis, and Strategic Cost Management at undergraduate, postgraduate, executive, and management development programme levels.

On 15 July 2026, Vinayak Joshi, proprietor of Ganesh Kala Kendra, was sitting in his modest office. Ganesh Kala Kendra specialized in manufacturing two categories of eco-friendly Ganesh idols. The first product was the Grand Ganesh Idol, a premium six-foot idol primarily purchased by public social groups, housing societies, educational institutions, and corporate organizations. The second product was the Family Ganesh Idol, a compact two-foot idol designed for household worship.

He was analysing the demand as hardly two months were left before Ganesh Utsav. As preparations for the upcoming Ganesh Utsav season entered their final phase, customer enquiries and advance bookings were increasing rapidly. Yet, despite strong market demand, the firm was uncertain whether it would be able to satisfy all customers. Demand existed for both product categories, yet a shortage of premium sculpting clay threatened to restrict production for the upcoming season and Vinayak would have to decide which product line deserved priority. After consultations with suppliers, the company estimated that only 24,000 kg of premium sculpting clay would be available for the upcoming season. At the same time, based on discussions with distributors and advance booking patterns, management was confident that market demand would be sufficient to absorb the entire production output of either product line. Management recognised that clay, the principal raw material used in both products, could emerge as a significant constraint on future production decisions.

For years, Vinayak had believed that the Grand Ganesh Idol was the company's most profitable product. According to him, "A single Grand Idol sells for more than five Family Idols. Naturally, it must be our most profitable offering." His son Shubh, who supervised production and operations, disagreed, "Selling price is not the same as profitability. Larger idols consume much more clay, labour, workshop space and support resources. We have never calculated the true product-wise cost." The disagreement soon developed into a strategic issue. Management had funds to expand production capacity, but the key question was which product line should receive the additional capacity. Before committing additional resources, management wanted to determine product-wise profitability.

Accordingly, Labh, a CMA trainee, was assigned the responsibility of preparing product-wise Cost Sheets and ICMAI-style Cost Statements and was provided necessary information including operating results for the previous period financials. During discussions with the production team, Labh gathered additional operational information regarding availability of resources and their utilisation. Owing to the substantially larger number of Family Ganesh Idols being produced, packed, stored and dispatched throughout the season, a larger portion of the workshop floor area was dedicated to the Family Idol product line. Accordingly, Family Ganesh Idols occupied approximately 3,000 square feet of floor space, whereas Grand Ganesh Idols occupied approximately 1,500 square feet. The production manager further indicated that moulds used for Grand Ganesh Idols were employed 60 times, whereas moulds used for Family Ganesh Idols were employed 220 times.

The cost sheets would enable management to determine the cost and profitability of each product category based on past operations. However, the forthcoming season presented a different challenge. With premium clay emerging as a scarce resource and demand exceeding available supply, Vinayak needed to determine how Ganesh Kala Kendra should allocate its limited clay and capacity among competing products.

Exhibit 1

Production and Sales Information

Particulars	Grand Idol	Family Idol
Units Produced	120	900
Units Sold	120	900
Selling Price per Unit	₹60,000	₹11,500

Exhibit 2

Product Specifications & Physical Characteristics

Particulars	Grand Idol	Family Idol
Height	6 Feet	2 Feet
Weight per Idol	150 kg	25 kg
Premium Clay Consumption per Idol	80 kg	12 kg

Exhibit 3
Labour Standards

Activity	Grand Idol	Family Idol
Master Sculptors	30 hrs	5 hrs
Junior Sculptors	35 hrs	6 hrs
Painting Crew	15 hrs	3 hrs
Finishing Crew	10 hrs	1 hr
Total Labour Hours	90 hrs	15 hrs

Exhibit 4:
Extract from Financial Records for the Year Ended 31 August 2027

Particulars	Amount (₹)
Premium sculpting clay purchased during the year	18,00,000
Bamboo framework, eco-friendly compound and other structural materials	7,20,000
Colours, decorative accessories and embellishments	12,50,000
Inbound transportation cost incurred on procurement of production materials	1,30,000
Process chemicals, mould release compounds and protective coatings	3,50,000
Electricity, water and generator fuel consumed in production operations	5,50,000
Wages paid to master sculptors	14,00,000
Wages paid to junior sculptors	8,00,000
Wages paid to painting and finishing teams	7,00,000
Product-specific mould preparation expenditure for seasonal designs	1,50,000
Specialised decorative finishing services outsourced during festival season	1,00,000
Stores, tools, brushes, spray consumables and polishing materials consumed	2,00,000
Repairs to workshop	3,00,000
Repairs to moulds	90,000
Repairs to production equipment	60,000
Structural and finish quality inspection costs	1,50,000
Expenditure on eco-friendly material development and new idol designs	2,00,000
Royalty paid for use of celebrity designer concepts	1,50,000
Depreciation on moulds, drying chambers and painting equipment	5,00,000
Supervisor salary	5,00,000
Rent paid for manufacturing workshop	15,00,000
Insurance premium relating to workshop assets and production facilities	5,00,000
Security services and indirect factory consumables	5,00,000
Certification and statutory compliance fees relating to manufacturing activities	1,80,000
Office salaries and administrative staff costs	18,00,000
Office rent, electricity, insurance and audit fees	6,00,000
Depreciation on office building, computers and office equipment	6,00,000
Primary packing materials consumed	1,20,000
Secondary protective packaging materials consumed	80,000
Advertising and social media promotion expenditure	6,50,000

Particulars	Amount (₹)
Delivery, exhibition and distribution expenses	7,50,000
Dealer commission and sales staff salaries	6,50,000
Interest on working capital borrowings	2,50,000
Sale of scrap and reusable materials generated during production	2,00,000
Insurance claim received against damaged inventory	75,000

Exhibit 5

Inventory Information

Particulars	Amount (₹)
Opening Raw Material Stock	5,00,000
Closing Raw Material Stock	6,50,000
Opening WIP	3,00,000
Closing WIP	4,00,000

Exhibit 6

Cost Allocation Framework

Cost Items	Allocation Basis
Raw Materials, Process Materials, Stores & Spares and Indirect Consumables	Production Weight
Direct Employees, Direct Expenses, Electricity, Water Charges, Generator Fuel, Supervisor Salary, Quality Control Costs and Research & Development Costs	Direct Labour Hours
Workshop Rent, Workshop Insurance, Factory Security and Workshop Repairs	Floor Area Occupied
Equipment Repairs, Mould Repairs and Production Depreciation	Mould Usage
Royalty, Administrative Overheads, Selling & Distribution Overheads and Finance Charges	Sales Revenue

After reviewing the available information, Labh realised that the decision facing Ganesh Kala Kendra was more complex than it initially appeared. Should capacity expansion focus on Grand Ganesh Idols, Family Ganesh Idols, or a balanced combination of both? More importantly, should management rely on product profitability or contribution from the scarce resource when making its decision? Vinayak knew that the answer could influence not only the upcoming season's results but also the long-term direction of Ganesh Kala Kendra. **MA**

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