10/7/25. Chapter 7 :- Cost Accounting Systems

Non- Integrated Accounting System

It is a system of accounting under which separate ledgers are maintained for both cost & financial accounts. It is also known as cost ledger accounting system. This system the cost accounts restrict itself to recording only those transactions which relate to product / service being supplied. Items of exps which are related to sales, prodn (or) other matters of factory mgt are the ones dealt with in such accounts. This leads to exclusion of certain exps like interest, bad debts & revenue / income from other than the sale of product / service. [Items of accounts which are excluded are represented by an account known as cost ledger control A/c]

Cost & financial transactions are kept separately, the system is called Non- integrated Accounting system.

The important ledgers to be maintained under Non- integrated accounting system in cost accounting are the followings

a) Cost ledger b) Stores ledger c) WIP ledger d) FG ledger

Principle Accounts.

- Cost ledger control A/c →
  - Known as General ledger adjustment A/c.
  - All items of expn credited to this A/c.
  - Sales → debited, net profit / Loss from costing P&L A/c transferred to this A/c.
  - balance in this A/c at the end of particular period
- Stores ledger Control A/c →
  - This A/c debited for purchase of material & credited for issue of materials from stores.
  - balance indicates total balance of all individual stores A/c
  - Abnormal losses / Gains (if any) in this A/c are $\xrightarrow{\text{trans}}$ to costing P&L A/c.
- Wages control A/c →
  - This A/c → debited with total wages paid (Direct & indirect)
  - Direct wages further transferred to WIP control A/c & indirect wages to prodn overhead; Admin. overhead/ S&D overhead control A/cs
  - Wages paid for abnormal idle time are → to costing P&L A/c either directly / through abnormal loss A/c.

manufacturing / prodⁿ / works / factory overhead control A/c →	- This A/c → debited with indirect costs of prodⁿ such as indirect material, employee, exps. Overhead recovered (absorbed) is credited to this A/c. - Diff b/w overhead incurred & overhead recovered trans → to Overheads Adjustment A/c.
WIP control A/c →	- This A/c → debited with total cost of prodⁿ, which includes - direct materials, employee, exps, prodⁿ OH recovered & is credited with amt of FG completed & transferred. - balance → represents total balances of jobs / WIP, as shown by several job A/c's
Administrative Overhead control A/c →	- This A/c → debited with overheads incurred & credited with overhead recovered. Overhead recovered are debited to FG control A/c. - if admin. overhead is related with prodⁿ activities otherwise to ~~cof~~ cost of sales A/c. - The diff b/w admin overheads incurred & recovered is transferred to overhead adjustment A/c
Finished Goods control A/cs	- This A/c is debited with the value of goods → from WIP control A/c & admn costs recovered (if relates to prodⁿ activities). - This A/c → credited with COS A/c. - Balance → value of goods unsold at end of the period
Selling and Distribution Overhead control A/c →	- This A/c → debited with S&D OH incurred & credited with S&D OH recovered. - Diff b/w OH's incurred & recovered → to OH adjustment A/c.
Cost of Sales A/c →	- This A/c → debited with cost of FG → from FG control A/c for sale, General admn. OH recovered, S&D OH recovered. - balance → to Sales A/c (or) costing P&L A/c.
costing P&L A/c →	- Debited with COS, under-absorbed OH's & Abnormal losses & is credited with sales value, over-absorbed OH & abnormal Gains. - net profit / Loss → to cost ledger control A/c.

Overhead Adjustment A/c →	- debited for under-recovery of overhead & credited with over recovery of overhead amt.	
	- net balance → to costing P&L A/c.	

Integrated Accounting System.

Cost and financial accounts are kept in same set of books. Obviously, then there will be no separate set of books for costing and financial records. It provide / meet out fully info. requirement for costing as well as for final acounts.

For costing it provides info. useful for ascertaining the cost of each product, job, process & operation of any other identifiable activity & for carrying necessary analysis.

This system provides relevant info. which is necessary for preparing P&L A/c and balance sheet.

Summary table

Aspects	cost transactions	financial transaction
• Focus	Product (or) Service	Overall business (financial position)
• Used in	Cost Accounting	financial accounting
• Examples	material used, labour, factory cost	Interest, taxes, capital, FA purchase
• Output used for	Cost control, pricing, decision-making	Legal reporting, tax filing, investor reports.

Comparison table

Feature	Non-integrated	Integrated
• Books maintained	Two sets (fin + cost)	one set (combined)
• Duplication of work	Yes	No
• Reconciliation needed?	Yes	No
• Ledgers used	Cost ledger + fin. Ledger	one → General ledger
• Control Accounts	Many	Fewer (or) none
• Complexity	More complex	simpler
• Suitable for	Large firms needing detailed costing	Small / medium firms (or) ERP users
• examples of control accounts	stores ledger control, WIP control	All handled within General ledger.

Model Journal Entries

Transactions	Integrated	Non-integrated
1. Material purchased ₹100, out of 60% on credit	SLC A/c (purch) Dr 100 To C/B A/c 40 To Sun. Cr 60	SLC A/c Dr 100 To CLC 100
* 2 Direct wages = ₹200, Indirect wages = ₹60	LCC A/c Dr 260 To cash/Bank 260	LCC A/c Dr 260 To CLC A/c 260
3. Prodn OH - ₹180, Admin. OH = ₹210, S&D OH = ₹175 (OH incurred)	Prodn OHC A/c Dr 180 Adm OHC A/c Dr 210 S&D OHC A/c Dr 175 To Cash/Bank 565	To CLC A/c 565
4. Material consumed/issued for prodn ₹90	WIP C A/c Dr 90 To SLC 90	WIP C A/c Dr 90 To SLS 90
5. Material issued for repair ₹6 (indirect.m)	Prodn OH C A/c Dr 6 To SLC 6	Prodn OH C A/c Dr 6 To SLC A/c 6
* 6. charging DW/IW	WIP C A/c Dr 200 Prodn OH C A/c Dr 60 To LCC A/c 260	WIP C A/c Dr 200 Prodn OHC Dr 60 To LCC 260
7. OH charged prodn ₹162, Admin ₹240, S&D ₹160	WIP C A/c Dr 162 To POC 162 FGC A/c Dr 240 To AOC A/c 240 COS A/c Dr 160 To S&DC 160	WIP C A/c Dr 162 To POC 162 FGC A/c Dr 240 To AOC 240 COS A/c Dr 160 To S&DC 160
8. FG produced/Cost of Goods produced ₹450	FGC A/c Dr 450 To WIPC A/c 450	FGC A/c Dr 450 To WIP A/c 450
9. Cost of goods sold ₹550	COS A/c Dr 550 To FGC A/c 550	COS A/c Dr 550 To FGC A/c 550
10. Sales ₹1000, out of 50% on credit	Debtors A/c Dr 500 C/B A/c Dr 500 To Cost P&L A/c (Sales) 1000	CLC A/c (Sales) Dr 1000 To Cost P&L (Trading P&L) 1000

I-1 Journal Entries

	Particulars		Debit (₹)	Credit (₹)
1	Finished goods ledger control A/c	Dr	2,10,835	-
	To WIP control A/c		-	2,10,835
2	Manufacturing OH control A/c	Dr	91,510	-
	To Cost ledger control A/c		-	91,510
3	Stores ledger control A/c	Dr	1,23,000	-
	To Cost ledger control A/c		-	1,23,000
4.	i. Wage control A/c	Dr	72,195	-
	To Cost ledger control A/c		-	72,195
	ii. WIP control A/c	Dr	50,530	-
	To wages control A/c		-	50,530
	iii. Manufacturing OH control A/c	Dr	21,665	-
	To wages control A/c		-	21,665
5	Cost of sales A/c	Dr	1,85,890	-
	To FG control A/c		-	1,85,890
6.	WIP control A/c	Dr	1,27,315	-
	To Stores ledger control A/c		-	1,27,315
7.	FG control A/c	Dr	5,380	-
	To cost of sales A/c		-	5,380
8.	Cost ledger control A/c	Dr	2,900	-
	To stores ledger control A/c		-	2,900
9.	WIP control A/c	Dr	77,200	-
	To manufacturing OH control A/c		-	77,200

Cost Ledgers

Finished goods ledger control A/c

To bal b/d	2,51,945	By cost of sales A/c	1,85,890
To WIP control A/c	2,10,835	By bal c/d (bal)	2,82,270
To cost of sales A/c	5,380		
	4,68,160		4,68,160

Manufacturing OH Control A/c

To cost ledger control A/c	91,510	By bal b/d	10,525
To wages control A/c	21,665	By WIP control A/c	77,200
		By bal c/d (bal)	25,450
	1,13,175		1,13,175

WIP Control A/c

To bal b/d	1,22,365	By FG ledger control A/c	2,10,835
To wages control A/c	50,530	By bal c/d (bal)	1,66,575
To stores ledger control A/c	1,27,315		
To manufacturing OH control A/c	77,200		
	3,77,410		3,77,410

Cost ledger Control A/c

To stores ledger control A/c	2,900	By bal b/d	6,65,220
To bal c/d (bal).	9,49,025	By manu. OH control A/c	91,510
		By stores ledger control A/c	1,23,000
		By wages control A/c	72,195
	9,51,925		9,51,925

Stores ledger Control A/c

To bal b/d	3,01,435	By WIP control A/c	1,27,315
To cost ledger control A/c	1,23,000	By cost ledger control A/c	2,900
		By bal c/d (bal)	2,94,220
	4,24,435		4,24,435

Wages Control A/c

To cost ledger control A/c	72,195	By WIP control A/c	50,530
		By manufacturing OH control A/c	21,665
	72,195		72,195

Cost of Sales A/c

To FG Control A/c	1,85,890	By FG control A/c (return)	5,380
		By bal c/d (bal)	1,80,510
	1,85,890		1,85,890

Trial Balance

	Debit (₹)	Credit (₹)
FG. ledger control A/c	2,82,270	
Manufacturing OH control A/c	25,450	
WIP control A/c	1,66,575	
Stores ledger control A/c	2,94,220.	
cost of sales A/c	1,80,510	
Cost ledger Control A/c		9,49,025
	9,49,025	9,49,025

I-2. Journal Entries

	Particulars		Debit (₹)	Credit (₹)
1	Material control A/c	Dr	4,80,100	-
	To cost ledger control A/c		-	4,80,100
2	WIP control A/c	Dr	4,77,400	-
	To material control A/c		-	4,77,400
3	Prodn OH C A/c	Dr	41,200	-
	To material control A/c		-	41,200
4	Admin. OH C A/c	Dr	3,400	-
	To material control A/c		-	3,400
5	S&D OH control A/c	Dr	7,200	-
	To material control A/c		-	7,200
6	i. Wages control A/c	Dr	2,14,300	-
	To GLC A/c		-	2,14,300
	ii WIP control A/c	Dr	1,49,300	-
	To wages control A/c		-	1,49,300
	iii. Prodn OH C A/c	Dr	65,000	-
	To wages control A/c		-	65,000
7.	Prodn OH C A/c	Dr	8,400	-
	To GLC A/c		-	8,400
8.	Prodn OH C A/c	Dr	2,42,250	-
	To GLC A/c		-	2,42,250
9	WIP control A/c	Dr	3,59,100	-
	To Prodn OH C A/c		-	3,59,100
10	Admin. OH C A/c	Dr	74,000	-
	To GLC A/c		-	74,000
11.	FG control A/c	Dr	52,900	-
	To Admin. OH control A/c		-	52,900
12	COS A/c	Dr	14,800	-
	To Admin. OH control A/c		-	14,800
13	S&D OH C A/c	Dr	64,200	-
	To GLC A/c		-	64,200
14	COS A/c	Dr	82,000	-
	To S&D OH C A/c		-	82,000
15	FG control A/c	Dr	9,58,400	-
	To WIP control A/c		-	9,58,400
16.	COS A/c	Dr	9,77,300	-
	To FG control A/c		-	9,77,300

17	CLC A/c ... Dr	14,43,000	-
	To costing P&L A/c	-	14,43,000

Cost ledger

Material control A/c

To bal b/d	1,24,000	By WIP control A/c	4,77,400
To CLC A/c	4,80,100	By prodⁿ OH C A/c	41,200
		By Admin. OH C A/c	3,400
		By S&D OH control A/c	7,200
		By bal c/d (bal)	74,900
	6,04,100		6,04,100

Cost ledger Control A/c.

To costing P&L A/c	14,43,000	By bal b/d	3,13,150
To bal c/d (bal)	3,22,300	By material control A/c	4,80,100
		By wages control A/c	2,14,300
		By prodⁿ OH C A/c	8,400
		By " "	2,42,250
		By Admin. OH C A/c	74,000
		By S&D OH C A/c	64,200
		By costing P&L A/c	3,68,900
	17,65,300		17,65,300

WIP control A/c

To bal b/d	62,500	By FG control A/c	9,58,400
To material control A/c	4,77,400	By bal c/d (bal)	89,900
To wages control A/c	1,49,300		
To prodⁿ. OH C A/c	3,59,100		
	10,48,300		10,48,300

Production OH control A/c.

To bal b/d	8,400	By WIP control A/c	3,59,100
To material control A/c	41,200	By bal c/d (bal)	6,150
To wages control A/c.	65,000		
To CLC A/c	8,400		
To CLC A/c	2,42,250		
	3,65,250		3,65,250

Wages Control A/c

To CLC A/c	2,14,300	By WIP Control A/c	1,49,300
		By prodⁿ OH C A/c	65,000
	2,14,300		2,14,300

Administration OH Control A/c.

To material control A/c	3,400	By bal b/d	12,000
To GLC A/c	74,000	By FG control A/c	52,900
To bal c/d (bal)	2,300	By COS A/c	14,800
	79,700		79,700

S&D OH control A/c

To bal b/d	6,250	By COS A/c	82,000
To material control A/c	7,200		
To GLC A/c	64,200		
To bal c/d (bal)	4,350		
	82,000		82,000

Cost of Sales A/c.

To Admin. OH C A/c	14,800	By bal c/d (bal)	10,74,100
To S&D OH C A/c	82,000		
To FG control A/c	9,77,300		
	10,74,100		10,74,100

Costing P&L A/c:-

To COS A/c	10,74,100	By GLC A/c	14,43,000
To GLC A/c (bal)	3,68,900		
	14,43,000		14,43,000

Trial Balance

	Debit (₹)	Credit (₹)
Material Control A/c	74,900	
WIP control A/c	89,900	
Prod^n OH C A/c	6,150	
Cost of ledger control A/c		3,22,300
Admin. OH Control A/c		2,300
S&D OH C A/c		4,350
FG C A/c	1,58,000	
	3,28,950	3,28,950.

Finished Goods Control A/c

To bal b/d	1,24,000	By COS A/c	9,77,300
To Admin. OH A/c.	52,900	By bal c/d (bal)	1,58,000
To WIP control A/c	9,58,400		
	11,35,300		

I-3. Journal Entries

	Particulars		Dr (₹)	Cr (₹).
1	SLC A/c To Sundry Cr's / Bank A/c	Dr	2,00,000 -	- 2,00,000
2	WIP control A/c To SLC A/c	Dr	1,50,000 -	- 1,50,000
3.	wages Control A/c To Bank A/c	Dr	120,000 -	- 120,000
4.	Factory OH C A/c To wages control A/c	Dr	36,000 -	- 36,000
5	WIP Control A/c To wages control A/c	Dr	84,000 -	- 84,000
6	factory OH control A/c To Bank A/c	Dr	84,000 -	- 84,000
7.	WIP control A/c To factory OH C A/c	Dr	92,000 -	- 92,000.
8.	S&D OH control A/c To Bank A/c	Dr	20,000 -	- 20,000
9.	FG C A/c To WIP C A/c	Dr	2,00,000 -	- 2,00,000
10.	COS A/c To S&D OH C A/c To FG C A/c	Dr	2,20,000 - -	- 20,000 2,00,000
11.	Sundry Dr's / Bank A/c To sales A/c	Dr	2,90,000 -	- 2,90,000
12	Bank A/c To Sundry Dr's A/c	Dr	69,000 -	- 69,000
13	Sundry Cr's A/c To Bank A/c	Dr	1,10,000 -	- 1,10,000

I-4. Journal Entries

	Particulars		Dr (₹)	Cr (₹)
1	SLC A/c	Dr	75,000	-
	To Sundry Cr's /Bank A/c		-	75,000
2	WIP C A/c	Dr	30,000	-
	To SLC A/c		-	30,000
3	Prodn OH C A/c	Dr	4,000	-
	To SLC A/c		-	4,000
4	Wages control A/c	Dr	30,000	-
	To Bank A/c /CLC A/c		-	30,000
	WIP control A/c	Dr	25,000	-
	To wages control A/c		-	25,000
	Prodn OH C A/c	Dr	5,000	-
	To wages C A/c		-	5,000
5	WIP C A/c	Dr	20,000	-
	To wages control A/c		-	20,000
6	Prodn OH C A/c	Dr	5,000	-
	To wages C A/c		-	5,000
7	S&D OH C A/c	Dr	6,000	-
	To Bank A/c		-	6,000
8	Prodn OH C A/c	Dr	12,000	-
	To Bank A/c		-	12,000
9	Sundry Dr's A/c	Dr	1,00,000	-
	To Sales A/c		-	1,00,000
10	COGS A/c	Dr	80,000	-
	To FG C A/c		-	80,000
11	FG C A/c	Dr	65,000	-
	To WIP C A/c		-	65,000

Cash ledgers

a) Stores leger Control A/c

To bal b/d	25,000	By WIP C A/c	30,000
To Cr's / Bank A/c	75,000	By prodn OH C A/c	4,000
		By bal c/d (bal)	66,000
	1,00,000		1,00,000

b) Work-in process control A/c

To bal b/d	20,000	By WIP C A/c	65,000
To SLC A/c	30,000	By bal c/d	40,000
To ~~wages C A/c~~ Costing P&L A/c (bal)	5,000		
	20,000		
To " "	30,000		
To Prodn OH C A/c			
	1,05,000		1,05,000

c) Finished Goods Control A/c

To bal b/d	35,000	By COGS A/c	80,000
To WIP C A/c	65,000	By bal c/d (bal)	20,000
	1,00,000		1,00,000

d) Prodn OH Control A/c

To bal b/d (prepaid)	3,000	By WIP C A/c (20,000 x 150%)	30,000
To SLC A/c	4,000		
To wages C A/c	5,000		
To " "	5,000		
To Bank A/c	12,000		
To costing P&L A/c (bal)	1,000		
	30,000		30,000

e) Costing P&L A/c

To COGS A/c	80,000	By prodn OH C A/c	1,000
To S&D OH A/c	6,000	By Sales	1,00,000
To bal c/d	20,000	By WIP C A/c	5,000
	1,06,000		1,06,000

I-5. Cost ledger of the company.

Payables (Creditors) A/c

To bal c/d	19,200	By bal b/d	16,400
To bank A/c	89,200	By Material control A/c (Purchases) (bal)	92,000
	1,08,400		1,08,400

Manufacturing overheads Control A/c

To bank A/c (Amt spent)	29,600	By WIP C A/c (7000hrs x ₹4)	28,000
		By bal c/d (bal)	1,600
	29,600		29,600

Work-in-process Control A/c

To bal b/d	9,200	By FG C A/c	1,51,000
To mano. OH C A/c	28,000	By bal c/d	
To wages C A/c (7000hrs X ₹10)	70,000	• materials	5,000
To material control A/c (bal)	53,000	• wages (300x10)	3000
		• OH (300x4)	1200
	1,60,200		1,60,200

Finished Goods Control A/c

To bal b/d	24,000	By COS A/c (bal)	1,45,000
To WIP C A/c	1,51,000	By bal c/d	30,000
	1,75,000		1,75,000

Materials control A/c.

To bal b/d	32,000	By WIP C A/c	53,000
To payable (cr's) A/c	92,000	By bal c/d	71,000
	1,24,000		1,24,000

I-6
15/4/25

Profit and Loss Account of ABC manufacturing co. Ltd (for the year ended 31st march)

Particulars	₹	Particulars	₹
To opening stock	-	By sales (20,000u)	25,00,000
To materials	10,00,000	By closing stock	
To wages	5,00,000	WIP	70,000
To factory OH	4,50,000	FG (1230u)	1,50,000
To Admin. OH	2,60,000		
To S&D OH	1,80,000		
To Goodwill writtenoff	2,00,000		
To int. on loan	20,000		
To net profit (bal)	1,10,000		
	27,20,000		27,20,000

Cost Sheet

Particulars	₹
Materials	10,00,000
Wages	5,00,000
Expenses	-
Prime cost →	15,00,000

Add:- Factory overhead (100% of wages)	5,00,000
Gross factory cost →	20,00,000
Less:- closing WIP	(70,000)
Factory cost →	19,30,000
Add:- Administration overhead (10% of fc)	1,93,000
	21,23,000
Less:- closing FG $\left(21,23,000 \times \frac{1230u}{21,230u}\right)$	(1,23,000)
Cost of Goods sold →	20,00,000
Add:- Selling & Distribution overhead (₹ 10/sold)	2,00,000
cost of sales (20,000u) →	22,00,000
Add:- Profit (bal)	3,00,000
sales	25,00,000

Reconciliation Statement

Profit as per Cost Accounts		3,00,000
Add:- Overcharges in cost Accounts		
• Factory overheads (5,00,000 − 4,50,000)	50,000	
• S&D overheads (2,00,000 − 1,80,000)	20,000	
• Difference in the value of closing FG (1,50,000 − 1,23,000)	27,000	97,000
Less:- Under absorption in cost A/cs		
• Admin. OH (2,60,000 − 1,93,000)	67,000	
Less:- Exps recorded only in fin. A/cs		
• Goodwill writtenoff	2,00,000	
• Int. on loan	20,000	(2,87,000)
Profit as per financial Accounts		1,10,000

I-7

Cost ledgers.

Stores Ledger Control A/c.

To bal b/d	15,000	By WIP C A/c (issue)	80,000
To Purchases	80,000	By OH C A/c	10,000
To WIP C A/c	40,000	By sold at cost	5,000
		By OH C A/c (shortage)	3,000
		By bal c/d (bal)	37,000
	1,35,000		1,35,000

Wages Control A/c

To GLC A/c	35,000	By WIPC A/c	30,000
		By OH C A/c	5,000
	35,000		35,000

Overhead Control A/c

To wages C A/c	5,000	By WIP C A/c	1,20,000
To SLC A/c	10,000	By bal c/d (bal)	23,000
To SLC A/c	3,000		
To GLC A/c	1,25,000		
	1,43,000		1,43,000

Work-in-Process Control A/c

To bal b/d	30,000	By SLC A/c	40,000
To wages control A/c	30,000	By FG C A/c (bal)	2,00,000
To OH control A/c	1,20,000	By bal c/d	20,000
To SLC A/c	80,000		
	2,60,000		2,60,000

Profit & Loss A/c.

To opening bal	15,000	By sales	5,000
To purchases	50,000	Sales (2L+10%)	2,80,000
To opening WIP	30,000	By closing WIP	20,000
To wages	35,000	By closing bal.	37,000
To OH exps	1,25,000	By net loss	3,000
	2,82,000		2,82,000

Cost Sheet Statement

Direct material (80,000 - 40,000)		40,000
Direct wages		30,000
	Prime cost ->	70,000
Add:- Production OH		1,20,000
	Works cost ->	1,90,000
Add:- Opening WIP		30,000
Less:- closing WIP		(20,000)
	cost of sale ->	2,00,000
Profit (2,00,000 X 10%)		20,000
Sales		2,20,000

Reconciliation Statement

Loss as per financial accounts	(3,000)
Add:- over absorption of overheads	23,000
Profit as per cost accounts	20,000

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Profit and Loss Account
(as per financial records)

To opening m.	50,00,000	By sales	1,20,00,000
To D. wages	30,00,000	By closing balance	
To factory overheads	16,00,000	- F.G	3,20,000
To Gross profit (bal)	29,60,000	- WIP	2,40,000
	1,25,60,000		1,25,60,000
To General admin. OH's	7,00,000	By Gross profit	29,60,000
To S&D OH	9,60,000	By Dividend recd	1,00,000
To BD	80,000	By Int. recd	20,000
To Preliminary Exps wo	40,000		
To legal charges	10,000		
To net profit (bal)	12,90,000		
	30,80,000		30,80,000

Cost Sheet Statement

Direct material	56,00,000
Direct wages	30,00,000
Prime cost ->	86,00,000
Add:- Factory overhead (20% on PC)	17,20,000
	1,03,20,000
Less:- closing F.G	(2,40,000)
work cost ->	1,00,80,000
Less:- F.G $\left(10080000 \times \frac{4000u}{124000u}\right)$	(3,25,161)
Cost of goods sold ->	97,54,839
Add:- Admin. OH (120000×6)	7,20,000
S&D OH (120000×8)	9,60,000
cost of sales ->	1,14,34,839
Profit	56,5161
Sales	1,20,00,000

Reconciliation Statement

Profit as per cost Accounts		5,65,161
Add:- Excess in material (56,00,000 - 50,00,000)	6,00,000	
Over absorption of factory OH (17,20,000 - 16,00,000)	1,20,000	
General admin. OH (7,20,000 - 7,00,000)	20,000	
Dividend recd	1,00,000	
Int. recd	20,000	8,60,000
Less:- BD	80,000	
Preliminary exps	40,000	
legal charges	10,000	
over valuation in FG (3,25,161 - 3,20,000)	5,161	(1,35,161)
Profit as per financial records		12,90,000

Practical Problems.

1. a) Materials purchased during Oct, 2022

Payment made to creditors	=	1,05,000
Add:- Cl. bal in the A/c of creditors for purchases	=	15,000
Less:- op. bal	=	(30,000)
material purchased →		90,000

b) Cost of Goods completed in Oct, 2022

Cost of Goods sold	=	1,95,000
Add:- cl. bal of F.G	=	66,000
Less:- op. bal of F.G	=	(75,000)
		1,86,000

c) Overheads applied to production in Oct, 2022

$= 28,200 \times 1.5 = 42,300$.

Working note:- overhead rate $= \frac{\text{Budgeted Overheads}}{\text{Direct Labour hrs}} = \frac{6,75,000}{4,50,000} = 1.5$.

d) Balance of WIP Control A/c on 31/10/2022

Direct material cost	=	6,000
" Labour "	=	3000
Overheads (₹1.5 × 1200 hrs)	=	1800
		10,800

e) Direct materials consumed during Oct, 2022

working note :- Direct wage rate per hour

$$= \frac{\text{Direct Labour cost on WIP}}{\text{Direct Labour hours on WIP}} = \frac{3000}{1200} = 2.5$$

• Total D.W charged to production = Total D.W hours spent on prdⁿ × DW rate per hour

= 28,200 × 2.5 = 70,500.

Work-in-process control A/c

To bal b/d	6,000	By FG C A/c (refer b)	1,86,000
To wages control A/c (refer above WN)	70,500	By bal c/d (refer d)	10,800
To factory OH C A/c (refer c)	42,300		
To material consumed (bal)	78,000		
	1,96,800		1,96,800

Direct material consumed = 78,000

f) Balance of stores Ledger Control A/c on 31/10/2022

To bal b/d	54,000	By WIP C A/c (refer e)	78,000
To material purchased (refer a)	90,000	By bal c/d (bal)	66,000
	1,44,000		1,44,000

g) Over-absorbed (or) under absorbed overheads for Oct, 2022

factory overheads control A/c

To bank A/c	45,000	By WIP C A/c (refer e)	42,300
		By costing P&L A/c (under absorbed)	27,00
	45,000		45,000

Absored OHS < Actual OHs => under absorption

42,300 < 45,000 => 2700

2 Journal Entries

	Particulars		Debit (₹)	Credit (₹)
1.	SLC A/c	Dr	40,00,000	-
	To GLC A/c		-	40,00,000
2.	WIP A/c	Dr	50,00,000	-
	To SLC A/c		-	50,00,000
3.	Work control A/c	Dr	6,00,000	-
	To SLC A/c		-	6,00,000
4.	Building construction A/c	Dr	4,00,000	-
	To SLC A/c		-	4,00,000
5.	Wages control A/c	Dr	1,50,00,000	-
	To GLC A/c		-	1,50,00,000
	WIP C A/c	Dr	1,00,00,000	-
	To wages control A/c		-	1,00,00,000
	Works OH C A/c	Dr	40,00,000	-
	To wages control A/c		-	40,00,000
6.	Building construction A/c	Dr	10,00,000	-
	To wages control A/c		-	10,00,000
7.	Works OH C A/c	Dr	1,60,00,000	-
	To GLC A/c		-	1,60,00,000
8	Building construction A/c	Dr	20,00,000	-
	To Works OH C A/c		-	20,00,000
9.	Costing P&L A/c	Dr	8,00,000	-
	To Works OH C A/c		-	8,00,000
10.	WIP C A/c	Dr	5,00,000	-
	To Royalty A/c		-	5,00,000
11	COS A/c	Dr	25,00,000	-
	To S, D & Admin OH A/c		-	25,00,000
12	Sales A/c / GLC A/c	Dr	450,00,000	-
	To Costing P&L A/c		-	4,50,00,000
13.	COGS A/c	Dr	3,60,00,000	-
	To FG C A/c		-	3,60,00,000
14.	Royalty A/c	Dr	5,00,000	-
	To GLC A/c		-	5,00,000
15	S, D & Admin OH A/c	Dr	25,00,000	-
	To GLC A/c		-	25,00,000

Cost ledgers

Store ledger control A/c

To bal b/d	80,00,000	By WIP C A/c	50,00,000
To CLC A/c	40,00,000	By work OH C A/c	6,00,000
		By Building construction A/c	4,00,000
		~~By wages C A/c~~	~~1,90,00,000~~
		By bal c/d	55,00,000
		By works OH C A/c (bal)	5,00,000
	1,20,00,000		1,20,00,000

Cost ledger Control A/c

To costing P&L A/c	4,50,00,000	By bal b/d	5,40,00,000
To Building construction A/c	44,00,000	By SLC A/c	40,00,000
To bal c/d (bal)	4,83,00,000	By wages C A/c	1,50,00,000
		By works OH C A/c	1,60,00,000
		By Royalty A/c	5,00,000
		By S, D & Adm OH A/c	25,00,000
		By costing P&L A/c	57,00,000
	9,77,00,000		9,77,00,000

costing P&L A/c

To works OH C A/c	8,00,000	By Sales / CLC A/c	4,50,00,000
To cost of sales A/c	3,85,00,000		
To CLC A/c (bal)	57,00,000		
	4,50,00,000		4,50,00,000

Cost of Sales A/c

To COGS	3,60,00,000	By Costing P&L A/c	3,85,00,000
To S, D & Adm OH A/c	25,00,000		
	3,85,00,000		3,85,00,000

Cost of Goods Sold A/c

To FG C A/c	3,60,00,000	By COS A/c	3,60,00,000
	3,60,00,000		3,60,00,000

S, D & Admin OH A/c

To CLC A/c	25,00,000	By COS A/c	25,00,000
	25,00,000		25,00,000

Building construction A/c

To bal b/d	10,00,000	By CLC A/c (bal)	44,00,000
To SLC A/c	4,00,000		
To wages c A/c	10,00,000		
To works OH C A/c	20,00,000		
	44,00,000		44,00,000

Wages Control A/c

To CLC A/c	1,50,00,000	By works OH C A/c	40,00,000
		By Building const A/c	10,00,000
		By WIP C A/c	1,00,00,000
	1,50,00,000		1,50,00,000

Royalty A/c

To CLC A/c	5,00,000	By WIP C A/c	5,00,000
	5,00,000		5,00,000

work-in-process C A/c

To bal b/d	20,00,000	By bal c/d	25,00,000
To SLC A/c	50,00,000	By FG C A/c (bal)	3,33,00,000
To wages c A/c	1,00,00,000		
To Royalty A/c	5,00,000		
To works OH C A/c	1,83,00,000		
	3,58,00,000		3,58,00,000

works OH C A/c

To SLC A/c	6,00,000	By building construction	20,00,000
To wages C A/c	40,00,000	By costing P&L A/c	8,00,000
To CLC A/c	1,60,00,000	By WIP C A/c (bal)	1,83,00,000
To SLC A/c (loss)	5,00,000		
	2,11,00,000		2,11,00,000

Finished Goods Control A/c

To bal b/d	4,30,00,000	By COGS A/c	3,60,00,000
To WIP C A/c	3,33,00,000	By bal c/d (bal)	4,03,00,000
	7,63,00,000		7,63,00,000

Total Balance

	Debit(₹)	Credit(₹)
Stores ledger Control A/c	55,00,000	
Cost ledger Control A/c		4,83,00,000
WIP control A/c	25,00,000	
Finished Goods Control A/c	4,03,00,000	
	4,83,00,000	4,83,00,000

3 Journal Entries

	Particulars		Debit(₹)	Credit(₹)
1	SLC A/c	Dr	6,00,000	-
	To payable (creditors)			3,00,000
	To Bank A/c			3,00,000
2	WIP C A/c	Dr	4,00,000	-
	To SLC A/c		-	4,00,000
3	wages control A/c	Dr	2,00,000	-
	To CLC A/c / Bank A/c		-	2,00,000
4	Factory OH C A/c	Dr	1,00,000	-
	To wages control A/c		-	1,00,000
5	WIP C A/c	Dr	1,00,000	-
	To wages control A/c		-	1,00,000
6	Factory OH C A/c	Dr	80,000	-
	To Bank A/c		-	80,000
7	WIP C A/c	Dr	1,00,000	-
	To factory OH C A/c		-	1,00,000
8	S&D OH C A/c	Dr	40,000	-
	To Bank A/c		-	40,000
9	FG C A/c	Dr	5,00,000	-
	To WIP C A/c		-	5,00,000
10	COS A/c	Dr	5,40,000	-
	To S&D OH C A/c		-	40,000
	To FG. C A/c		-	5,00,000
11	Receivables (Debtors) A/c	Dr	3,75,000	-
	Bank A/c	Dr	3,75,000	-
	To Sales A/c		-	7,50,000
12	Bank A/c	Dr	2,00,000	-
	To Receivables (Debtors)		-	2,00,000
13	Payable (creditors)	Dr	2,00,000	-
	To Bank A/c		-	2,00,000

1. a) Profit as per financial books for the year ended 31/3

To Direct material	5,00,000	By sales (50,000 u)	10,00,000
To Direct wages	2,50,000	By int. & Div. recd	15,000
To factory exps	1,50,000		
To Admin. exps	45,000		
To S&D Exps	30,000		
To net profit	40,000		
	10,15,000		10,15,000

b) Profit as per cost Accounts for the year ended 31/3

Direct material		5,00,000
Direct wages		2,50,000
Prime cost →		7,50,000
Factory Expenses :-		
fixed (90,000 × $\frac{50,000u}{60,000}$)	75,000	
Variable (1,50,000 × 40%)	60,000	
factory cost →		8,85,000
Administrative expenses:-		
fixed (45,000 × $\frac{50,000u}{60,000}$)	37,500	
Selling & Distribution exps:-		
fixed (12,000 × $\frac{50,000u}{60,000}$)	10,000	
Variable (30,000 × 60%)	18,000	
cost of sales →		9,50,500
Profit		49,500
Sales		10,00,000

c) Statement showing Reconciling profits shown by above two books.

Profit as per cost accounts		49,500
Add: Int. & Div. recd		15,000
Less:- factory exps - under charged (1,50,000 - 1,35,000)	15,000	
Administrative exps under charged (45,000 - 37,500)	7,500	
S&D Exps under charged (30,000 - 28,000)	2,000	(24,500)
Profit as per financial Accounts		40,000

5.

Memorandum reconciliation Account

To net loss as per cost Accounts	3,28,000	By administration OH over-recovered	4,000
To factory OH under-recovered	6,000	By Depn charged in financial accounts	1,20,000
To Income tax provided	1,20,000	By int. on investment not included in costs	20,000
		By Transfer fees	2,000
		By stores adjustment	2,000
		By net loss as per financial accounts	4,16,000
	4,54,000		4,54,000