

Cost Accounting System

Boarding
Papers

Day-3

11/11/11

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Date: / /

Chapter - 6 Cost Accounting System

*

Introduction:

Financial Accountant

Cost Accountant

Prepares:

- Trading & P&L a/c of Company

Prepares:

- Cost sheet of Product

Net Profit as per financial a/c.

Net Profit as per Cost a/c.

Difference in Profit

REASONS

Elements recorded only in financial accounts

DIWALI

eg - Expenses
Diwali

Elements recorded only in cost a/c.

Notional Cost

eg - G

Elements recorded in both accounts but @ different Amount

eg -

- D: Depreciation (charged)
- O: Overheads (absorbed/recovered)
- S: Stock (valued)
- O: Other (recorded)

Expenses

*

Relative

Cost of

Cost

DL

① Financial-P&L (CONS): Qty of FG → $\frac{CP \text{ Prod} \times \text{sold}}{C}$

② Cost sheet (CONS): working

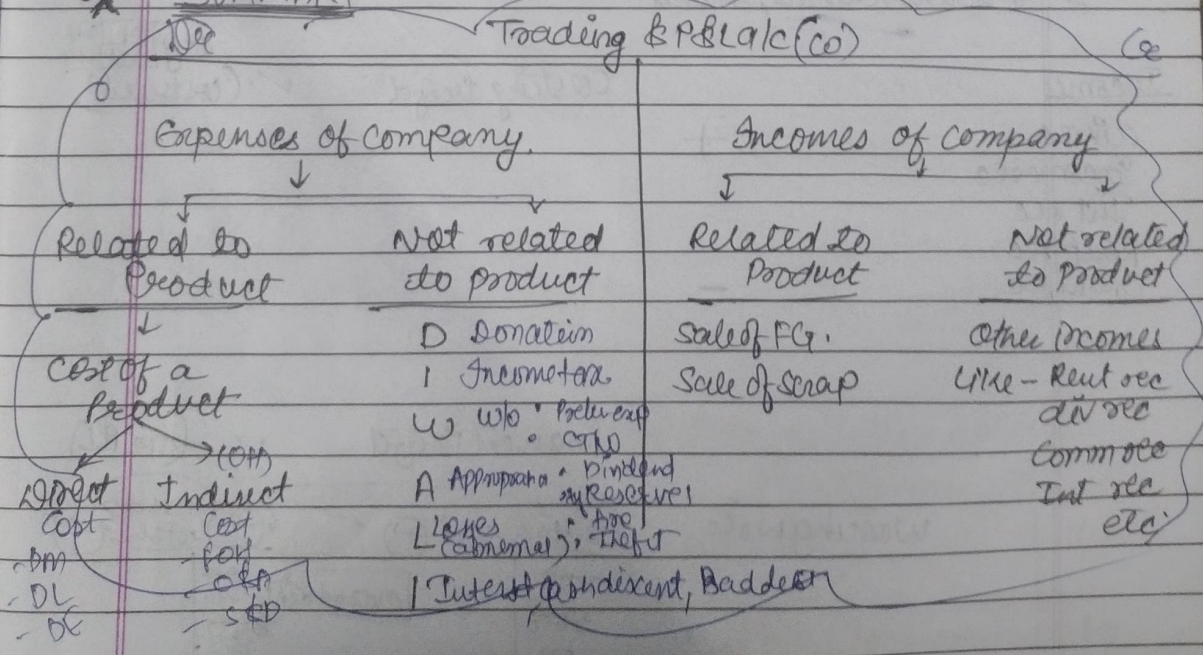
③ Reconciliation of Particulars

Particulars	↓	Reconciliation a/c
P as per costing		- ✓ NP closing ✓
+		NP trace ✓ + ✓
P as per Finance		

- Incomes :-
- Interest Rec
 - Dividend rec
 - Rent rec
 - Commission rec

- Expenses :-
- D: Donation (not related to prod)
 - I: Income tax
 - W: Writen off: (a) Preliminary exp (b) Goodwill
 - A: Appropriation (Distribution) of Profit: (a) dividend paid (b) Transferred to Reserves
 - L: Losses (Abnormal): (a) loss by fire (b) loss by theft
 - I: Interest, cash discount & Bad debt

SUMMARY



in both
ts but
t Amount

charged
ed/recovered

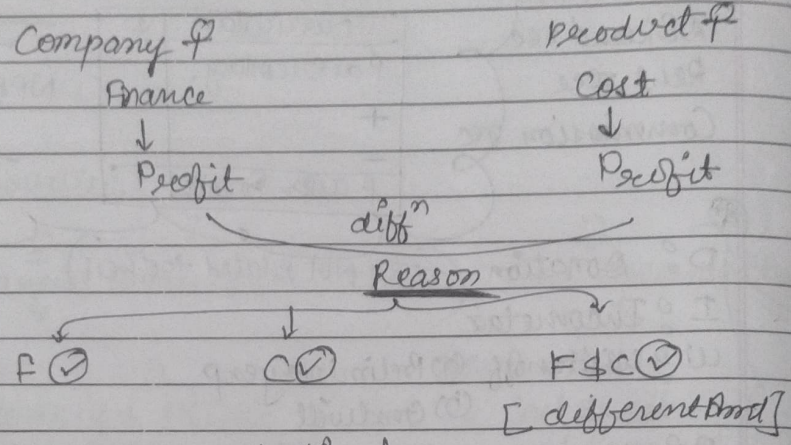
1)

Costing
Accounting

Person
Working
Status

SUMMARY

Reconciliation Statement



Expenses

- D - donation
- I - Income tax
- W - Written off preliminary
- A - Appropriation div of reserve
- L - loss by theft fire
- I - Insurance, Cash dis, Bad debt

National Cost

- D: Dep (C)
- O: OH (A)
- S: stock (V)
- O: Other (R)

Incomes

- divorce +
- Income rec
- Tut rec
- Rent rec
- Comm rec -

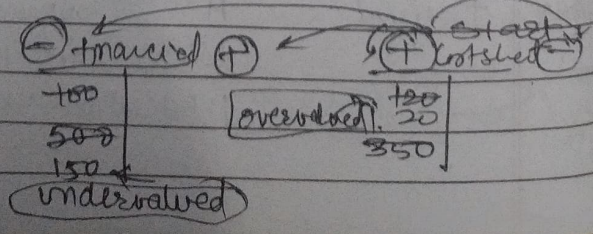
Costing Profit

Cost sheet (Cost sheet)

Financial Profit

Financial Profit

Working Note



* Starting Point (Profit) Reconciliation Statement * Starting Point (Loss)

NP (Finance)	100	NL (Costing)	(50)
+ (Costing)	+ 50	+	70
	150		20
-	(20)	-	(30)
NP (Finance)	130	NL (Finance)	(10)

Memorandum Reconciliation Account

Particulars	₹	Particulars	₹
By (⊖)	20	By Net Profit [Costing]	100
By NP (Finance)	130	By (+)	50
	150		150

P&L a/c.

By (⊖)	xx	By Gross Profit	xx
		By (+)	xx
By Net Profit	xx		
	xx		xx

Memorandum Reconciliation Account

Particulars	₹	Particulars	₹
By NL (Costing)	70	By (+)	70
By (⊖)	30		
	80	By NL (Finance)	10
			80

Cost Accounting System

Board Student

Cost Accounting System

Non-Integrated Accounts
(Not combined / Separated)

Integrated Accounts
(Combined)

Financial a/c

Cost a/c

Financial & Cost a/c
are combined

company
Financial Profit

product
Costing Profit

Only one Profit

Difference in
Points

Reconciliation Statement
Is Prepared

No Reconciliation St.
Is Prepared.

OVERVIEW OF Chapter

- ① Non Integrated a/c
- ② Integrated a/c
- ③ Reconciliation Statement

Example:

~~Process~~

~~cost integrated~~

A/c open

1. No

A

①

②

③

④

⑤

⑥

⑦

⑧

⑨

⑩

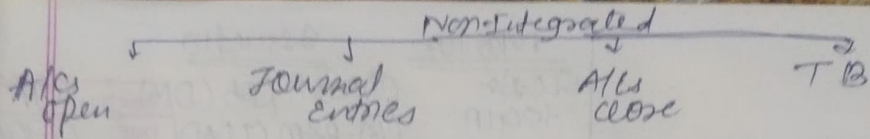
⑪

Exo

① Gro

② Gro

Budget
 Pankaj
 10/10/20



1. Non-Integrated a/c.

Also to be prepared :-

Because objective to control cost

- ① Direct Material : Store Ledger Control a/c (SLC)
- ② Direct Labour : Wage control a/c (WC)
- ③ Factory OH : Factory OH Control a/c
- ④ Office & Admin OH : O&A OH Control a/c (related to prodⁿ)
- ⑤ Selling & dist OH : S&D OH Control a/c
- ⑥ WIP : WIP control a/c
- ⑦ FG : FG control a/c
- ⑧ Cost of Sales : Cost of sales a/c
- ⑨ Sales : Sales a/c
- ⑩ Profit/Loss : Costing P&L a/c

⑪ General Ledger Adjustment a/c [GLA] (CP)
 Cost Ledger Adjustment (control) a/c [CLA] (CP)

} Dummy a/c
complete double entry

Examples:

- | | |
|-----------------------------|-----------------------|
| Finance | Cost (non-Integrated) |
| ① Goods sold on credit | |
| Debitors Dr | CLA a/c Dr |
| to Sales | to Sales |
| ② Goods Purchased on credit | |
| Purchase a/c Dr | SLC Dr |
| to Debtors | to CLA |

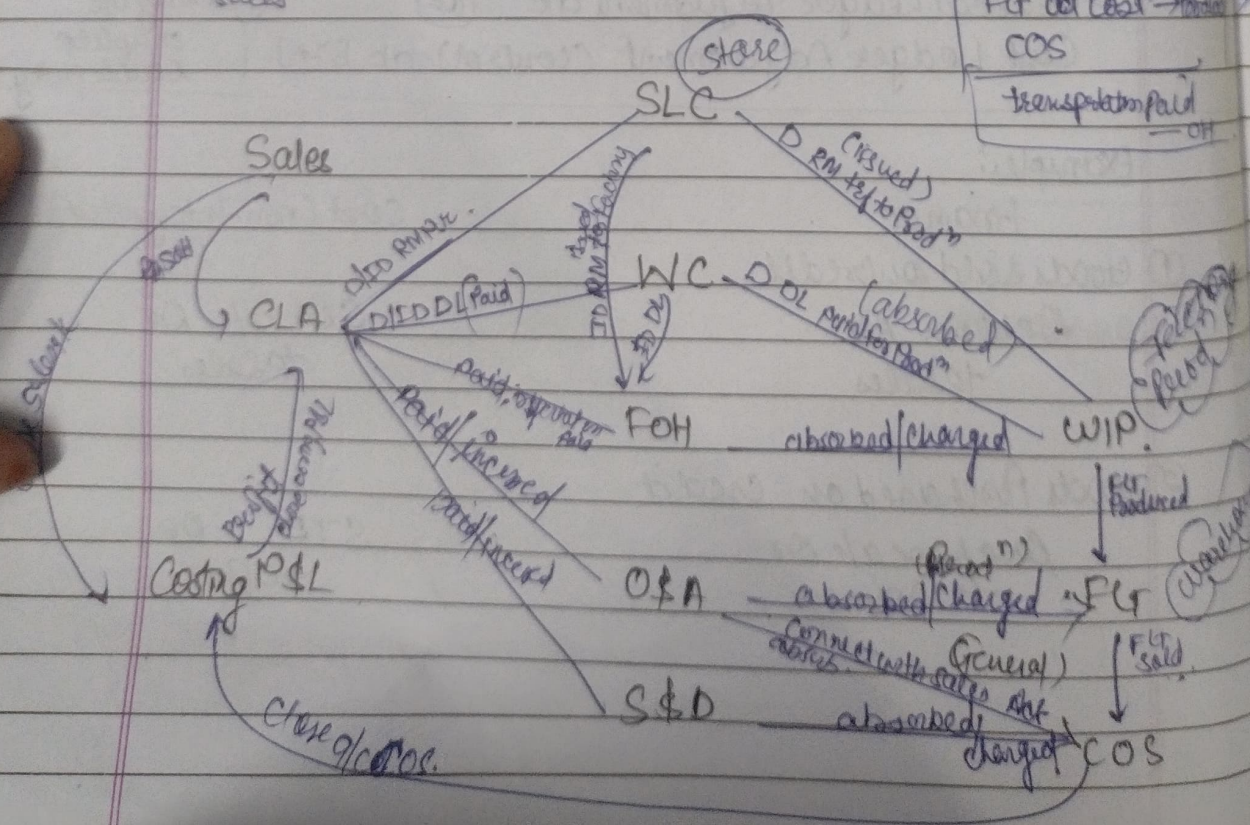
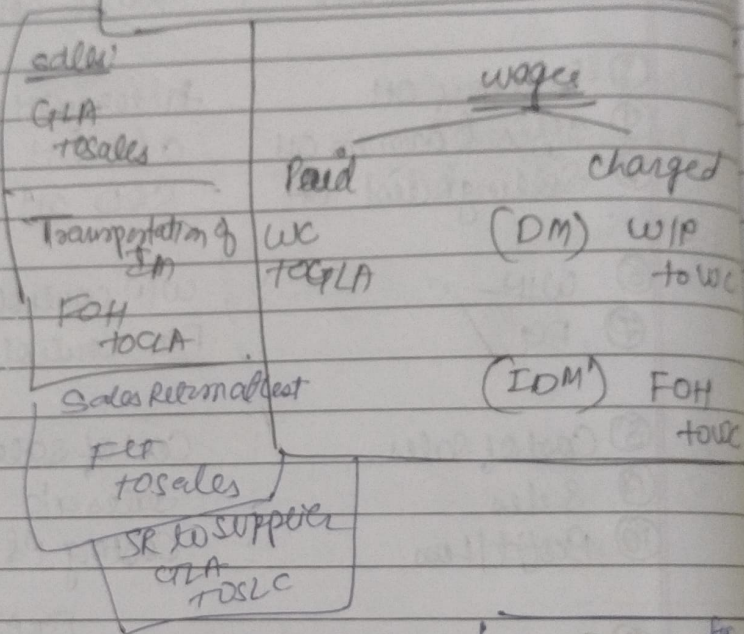
Direct Mat
 Direct Lab
 Direct Exp
 Bemo Cost
 + FOH
 Cost FC
 + OPWIP
 - CWIP
 Cost FC / WC
 + GRAP (Admin)
 - Scrap
 COP
 + OPLR
 - UPLR
 COLS
 + O&A OH
 + S&D OH (Admin)
 COSTC
 + Profit
 Sales

Mat Rec
 SLC
 + O&A
 + S&D
 + Profit
 Sales

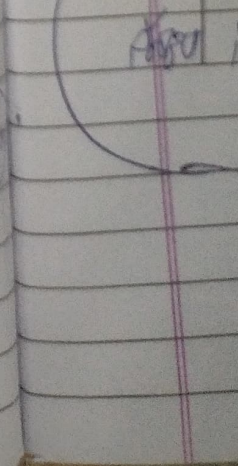
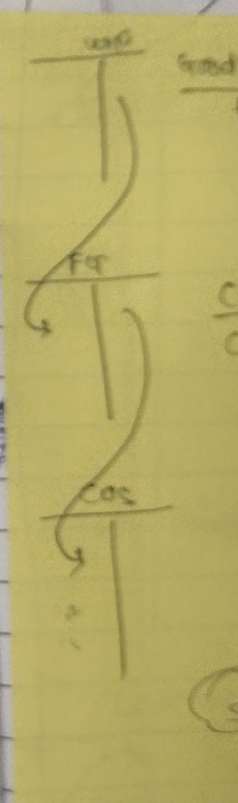
Issued to
 (a) BWP / Job (DM)
 (b) RBM (IDM)
 (c) O&A
 (d) S&D
 (e) Return

WIP
 FOH
 O&A
 S&D
 CLA

+ O&A
 + S&D
 + Profit
 Sales



Paid / incurred
 OH
 + O&A
 Is silent
 paid-absorbed



Cost. Chg. Negating System.

Board side of

Entries :-

① RM purchased
SLC
to CLA

④ Direct RM Issued (Prod)
WIP
to SLC

⑤ Indirect RM Issued
FOH
to SLC

② Wages Paid

③ RM returned to Supplier
CLA
to SLC

⑥ Direct wages
to CLA

⑦ Indirect Wages
to CLA

④ RM returned to store
SLC
to WIP

WIP
to wages

FOH
to wages

③ FOH paid
FOH
to CLA

WIP
to FOH

④ O&A paid (related to Prod)
O&A
to CLA

FOH
to O&A

⑤ S&D paid
S&D
to CLA

COS
to S&D OH.

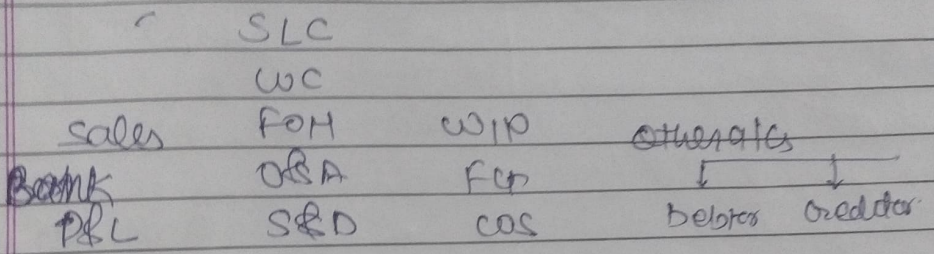
* Sales

CLA
to sales

sales
to costing P&L.

2. Integrated glce

Cost Ledger adjustment ak (CLA) will not be prepared instead specific a/cs will be prepared.



Trial Bal.		
Particulars	Dr	Cre.
SLC	✓	
WIP	✓	
FGT		✓
GLA	✓	✓
FOH (if any)		