CHAPTER-7

RECONCILIATION OF COST AND FINANCIAL ACCOUNTS

Q1. **(C6(5/PM).**A manufacturing company disclosed a net loss of Rs.3,47,000 as per their cost accounts for the year ended March 31, 2007. The financial accounts however disclosed a net loss of Rs. 5,10,000 for the same period. The following information was received as a result of scrutiny of the figures of both the sets of accounts.

Particulars		**Rs.**
(i)	Factory Overheads under-absorbed	40,000
(ii)	Administration Overheads over-absorbed	60,000
(iii)	Depreciation charged in Financial Accounts	3,25,000
(iv)	Depreciation charged in Cost Accounts	2,75,000
(v)	Interest on investments not included in Cost Accounts	96,000
(vi)	Income-tax provided	54,000
(vii)	Interest on loan funds in Financial Accounts	2,45,000
(viii)	Transfer fees (credit in financial books)	24,000
(ix)	Stores adjustment (credit in financial books)	14,000
(x)	Dividend received	32,000

Required: Prepare a Memorandum Reconciliation Account. **[R-M-16/1][MTP-MAR19/1(D)]**

Q2. **(C8(7/PM).**ABC Ltd. has furnished the following information from the financial books for the year ended 31st March, 2007:

Dr. **Profit & Loss Account** **Cr.**

Particulars	**Rs.**	**Particulars**	**Rs.**
To Opening Stock	70,000	By Sales (10,250 units)	28,70,000
(500 units at Rs. 140 each)		By Closing Stock	50,000
To Material consumed	10,40,000	(250 units at Rs. 200 each)	
To Wages	6,00,000		
To Gross profit cid	12,10,000		
	29,20,000		**29,20,000**
To Factory Overheads	3,79,000	By Gross Profit bid	12,10,000
To Administrative Overheads	4,24,000	By Interest	1,000
To Selling Expenses	2,20,000	By Rent Received	40,000
To Bad debts	16,000		
To Goodwill	4000		
To Discount on debentures	3000		
To Preliminary expenses	13,000		
To Net Profit	1,92,000		
	12,51,000		**12,51,000**

The cost sheet shows the cost of materials, at Rs. 104 per unit and the labour cost at Rs.60 per unit. The factory overheads are absorbed at 60% of labour cost and administration overheads at 20% of factory cost. Selling expenses are charged at Rs.24 per unit. The opening stock of finished goods is valued at Rs.180 per unit.

You are required to prepare:

(i) Statement showing profit as per Cost accounts for the year ended 31st March, 2007; and

(ii) A statement showing the reconciliation of profit as disclosed in Cost accounts with the profit shown in Financial accounts.

Q3. **(SMN9/C8(N).**The following information is available in the financial accounts of a manufacturing company for the year ending 31st March 2011.

	Rs.
Direct Material Consumption	3,55,000
Direct wages	3,60,000
Manufacturing expenses	2,45,000
Office and administrative Expenses	2,40,000
Selling and distribution expenses	2,00,000
Donation and Charity	20,000
Interest on debentures	48,000
Preliminary expenses (written off)	20,000
Provision for income-tax	75,000
Interest received on deposits	25,000
Sales: 1,80,000 units	16,20,000
Closing stock of finished goods: 30,000 units	1,50,000

The cost accounts reveals:

(i) Manufacturing overheads recovered at 80 percent on direct wages

(ii) Office and administrative overheads recovered at 25 percent on factory cost

(iii) Selling and distribute overheads at Re. 1.00 per units sold

(iv) Closing stock of finished goods valued at cost of production.

You are required to :

(i) Prepare Profit and Loss Account showing net profit in financial accounts

(ii) Prepare a statement showing profit in the cost accounts

(iii) Prepare a statement reconciling the profits disclosed as per above (i) and (ii).

Q4. **(SMN11/A4(4/SM).**The Following figures have been extracted from the Financial Accounts of a Manufacturing Firm for the first year of its operation:

	Rs.
Direct Material Consumption	50,00,000
Direct Wages	30,00,000
Factory Overheads	16,00,000
Administrative Overheads	7,00,000
Selling and Distribution Overheads	9,60,000
Bad Debts	80,000
Preliminary Expenses written off	40,000
Legal Charges	10,000
Dividends Received	1 ,00,000
Interest Received on Deposits	20,000
Sales (1,20,000 units)	1,20,00,000
Closing Stocks:	
Finished Goods (4,000 units)	3,20,000
Work-in-progress	2,40,000

The cost accounts for the same period reveal that the direct material consumption was Rs 56,00,000. Factory Overheads are recovered at 20% on Prime Cost. Administration Overheads are recovered at Rs. 6 per unit produced. Selling and Distribution Overheads are recovered at Rs 8 per unit sold.

Required: Prepare the Profit and Loss Statement both as per financial records and as per cost records. Reconcile the profits as per the two records.

Q5. The following is the summarised Trading and Profit and Loss Account of XYZ Ltd. for the year ended 31st March 2016:

Particulars	Amount (Rs.)	Particulars		Amount (Rs.)
Direct Material	14,16,000	Sales (30,000 units)		30,00,000
Direct wages	7,42,000	Finished stock (2,000 units)		1,67,500
Works overheads	4,26,000	Work-in-progress:		
Administration overheads	1,50,000	- Materials	34,000	
Selling and distribution	1,65,000	- Wages	16,000	
Overheads		- Works overhead	4,000	54,000
Net profit for the year	3,22,500			
	32,21,500			**32,21,500**

The company's cost records show that in course of manufacturing a standard unit (i) works overheads have been charged @ 20% on prime cost, (ii) administration overheads are related with production activities and are recovered at Rs.5 per finished unit, and (iii) selling and distribution overheads are recovered at Rs.6 per unit sold.

You are required to prepare:

(i) Costing Profit and Loss Account indicating the net profits,

(ii) A Statement showing reconciliation between profit as disclosed by the Cost Accounts and Financial Accounts. **(R-N-16/4)[R-M18/6-Similar][R-M19/6]**

Q6. **(C5(4/PM).** The financial books of a company reveal the following data for the year ended 31st March, 2007:

Particulars	Rs.
Opening Stock:	
Finished goods 875 units	74,375
Work-in-progress	32,000
01.04.2006 to 31.03.2007	
Raw materials consumed	7,80,000
Direct Labour	4,50,000
Factory overheads	3,00,000
Goodwill	1,00,000
Administration overheads	2,95,000
Dividend paid	85,000
Bad Debts	12,000
Selling and Distribution Overheads	61,000
interest received	45,000
Rent received	18,000
Sales 14,500 units	20,80,000
Closing Stock: Finished goods 375 units	41,250
Work-in-progress	38,667

The cost records provide as under:

- Factory overheads are absorbed at 60% of direct wages.
- Administration overheads are recovered at 20% of factory cost.
- Selling and distribution overheads are charged at Rs.4 per unit sold
- Opening Stock of finished goods is valued at Rs. 104 per unit.
- The company values work-in-process at factory cost for both Financial and Cost Profit Reporting

Required:

(i) Prepare Statements for the year ended 31st March. 2007 show:
  - the profit as per financial records.
  - the profit as per costing records.

(ii) Present a statement reconciling the profit as per costing records with the profit as per Financial Records. **[R-M-15/4 & R-N18/6 -Similar]**

Q7. **(A5(5).**From the following information :

(i) determine the profit as it would be shown by cost accounts; and

(ii) (ii) prepare a statement reconciling it with profit shown by financial accounts:

Dr. **Trading and Profit and Loss Account** **Cr.**

For the year Ended 31st March, 20X1

Particulars	**Rs.**	**Particulars**	**Rs.**
Materials Consumed	2,00,000	Sales (1,00,000 units)	4,00,000
Direct Wages	1,00,000		
Indirect Expenses (Works)	60,000		
Office Expenses	18,000		
Selling and Distribution Expenses	12,000		
Net Profit	10,000		
	4,00,000		**4,00,000**

The normal output of the factory is 1,50,000 units. Works expenses of a fixed nature are Rs 36,000. Office expenses are for all practical purposes constant. Selling and distribution expenses are constant to the extent of Rs. 6,000, and the balance varies directly with sales.

Q8. **(SMP5/B8(A6/SM).**The following information is available from the financial books of a company having a normal production capacity of 60,000 units for the year ended 31st March, 20X1:

(i) Sales Rs. 10,00,000 (50,000 units).

(ii) There was no opening and closing stock of finished units.

(iii) Direct Material and Direct Wages cost were Rs. 5,00,000 and As. 2,50,000 respectively.

(iv) Actual Factory Expenses were As. 1,50,000 of which 60% are fixed,

(v) Actual Administrative Expenses were As. 45,000 which are completely fixed.

(vi) Actual Selling and Distribution Expenses were As. 30,000 of which 40% are fixed.

(vii) Interest and dividends received Rs. 15,000

You are required to:

(a) Find out profit as per financial books for the year ended 31st March, 20X1;

(b) Prepare the cost sheet and ascertain the profit as per cost accounts for the year ended 31st March, 20X1 assuming that the indirect expenses are absorbed on the basis of normal production capacity; and

(c) Prepare a statement reconciling profits shown by financial and cost books.

[INTER/N18/4(A)-Similar]

Q9. **(C2(2).**X Ltd. provides you the following information and requests you to prepare a Statement showing how the profit as shown in the Cost Accounts was arrived at Profit & Loss Account for the year ended 31st March 20X1.

Dr. Profit & Loss Account for the year ended 31st 20X1 Cr.

Particulars	**Rs.**		**Rs.**
Opening Stock:		Sales:10,250 units	7,17,500
500 units at Rs 35 each	17,500	Closing Stock	
Materials Consumed	2,60,000	(250 units @ Rs 50 each)	12,500
Wages	1,50,000		
Gross Profit c/d	3,02,500		
	7,30,000		**7,30,000**
Factory Overheads	94,750	Gross Profit b/d	3,02,500
Adm. Overheads	1,06,000	Interest	250
Selling Expenses	55,000	Rent Received	10,000
Bad Debts	4,000		
Preliminary Expenses	5,000		
Net Profit	48,000		
	3,12,750		**3,12,750**

Memorandum Reconciliation Account

	Rs.		**Rs.**
Profit as per Cost Accounts	48,500	Profit as per Financial Accounts	48,000
Over-absorbed Selling Expenses	6,500	Under-absorbed Factory Overhead	4,750
Over valuation of Opening Stock	5,000	Under-absorbed Adm. Overheads	6,000
Interest	250	Over valuation of Closing Stock	2,500
Rent	10,000	Bad Debts	4,000
		Preliminary Expenses	5,000
	70,250		**70,250**

Q10.(SM13). The following figures are available from the financial records of ABC Manufacturing Co. Ltd. for the year ended 31-3-2013.

	(Rs.)
Sales (20,000 units)	25,00,000
Materials	10,00,000
Wages	5,00,000
Factory Overheads	4,50,000
Office and administrative Overhead	2,60,000
Selling and distribution Overheads	1,80,000
Finished goods (1,230 units)	1,50,000

	(Rs.)	
Work-in-Progress :		
Materials	30,000	
Labour	20,000	
Factory overheads	20,000	70,000
Goodwill written off		2,00,000
Interest on capital		20,000

In the Costing records, factory overhead is charged at 100% wages, administration overhead 10% of factory cost and selling and distribution overhead at the rate of Rs. 10 per unit sold.

Prepare a statement reconciling the profit as per cost records with the profit as per financial records.

Q11.(SMP6/SM17).M/s. H. K. Piano Company showed a F of Rs. 4,16,000 as per their financial accounts for the year ended 31st March, 2013. The cost accounts, however, disclosed a net loss of Rs. 3,28,000 for the same period. The following information was revealed as a result of scrutiny of the figures of both the sets of books:

	(Rs.)
(i) Factory overheads under-recovered	6,000
(ii) Administration overheads over-recovered	4,000
(iii) Depreciation charged in financial accounts	1,20,000
(iv) Depreciation recovered in costs	1,30,000
(v) Interest on investment not included in costs	20,000
(vi) Income-tax provided	1,20,000
(vii) Transfer fees (credit in financial books)	2,000
(viii) Stores adjustment (credit in financial books)	2,000

Prepare a Memorandum reconciliation account.

Q12.(PM). A manufacturing company has disclosed a net loss of Rs. 2,13,000 as per their cost accounting records for the year ended March 31, 2014. However, their financial accounting records disclosed a net loss of Rs. 2,58,000 for the same period. A scrutiny of data of both the sets of books of accounts revealed the following information:

		(Rs.)
(i)	Factory overheads under-absorbed	5,000
(ii)	Administration overheads over-absorbed	3,000
(iii)	Depreciation charged in financial accounts	70,000
(iv)	Depreciation charged in cost accounts	80,000
(v)	Interest on investments not included in cost accounts	20,000
(vi)	Income-tax provided in financial accounts	65,000
(vii)	Transfer fees (credit in financial accounts)	2,000
(viii)	Preliminary expenses written off	3,000
(ix)	Over-valuation of closing stock of finished goods in cost accounts	7,000

Prepare a Memorandum Reconciliation Account. **[MTP-OCT19/1(D), INTER/M18/1(D)-Similar]**

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INTEGRAL & NON INTEGRAL SYSTEM

NON INTEGRAL SYSTEM

Q1. **(A1)** From the following information ascertained from the records of TULSIAN Ltd. for the year ended 31st March, 20X6. You are required to pass the necessary journal entries and to prepare the ledger accounts and the trial balance assuming that Cost Accounts and Financial Accounts are independent.

1.	Materials Purchased (including Material for Rs. 6,000 on credit)	4,06,000
2.	Materials Issued to Production	4,00,000
3.	Materials Issued to works Repairs and Maintenance	5,000
4.	Payment to creditors for Materials 33.33%	
5.	Wages Paid (Rs. 4,000 to Indirect workers)	2,44,000
6.	Direct Expenses Paid	1,000
7.	Production overheads paid	1,54,000
8.	Production overheads charged to production @ 66.66% of Direct wages	
9.	WIP stock at the end	1,000
10.	Administration overheads paid	2,39,200
11.	Administration overheads applied to Finished Goods @ 30% of works cost	2,40,000
12.	Selling and Distribution overheads incurred	89,600
13.	Selling and Distribution overheads absorbed @ 8% of cost of goods sold	
14.	Finished Goods stock at the end	40,000
15.	Goods Sold (25% for cash) so as to earn Profit of 10% on Sales	
16.	Collection from Debtors 50%	

Q2. **(SMN4/SMO).** Acme Manufacturing Co. Ltd. opens the costing records, with the balances as on 1st April, 20X5 as follows:

Particulars	Rs.	Rs.
Material Control A/c	1,24,000	
Work-in-progress A/c	62,500	
Finished Goods A/c	1,24,000	
Production Overheads A/c	8,400	
Administration Overheads A/c		12,000
Selling and Distribution Overheads A/c	6,250	
General Ledger Control A/c	______	3,13,150
	3,25,150	**3,25,150**

The following are the transactions for the year ended 31st March, 20X6:

	Rs.
Materials Purchased	4,80,100
Materials Issued to Jobs	4,77,400
Materials to Works Maintenance	41,200
Materials to Administrative Office	3,400
Materials to Selling Department	7,200
Wages Direct	1,49,300
Wages Indirect	65,000
Transportation for indirect Materials	8,400
Production Overheads	2,42,250
Absorbed Production Overheads	3,59,100
Administrative Overheads	74,000
Administration allocation to Production	52,900
Administration allocation to Sales	14,800
Sales Overheads	64,200
Sales Overheads Absorbed	82,000
Finished Goods Produced	9,58,400
Finished Goods Sold	9,77,300
Sales	14,43,000

Required: Make up the various accounts as you envisage in the Cost Lodger and prepare a Trial Balance as at 31st March, 20X6:

Q3. **(SMP2/A4/SMO).**A company operates on Historic Job Cost Accounting System, which is not integrated with the financial accounts. At the beginning of a month, the opening balances in cost ledger were:

Particulars	Dr.	Cr.
		Rs. (in lakhs)
Stores Ledger Control Account	80	
Work-in-progress Control Account	20	
Finished Goods Control Account	430	
Building Construction Account	10	
Cost Ledger Control Account	—	540
	540	**540**

During the month, the following transactions took place:

Materials	—	Purchased	40
		Issue to production	50
		Issued to general maintenance	6
		Issued to building construction	4
Wages	—	Gross wages paid	150
		Indirect wages	40
		For building construction	10
Works Overheads	—	Actual amount incurred (excluding item shown above) as paid	160
		Absorbed in building construction	20
		Under absorbed	8
Royalty Paid on Production			5
Selling Distribution and Administration Overheads			25
Sales			450

At the end of the month, the stock of raw material and work-in-progress was Rs. 55 lakh and Rs. 25 lakh respectively. The loss arising in the raw material account is treated as factory overheads. The building under construction was constructed during the month. Company's gross profit margin is 20% on sales.

Required: Prepare the relevant Control Accounts to record the above transactions in the Cost Ledger of the company.

Q4. **(C2(1)[IMP].** The following balances are shown in the Cost of Vinak Ltd. as on 31st March 20X1:

Particulars	Dr (Rs.)	Cr. (Rs.)
Work-in-progress Control Account	7,056	
Factory Overhead Suspense Account	360	
Finished Stock Control Account	5,274	
Stores Ledger Control Account	9,450	
Administration Overhead Suspense Account	180	
General Ledger Adjustment Account	——	22,320
	22,320	**22,320**

Transactions for the year ended 31st March 20X2:	Rs.
Stores issued to production	45,370
Stores purchased	52,400
Material purchased for direct issue to production	1,135
Wages paid (Including indirect labour Rs. 2,520)	57,600
Finished goods sold	1,18,800
Administration Expenses	5,400
Selling Expenses	6,000
Factory Overheads	15,600
Stores issued for capital work-in-progress	1,500
Finished Goods transferred to warehouse	1,08,000
Stores issued for factory repairs	2,000
Factory Overheads applied to production	16,830
Administration Overheads charged to production	4,580
Factory Overheads applicable to unfinished work	3,080
Selling Overheads allocated to sales	5,500
Stores lost due to fire in stores (Not insured)	150
Administration Expenses on unfinished work	850
Finished goods stock on 31.3.20X2	14,274

Required: Record the entries in the Cost Ledger for the year ended 31st March 20X2 and prepare a Trial Balances as on that date.

Q5. **(SMN3/C3(2/SMO).**On 31st March, 20X1 the following balances were extracted from the books of the Supreme Manufacturing Company:

	Dr. (Rs.)	Cr. (Rs.)
Stores Ledger Control A/c	35,000	
Work-in-Progress Control A/c	38,000	
Finished Goods Control A/c	25,000	
Cost Ledger Control A/c	____	98,000
	98,000	**98,000**

The following transactions took place in April 20X1 :

	Rs.
Raw Materials:	
Purchased	95,000
Returned to Suppliers	3,000
Issued to Production	98,000
Returned to Stores	3,000
Productive Wages	40,000
Indirect Labour	25,000
Factory Overheads Incurred	50,000
Selling and Administrative Expenses	40,000
Cost of Finished Goods transferred to warehouse	2,13,000
Cost of Goods sold	2,10,000
Sales	3,00,000

Factory Overheads are applied to production at 150% of Direct Wages, any under/over absorbed overhead being carried forward for adjustment in the subsequent months. All administrative and selling expenses are treated as period costs and charged off to the Profit and Loss Account of the month in which they are incurred.

Required: Show the following Accounts:

(a) Cost Ledger Control A/c
(b) Stores Ledger Control A/c
(c) Work-in-progress Control A/c
(d) Finished Goods Control A/c
(e) Factory Overhead Control A/c
(f) Costing Profit and Loss A/c

Also prepare Trial Balance as at 30th April 20X1. **[R-N19/6-Similar]**

Q6. **(C4(3/PM).**Pass journal entries in the cost books, maintained on non-integrated system, for the following;

(i)	Issue of materials	DirectRs.5,50,000;Indirect Rs 1,50,000
(ii)	Allocation of wages:	Direct Rs.2,00,000; Indirect Rs.40,000
(iii)	Under/Over absorbed overheads:	Factory (over) Rs.20,000, Administration (under) Rs 10,000

Q7. **(C5(4).**During the physical verification of stores of X Ltd It was found that 100 units of new material 'Wye' returned to the supplier have not been recorded. Its purchase invoice price is Rs5 per unit while the current standard cost is Rs.4.80 per unit Pass necessary journal entry to record the adjustment in the cost ledger of X Ltd.

Q8. **(PM).**A company operates separate cost accounting and financial accounting systems. The following is the list of Opening Balances as on 01.04.2007 in the Cost Ledger.

Particulars	**Dr. (Rs.)**	**Cr. (Rs.)**
Stores Ledger Control Account	53,375	--
WIP Control Account	1,04,595	--
Finished Goods Control Account	30,780	--
General Ledger Adjustment Account		1,88,750

Transactions for the quarter ended 30.06.2007 are as under;

Particulars	**(Rs.)**
Materials purchased	26,700
Materials issued to production	40,000
Materials issued for factory repairs	900
Factory wages paid (including indirect wages Rs.23,000)	77,500
Production overheads incurred	95,200
Production overheads under-absorbed and written-off	3,200
Sales	2,56,000

The Company's gross profit is 25% on Cost of Sales. At the end of the quarter, WIP stocks increased by Rs.7,500.

Required: Prepare the relevant Control Accounts, Costing Profit and Loss Account and General Ledger Adjustment Account to record the above transactions for the quarter ended 30.06.2007.

Q9. **(SMN1).**As on 31st March, 2013, the following balances existed in a firm's Cost Ledger:

	Dr. (Rs.)	**Cr. (Rs.)**
Stores Ledger Control A/c	3,01,435	
Work-in-Progress Control A/c	1,22,365	
Finished Stock Ledger Control A/c	2,51,945	
Manufacturing Overhead Control A/c		10,525
Cost Ledger Control A/c		6,65,220
	6,75,745	6,75,745
During the next three months the following items arose:		
Finished product (at cost)	2,10,835	
Manufacturing overhead incurred	91,510	
Raw materials purchased	1,23,000	
Factory Wages	50,530	
Indirect Labour	21,665	
Cost of Sales	1,85,890	
Material issued to production	1,27,315	
Sales returned at Cost	5,380	
Material returned to suppliers	2,900	
Manufacturing overhead charged to production	77,200	

You are required to pass the Journal Entries,. write up the accounts and schedule the balances, stating what each balance represents.

NON INTEGRAL & RECONCILIATION

Q10. **(C8N).** ABC Pvt. Ltd. has furnished its profit and loss account for the year ended 31st March, 2011 and also given a statement showing reconciliation between the profit as per financial records and cost records. The profit and Loss account is given below:

Particulars	Rs.	Particulars	Rs.
To Opening Stock:		By Sales	17,80,000
Raw Materials	95,500	By Closing Stock:	
W.I.P.	45,000	Raw Materials	99,000
Finished goods	78,000	W.I.P.	58,000
To Purchases	6,42,000	Finished goods	80,000
To Direct wages	2,22,000	By Dividend received on	
To Factory overheads	2,45,000	Shares	1,65,000
To Administrative exp.	1,98,500		
To Selling exp.	3,42,000		
To Goodwill written off	80,000		
To Interest on loans	50,000		
To Legal charges	42,000		
To Net profit	1,42,000		
	21,82,000		21,82,000

Reconciliation Statement as at 31st March, 2011 is given below:

Particulars	Rs.	Rs.
Profits as per financial records		1,42,000
Add:		
Raw Material – Closing Stock	1,500	
W.I.P. – Opening Stock	2,000	
Finished goods – Opening Stock	3,000	
Finished goods – Closing Stock	1,000	
Goodwill written off	80,000	
Interest on loans	50,000	
Legal charges	42,000	1,79,500
Less:		3,21,500
Raw materials – Opening Stock	2,500	
W.I.P. – Closing Stock	3,500	
Dividend received on shares	1,65,000	1,71,000
Profits as per cost records		**1,50,500**

You are required to draw up the following account in the cost ledger of ABC Pvt. Ltd.:

(i) Material Control Account
(ii) W.I.P. Control account
(iii) Finished Goods Control account
(iv) Cost of Sales Account
(v) Costing Profit and Loss Account

Q11. (SMN10). Following are the figures extracted from the Cost Ledger of a manufacturing unit.

	(Rs.)
Stores :	
Opening balance	15,000
Purchases	80,000
Transfer from WIP	40,000
Issue to WIP	80,000
Issue to repairs and maintenance	10,000
Sold as a special case at cost	5,000
Shortage in the year	3,000
Work-in-Progress:	
Opening inventory	30,000
Direct labour cost charged	30,000
Overhead cost charged	1,20,000
Closing Balance	20,000
Finished Products:	
Entire output is sold at 10% profit on actual cost from work-in-process.	
Others:	
Wages for the period	35,000
Overhead Expenses	1,25,000

Ascertain the profit or loss as per financial account and cost accounts and reconcile them.

Q12. (PM) The following figures have been extracted from the cost records of a manufacturing unit:

	(Rs.)
Stores: Opening balance	32,000
Purchases of material	1,58,000
Transfer from work-in-progress	80,000
Issues to work-in-progress	1,60,000
Issues to repair and maintenance	20,000
Deficiencies found in stock taking	6,000
Work-in-progress: Opening balance	60,000
Direct wages applied	65,000
Overheads applied	2,40,000
Closing balance of WI,P.	45,000

Finished products: Entire output is sold at a profit of 10% on actual cost from work-in-progress. Wages incurred Rs. 70,000, overhead incurred Rs. 2,50,000.

Items not included in cost records: Income from investment Rs. 10,000, Loss on sale of capital assets Rs. 20,000.

Draw up Store Control account, Work-in-progress Control account, Costing Profit and Loss account, Profit and Loss account and Reconciliation statement.

Q13. (PM) The following is the Trading and Profit & Loss Account of Omega Limited:

Dr. Cr.

Particulars	**(Rs.)**	**Particulars**		**(Rs.)**
To Materials consumed	23,01,000	By Sales (30,000 units)		48,75,000
To Direct wages	12,05,750	By Finished goods Stock (1,000 units)		1,30,000
To Production Overheads	6,92,250	By Work-in-progress:		
To Administration Overheads	3,10,375	Materials	55,250	
To Selling and Distribution Overheads	3,68,875	Wages	26,000	
To Preliminary Expenses written off	22,750	Production Overheads	16,250	97,500
To Goodwill written off	45,500			
To Fines	3,250	By Dividends received		3,90,000
To interest on Mortgage	13,000	By interest on bank deposits		65,000
To Loss on Sale of machine	16,250			
To Taxation	1,95,000			
To Net Profit for the year	3,83,500			
	55,57,500			55,57,500

Omega Limited manufactures a standard unit.

The Cost Accounting records of Omega Ltd. show the following:

(i) Production overheads have been charged to work-in-progress at 20% on Prime cost.

(ii) Administration Overheads have been recovered at Rs. 9.75 per finished Unit.

(iii) Selling & distribution Overheads have been recovered at Rs. 13 per Unit sold.

(iv) The Under- or Over-absorption of Overheads has not been transferred to costing P/L A/c.

Required:

(i) Prepare a proforma Costing Profit & Loss account, indicating net profit.

(ii) Prepare Control accounts for Production overheads, Administration Overheads and Selling & Distribution Overheads.

(iii) Prepare a statement reconciling the profit disclosed by the Cost records with that shown in Financial accounts.

INTEGRAL SYSTEM

Q14. **(A5).**From the following information ascertained from the records of TULSIAN Ltd. for the year ended 31st March, 20X6. pass the necessary journal entries and prepare the Ledger Accounts and the Trial Balance assuming that Cost Accounts and Financial Accounts are integrated.

1.	Materials Purchased (including Material for Rs. 6,000 on credit)	4,06,000
2.	Materials Issued to Production	4,00,000
3.	Materials Issued to works Repairs and Maintenance	5,000
4.	Payment to creditors for Materials 33.33%	
5.	Wages Paid (Rs. 4,000 to Indirect workers)	2,44,000
6.	Direct Expenses Paid	1,000
7.	Production overheads paid	1,54,000
8.	Production overheads charged to production @ 66.66% of Direct wages	
9.	WIP stock at the end	1,000
10.	Administration overheads paid	2,39,200
11.	Administration overheads applied to Finished Goods @ 30% of works cost	2,40,000
12.	Selling and Distribution overheads incurred	89,600
13.	Selling and Distribution overheads absorbed @ 8% of cost of goods sold	
14.	Finished Goods stock at the end	40,000
15.	Goods Sold (25% for cash) so as to earn Profit of 10% on Sales	
16.	Collection from Debtors 50%	

Q15. **(SMP3/A6/SMO).**WTO Enterprises operates an integral system of accounting. You are required to pass the journal entriesfor the following transactions that took place for the year ended 31.0.3.20X6. (Narrations are not required).

	Rs.
Raw-materials Purchased (50% on Credit)	6,00,000
Materials Issued to Production	4,00,000
Wages Paid (50% Direct)	2,00,000
Wages Charged to Production	1,00,000
Factory Overheads Incurred	80,000
Factory Overheads Charged to Production	1,00,000
Selling and Distribution Overheads Incurred	40,000
Finished Goods at Cost	5,00,000
Sales (50% Credit)	7,50,000
Closing Stock	Nil
Receipts from Debtors	2,00,000
Payment to Creditors	2,00,000

Q16. The following information is available from a company's records for March, 2016:

(a)	Opening Balance of Creditors Account	Rs. 25,000
(b)	Closing Balance of Creditors Account	Rs. 40,000
(c)	Payment made to Creditors	Rs. 5,80,000
(d)	Opening Balance of Stores Ledger Control Account	Rs. 40,000
(e)	Closing Balance of Stores Ledger Control Account	Rs. 65,000
(f)	Wages paid (for 8000 hours) 20% relate to indirect workers	Rs. 4,00,000
(g)	Various indirect expenses incurred	Rs. 60,000
(h)	Opening balance of WIP control account	Rs. 50,000
(i)	Inventory of WIP at the end of the month includes material worth Rs. 35,000 on which 400 labour hours have been booked.	
(j)	Factory overhead is charged to production at budgeted rate based on direct labour hours.	
(k)	Budgeted overhead cost is Rs. 20,80,000 for budgeted direct labour hours 1,04,000.	

You are required to prepare Creditors A/c, Stores Ledger Control A/c, WIP Control A/c, Wages Control A/c and Factory Overhead Control A/c. **[ICAI-M16/2(A)]**

Q17. **(SMN6).** Journalise the following transactions assuming that cost and financial transactions are integrated:

	(Rs.)
Raw materials purchased	2,00,000
Direct materials issued to production	1,50,000
Wages paid (30% indirect)	1,20,000
Wages charged to production	84,000
Manufacturing expenses incurred	84,000
Manufacturing overhead charged to production	92,000
Selling and distribution costs	20,000
Finished products (at cost)	2,00,000
Sales	2,90,000
Closing stock	Nil
Receipts from debtors	69,000
Payments to creditors	1,10,000

Q18. **(C6(5/PM).**BPR Limited keeps books on integrated accounting system. The following balances appear in the books as on April 1, 2006:

Particulars	**Dr. (Rs.)**	**Cr. (Rs.)**
Stores Control Account	40,950	--
Work-in-progress Account	38,675	--
Finished Goods Account	52,325	--
Bank Account	--	22,750
Creditors Account	--	18,200
Fixed Assets Account	1,47,875	--
Debtors Account	27,300	--
Share Capital Account	--	1,82,000
Provision for Depreciation Account	--	11,375
Provision for Doubtful Debts Account	--	3,725
Factory Overheads Outstanding Account	--	6,250
Pre-Paid Administration Overheads Account	9,975	--
Profit and Loss Account	--	72,800
	3,17,100	**3,17,100**

The transactions for the year ended March 31, 2007, were as given below:

Particulars	**(Rs.)**
Direct Wages	1,97,925
Indirect Wages	11,375
Purchase of materials (on credit)	2,27,500
Materials issued to production	2,50,250
Material issued for repairs	4,550
Goods finished during the year (at cost)	4,89,125
Credit sales	6,82,500
Cost of Goods sold	5,00,500
Production overheads absorbed	1,09,200
Production overheads paid during the year	91,000
Production overheads outstanding at the end of year	7,775
Administration overheads paid during the year	27,300
Selling overheads incurred	31,850
Payment to Creditors	2,29,775
Payment received from Debtors	6,59,750
Depreciation of Machinery	14,789
Administration overheads outstanding at the end of year	2,225
Provision for doubtful debts at the end of the year	4,590

Required: Write up accounts in the integrated ledger of BPR Limited and prepare a Trial balance.

Q19. **(SMP1)**The following incomplete accounts are furnished to you for the month ended 31st March, 2013.

Dr. **Store control Account** **Cr.**

1.03.13	To balance b/d	54,000			

Dr. **Work in Progress control Account** **Cr.**

1.03.13	To balance b/d	6,000			

Dr. **Finished Goods control Account** **Cr.**

1.03.13	To balance b/d	75,000			

Dr. **Factory Overhead control Account** **Cr.**

	Total debits for March,13	45,000			

Dr. **Factory Overhead Applied Account** **Cr.**

Dr. **Cost of Goods Sold Account** **Cr.**

Dr. **Creditors Account** **Cr.**

			1.3.2013	**By Balance b/d**	**30,000**

Additional Information:

(a) The factory overheads are applied by using a budgeted rate based on direct labour hours. The budget for overheads for 2012-13 is Rs. 6,75,000 and budget of direct labour hours is 4,50,000.

(b) The balance in the account of creditors on 31.03.2013 is Rs. 15,000 and payments made to creditors in March, 2013 amount to Rs. 1,05,000.

(c) The finished goods inventory as on 31st March, 2013 is Rs. 66,000.

(d) The cost of goods sold during the month was Rs. 1,95,000.

(e) On 31st March, 2013, there was only one unfinished job in the factory. The cost records show that Rs. 3,000 (1,200 direct labour hours) of direct labour cost and Rs. 6,000 of direct material cost had been charged.

(f) A total of 28,200 direct labour hours were worked in March, 2013. All factory workers earn same rate of pay.

(g) All actual factory overheads incurred in March, 2013 have been posted.

You are required to find:

(i) Materials purchased during March, 2013.

(ii) Cost of goods completed March, 2013.

(iii) Overheads applied to production in March, 2013.

(iv) Balance of work in progress on 31st March, 2013.

(v) Direct materials consumed during March, 2013.

(vi) Balance of Stores Control Account on 31st March, 2013.

(vii) Over-absorbed or under-absorbed overheads for March, 2013. **[R-M-13/4]**

Q20. **(SMN8).** In the absence of the Chief Accountant, you have been asked to prepare a month's cost accounts for a company which operates a batch costing system fully integrated with the financial accounts. The following relevant information is provided to you:

		(Rs.)
Balances at the beginning of the month:		
Stores Ledger Control Account		25,000
Work-in-Progress Control Account		20,000
Finished Goods Control Account		35,000
Prepaid Production Overheads brought forward from previous month		3,000
Transactions during the month:		
Materials Purchased		75,000
Materials Issued:	Rs.	
To Production	30,000	
To Factory Maintenance	4,000	34,000
Materials transferred between batches		5,000
Total wages paid;	Rs.	
To Direct workers	25,000	
To Indirect workers	5,000	30,000
Direct wages charged to batches		20,000
Recorded non-productive time of direct workers		5,000
Selling and Distribution Overheads Incurred		6,000
Other Production Overheads Incurred		12,000
Sales		1,00,000
Cost of Finished Goods Sold		80,000
Cost of Goods completed and transferred into finished goods during the month		65,000
Physical value of work-in-progress at the end of the month		40,000

The production overhead absorption rate is 150% of direct wages charged to work-in-progress.

Required:

Prepare the following accounts for the month:

(a) Stores Ledger Control Account.

(b) Work-in-Progress Control Account.

(c) Finished Goods Control Account.

(d) Production Overhead Control Account.

(e) Profit and Loss Account.

Q21. **(SMN2/SMO).** From the following details show the necessary accounts in the Cost Ledger:

	Materials (Rs.)	**Work-in- Progress (Rs.)**	**Finished Stocks (Rs.)**
Opening Balance	8,000	5,000	10,000
Closing Balance	11,000	9,000	12,000
Transactions during the period:		(Rs.)	
Materials purchased		25,000	
Wages paid		10,000	
		(including 2,000 indirect)	
Overheads incurred		8,000	
Overheads absorbed		9,000	
Sales		50,000	

Q22. **(SMN5)** (a) A fire destroyed some accounting records of a company. You have been able to collect the following from the spoilt papers/records and as a result of consultation with accounting staff in respect of January, 2013:

(i) Incomplete Ledger Entries:

Raw Materials A/c

	(Rs.)		**(Rs.)**
Beginning Inventory	32,000		

Work-in-Progress A/c

	(Rs.)		**(Rs.)**
Beginning Inventory	92,00	Finished Stock	1,51,000

Creditors A/c

	(Rs.)		**(Rs.)**
		Opening Balance	16,400
Closing Balance	19,200		

Manufacturing Overheads A/c

	(Rs.)		**(Rs.)**
Amount Spent	29,600		

Finished Goods

	(Rs.)		**(Rs.)**
Opening inventory	24,000		
		Closing Inventory	30,000

(ii) Additional Information:

(1) The cash-book showed that Rs. 89,200 have been paid to creditors for raw-material.

(2) Ending inventory of work-in-progress included material Rs. 5,000 on which 300 direct labour hours have been booked against wages and overheads.

(3) The job card showed that workers have worked for 7000 hours. The wage rate is Rs. 10 per labour hour.

(4) Overhead recovery rate was Rs. 4 per direct labour hour.

You are required to complete the above accounts in the cost ledger of the company:

Q23 **(SMN7).**Bangalore Petrochemicals Co. keeps books on integrated accounting system. The following balances appear in the books as on 1st January, 2012.

	Dr. (Rs.)	**Cr. (Rs.)**
Stores control A/c	18,000	
Work-in-Progress A/c	17,000	
Finished goods A/c	13,000	
Bank A/c	10,000	
Creditors A/c		8,000
Fixed assets A/c	55,000	
Debtors A/c	12,000	
Share capital A/c		80,000
Depreciation provision A/c		5,000
Profit and loss A/c		32,000
	1,25,000	1,25,000

Transactions for the year ended 31st Dec., 2012 were as given below:

	Dr. (Rs.)	Cr. (Rs.)
Wages-direct	87,000	
Wages-indirect	5,000	92,000
Purchase of materials (on credit)		1,00,000
Materials issued to production		1,10,000
Materials for repairs		2,000
Goods finished during the year (at cost)		2,15,000
Sales (credit)		3,00,000
Cost of goods sold		2,20,000
Production overhead absorbed		48,000
Production overhead incurred		40,000
Administration overhead incurred		12,000
Selling overhead incurred		14,000
Payments of creditors		1,01,000
Payments of debtors		2,90,000
Depreciation of machinery		1,300
Prepaid rent (included in factory overheads)		300

Write up accounts in the integrated ledger and prepare a trial balance.

Q24. **(PM).** Journalise the following transactions assuming cost and financial accounts are integrated:

	Particulars	(Rs.)
(i)	Materials issued	
	Direct	3,25,000
	Indirect	1,15,000
(ii)	Allocation of wages (25% indirect)	6,50,000
(iii)	Under/Over absorbed overheads:	
	Factory (Over)	2,50,000
	Administration (Under)	1,75,000
(iv)	Payment to Sundry Creditors	1,50,000
(v)	Collection from Sundry Debtors	2,00,000

NON-INTEGRAL & RECONCILIATION

Q25. The following is the Trading and Profit & Loss Account of ABC Limited:

Dr. **Cr.**

Particulars	Rs.	Particulars	Rs.
To Materials	28,06,000	By Sales (30,000 units)	68,75,000
To Direct wages	18,05,750	By Finished goods stock (1,000 units)	1,30,000
To Production Overheads	9,92,250	By Work-in-progress:	
To Administration Overheads	5,10,375	Materials 55,250	
To Selling and Distribution Overheads	3,68,875	Wages 26,000	
To Preliminary Expenses written off	22,750	Production Overheads 16,250	97,500
To Goodwill written off	45,500		
To Fines	7,250	By Dividends received	4,90,000
To Interest on term loan	13,000	By Interest from bank deposits	95,000
To Loss on Sale of machine	16,250		
To Tax	1,95,000		
To Net Profit for the year	9,04,500		
	76,87,500		**76,87,500**

ABC Limited manufactures a standard unit.

The Cost Accounting records of ABC Ltd. show the following:

(i) Production overheads have been charged to work-in-progress at 20% on Prime cost.

(ii) Administration Overheads have been recovered at Rs.15.75 per finished Unit.

(iii) Selling & distribution Overheads have been recovered at Rs.13 per Unit sold.

(iv) The Under-or Over-absorption of Overheads have not been transferred to costing P/L A/c.

Required:

(i) Prepare a proforma Costing Profit & Loss statement, indicating net profit.

(ii) Prepare Control accounts for Production overheads, Administration Overheads and Selling & Distribution Overheads.

(iii) Prepare a statement reconciling the profit disclosed by the Cost records with that shown in Financial accounts. **(R-M-17/4)**

MISCELLANEOUS

Q26. **(SMP4).** The following figures are extracted from the Trial Balance of Gogetter Co. on 30th September, 2012:

	(Rs.)	(Rs.)
Inventories:		
Finished Stock	80,000	
Raw Materials	1,40,000	
Work-in-Progress	2,00,000	
Office Appliances	17,400	
Plant & Machinery	4,60,500	
Building	2,00,000	
Sales		7,68,000
Sales Return and Rebates	14,000	
Materials Purchased	3,20,000	
Freight incurred on Materials	16,000	
Purchase Returns		4,800
Direct Labour	1,60,000	
Indirect Labour	18,000	
Factory Supervision	10,000	
Repairs and Upkeep Factory	14,000	
Heat, Light and Power	65,000	
Rates and Taxes	6,300	
Miscellaneous Factory Expenses	18,700	
Sales Commission	33,600	
Sales Travelling	11,000	
Sales Promotion	22,500	
Distribution Department —Salaries and Expenses	18,000	
Office Salaries and Expenses	8,600	
Interest on Borrowed Funds	2,000	

Further details are available as follows :

Finished Goods	1,15,000	
Raw Materials		1,80,000
Work-in-Progress		1,92,000
(i) Accrued expenses on:		
Direct Labour		8,000
Indirect Labour		1,200
Interest on Borrowed Funds		2,000
(ii) Depreciation to be provided on:		
Office Appliances	5%	
Plant and Machinery		10%
Buildings		4%

(iii) Distribution of the following costs:

Heat, Light and Power to Factory, Office and Distribution in the ratio 8 : 1 : 1.

Rates and Taxes two-thirds to Facto!), and one-third to Office.

Depreciation on Buildings to Factory, Office and Selling in the ratio 8: 1 : 1.

With the help of the above information, you are required to prepare a condensed Profit and Loss Statement of Gogetter Co. for the year ended 30th September, 2012 along with supporting schedules of:

(i) Cost of Sales.
(ii) Selling and Distribution Expenses.
(iii) Administration Expenses.

ADDITIONAL QUESTIONS FOR PRACTICE

Q27. **(PM).** The following information have been extracted from the cost records of a manufacturing company:

		(Rs.)
*	**Stores** Opening balance	9,000
*	Purchases	48,000
*	Transfer from WIP	24,000
*	Issue to work-in-progress	48,000
*	Issue for repairs	6,000
*	Deficiency found in stock	1,800
*	Work-in-Progress: Opening balance	18,000
*	Direct Wages applied	18,000
*	Overhead charged	72,000
*	Closing balance	12,000
*	**Finished Production :** Entire production is sold at a profit of 10% on cost from work-in-progress	
*	Wages paid.	21,000
*	Overhead incurred	75,000

Draw the Stores Leger Control A/c, Work-in-Progress Control A/c, Overheads Control A/c and Costing Profit and Loss A/c. **[MTP-MAR-18/4(A)][MTP-OCT 18/2(B)-Similar]**

Q28. M/s. Abid Private Limited disclosed a net profit of Rs. 48,408 as per cost books for the year ending 31st March 2019. However, financial accounts disclosed net loss of Rs. 15,000 for the same period. On scrutinizing both the set of books of accounts, the following information was revealed :

	Rs.
Works Overheads under-recovered in Cost Books	48,600
Office Overheads over-recovered in Cost Books	11,500
Dividend received on Shares	17,475
Interest on Fixed Deposits	21,650
Provision for doubtful debts	17,800
Obsolescence loss not charged in Cost Accounts	17,200
Stores adjustments (debited in Financial Accounts)	35,433
Depreciation charged in financial accounts	30,000
Depreciation recovered in Cost Books	35,000

Prepare a Memorandum Reconciliation Accounts. **[INTER/M19/1(D)]**

Q29. The Trading and Profit and Loss Account of a company for the year ended 31-03-20X8 is as under:

Trading and Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Materials	26,80,000	By Sales (50,000 units)	62,00,000
To Wages	17,80,000	By Closing Stock (2,000 units)	1,50,000
To Factory Expenses	9,50,000	By Dividend received	20,000
To Administrative Expenses	4,80,200		
To Selling Expenses	2,50,000		
To Preliminary Expenses written off	50,000		
To Net Profit	1,79,800		
	63,70,000		63,70,000

In the Cost Accounts :

(i) Factory expenses have been allocated to production at 20% of Prime Cost.

(ii) Administrative expenses (production related) absorbed at 10% of factory cost.

(iii) Selling expenses charged at Rs. 10 per unit sold.

PREPARE the Costing Profit and Loss Account of the company and reconcile the Profit / Loss with the profit as shown in the Financial Accounts. **[MTP/AUG.18/2(B)]**

Q30. R Limited showed a net loss of Rs. 35,400 as per their cost accounts for the year ended 31st March, 20X8. However, the financial accounts disclosed a net profit of Rs. 67,800 for the same period. The following information were revealed as a result of scrutiny of the figures of cost accounts and financial accounts:

		(Rs.)	**(Rs.)**
(i)	Administrative overhead under recovered	25,500	
(ii)	Factory overhead over recovered		1,35,000
(iii)	Depreciation under charged in Cost Accounts	26,000	
(iv)	Dividend received		20,000
(v)	Loss due to obsolescence charged in Financial Accounts	16,800	
(vi)	Income tax provided	43,600	
(vii)	Bank interest credited in Financial Accounts	13,600	
(viii)	Value of opening stock:		
	• In Cost Accounts	1,65,000	
	• In Financial Accounts	1,45,000	
(ix)	Value of closing stock:		
	• In Cost Account	1,25,500	
	• In Financial Accounts	1,32,000	
(x)	Goodwill written-off in Financial Accounts	25,000	
(xi)	National rent of own premises charged in Cost Accounts	60,000	
(xii)	Provision for doubtful debts in Financial Accounts	15,000	

PREPARE a reconciliation statement by taking costing net loss as base. **[MTP-APR-19/4(B)]**

Q31. The net loss of Waywell Ltd. appeared at Rs. 1,18,500 as per cost records for the year ending 31.03.2019. The following information was revealed as a result of scrutiny of the figures of financial and cost records :

		Amount (Rs.)
Factory overheads over absorbed in cost accounts		32,500
Administrative overheads under absorbed in cost accounts		38,250
Depreciation charged in financial accounts		4,55,800
Depreciation recovered in cost accounts		4,99,700
Loss due to obsolescence charged in financial accounts		11,400
Income tax provision made in financial accounts		32,650
Interest on investment not included in cost accounts		96,000
Store adjustment (Credit) in financial accounts		12,800
Value of opening stock in	Cost accounts	18,85,600
	Financial accounts	19,62,500
Value of closing stock in	Cost accounts	21,15,800
	Financial accounts	21,98,900

Imputed rent charged in cost accounts	1,80,000
Selling and distribution expenses not charged in cost accounts	72,450
Donation to Prime Minister Relief Fund	11,000
Loss on sale of furniture	7,250
Bad debts written off	18,300

Required : Prepare a reconciliation statement and arrive at the profit or loss as per financial accounts. **[IPC/M19/6(A)]**

NOTES

Integral & Non-Integral System

- In this chapter we will learn how the accounting records in "Cost Accounting" are Maintained.
- There are two methods for accounting records.
  - (i) Non Integral System.
  - (ii) Integral System.

(i) Non-Integral System:

This method is an independent method in which record is maintained by considering "Cost accounting only. This is also called **"Inter Locking System"** of accounting. Under this system **Cost Ledger Control Account** is opened instead of **Cash, Debtor, Fixed Assets, Creditor & Capital Account.**

Accounting Treatment:- Following Accounts are maintained under this system.

(i) Store ledger control A/c – For Raw Material
(ii) Wages Ledger control A/c
(iii) Direct Expenses Ledger control A/c
(iv) Work overhead Ledger control A/c
(v) WIP Ledger control A/c
(vi) Office overhead Ledger control A/c
(vii) Finished Goods Ledger control A/c
(viii) Selling & distribution overhead Ledger control A/c
(ix) Cost of goods sold Ledger control A/c
(x) Cost of sales Ledger control A/c
(xi) Costing P & L A/c
(xii) Cost Ledger control A/c

JOURNAL ENTRIES:

(I) FOR MATERIALS:

(A) Materials Purchased (Total : Direct & Indirect) : Stores ledger control A/c Dr.
To Cost ledger control A/c

(A) Issued for Production :
WIP ledger control A/c Dr.
To Store ledger control A/c.

(b) Issue for overhead

Factory overhead | **Office overhead** | **Selling overheads**

Factory overhead overhead ledger control	A/c Dr.
Office overhead ledger control	A/c Dr.
Selling & distribution ledger control	A/c Dr.
To store ledger control A/c.	

(c) Losses

Normal Loss

1st Priority: <u>Treated as FOH</u>
FOH L.C A/c Dr.
To Stores L.C A/c

2nd Priority: No Entry

Abnormal Loss :
Costing P & L A/c. Dr.
To store ledger control A/c.

(d) For capital order (e.g. building)
Building WIP L.C. A/c Dr.
To Stores L.C. A/c

(II) FOR WAGES:

(A) Wages paid (Total : Direct & Indirect) : Wages ledger control A/c Dr.
To Cost ledger control A/c

(A) Charged to Production :
WIP ledger control A/c Dr.
To Wages ledger control A/c.

(b) Charged as overheads

Factory overhead | **Office overhead** | **Selling overheads**

Factory overhead overhead ledger control	A/c Dr.
Office overhead ledger control	A/c Dr.
Selling & distribution ledger control	A/c Dr.
To Wages ledger control A/c.	

(c) Losses

Normal Idle Time
No Entry

Abnormal Idle Time
(e.g. Breakdown, power failure & late materials supplies etc.)
Costing P & L A/c. Dr.
To Wages ledger control A/c.

(d) For capital order (e.g. building)
Building WIP L.C. A/c Dr.
To Wages L.C. A/c

(III) Direct Expenses paid and charged to production:

WIP Ledger control A/c. Dr.
    To Cost Ledger control A/c.

(IV) FOR OVERHEADS:

OVERHEADS

	Factory Overheads	**Office & Administration Overheads**	**Selling & Distribution Overheads**
(a) Paid:	FOH Ledger Control A/c Dr. To Cost Ledger Control A/c	O & A OH Ledger Control A/c Dr. To Cost Ledger Control A/c	S & D OH Ledger Control A/c Dr. To Cost Ledger Control A/c
(b) Absorption:	WIP Ledger Control A/c Dr. To FOH Ledger Control A/c Dr.	Finished Goods Ledger Control A/c Dr. To O & A OH Ledger Control A/c Dr.	Cost of Sales Ledger Control A/c Dr. To S & D OH Ledger Control A/c Dr.
(c) Under Absorption:	Costing P & L A/c Dr. To FOH Ledger Control A/c Dr.	Costing P & L A/c Dr. To O & A OH Ledger Control A/c Dr.	Costing P & L A/c Dr. To S & D OH Ledger Control A/c Dr.

Notes :-

1) In case of "over absorption" **Entry (C)** will be reversed.

2) Amount of under/over absorption should be find by preparing respective overheads Accounts.

3) Another method for under/over absorption is :

   - **To charge in next accounting period:** Under this method any one alternate can be used for treatment.

Alternate -(i) Balancing figure of **Overheads Account** is written as "To/By balance c/d" and in next period it will be taken as opening balance b/d. Every time this process is followed. **(See Q2. In Q.Bank)**

Alternate-(ii) Balancing figure of **Overheads Account** is transferred to **Overhead Suspense Account** and in next period Overhead Suspense Account is t/f to **Overheads Account** and this process is followed in every period. **(See Q4. In Q.Bank)**

4) No Entry is done for transfer of materials from one job/department to another one.

5) Some Additional Eateries:

   - WIP is t/f to finished Stock Account.

     Finished Stock Ledger Control Account Dr.

         To WIP Ledger Control Account.

   - Finished Stock is t/f to COS Account.

     Cost of Sales Ledger Control Account Dr.

         To Finished Stock Ledger Control Account.

   - Cost of Sales is t/f to Costing P & L Account.

Costing P & L Account Dr.

To Cost of Sales Account.

- For Sales : Cash & Credit

  Cost Ledger Control Account Dr.

  To Costing P & L Account.

- Balancing Figure of Costing P& L Account is t/f to Cost Ledger Control Account. It shows net Profit/Net Loss.

- Sales Return: (a) Costing P & L Account Dr............. Selling Price

  To Cost Ledger Control Account......... Selling Price

  (b) Finished Goods Ledger Control Account Dr. .... Cost Price

  To Cost of Sales Ledger Control Account .... Cost Price

(ii) Integral System:

In General, Two sets of Accounting are maintained i.e. one for financial accounting & second for cost accounting. But under **"Integral System"** only **Single Set** of books is maintained to record both the Cost & Financial transactions. Here individual Accounts of Cash, Debtors, Fixed Assets, Creditors & Capital Accounts are opened.

Costing Record System → Integral System

Financial Record System → Integral System

- **Journal Entries**

Transactions		Financial Accounting	Cost Accounting (Non Integral System)	Integral System
(I) FOR MATERIALS				
a.	Purchase of RM for cash /Credit (Carriage inwards is also included)	Purchased A/c Dr. To Cash/S. Creditors A/c.	Stores Ledger Control A/c Dr. To Cost Ledger Control A/c	Stores Ledger Control A/c Dr. To Cash/Creditors A/c
b.	Special Material purchased directly issued to production without routing through Stores Department	Purchases Dr. To Cash/S. Creditors A/c.	WIP Ledger Control A/c Dr. To Cost Ledger Control A/c	WIP Ledger Control A/c Dr. To Cash/S. Creditors A/c
c.	Return of Store Ledger to Supplier/Vendor	S. Creditors A/c Dr. To Purchase Returns	Cost Ledger Control A/c Dr. To Stores Ledger Control A/c	S. Creditors A/c Dr. To Stores Ledger Control A/c
d.	Issue of Store Ledger for production from Stores	No Entry	WIP Ledger Control A/c Dr. To Stores Ledger Control A/c	

e.	Return of excess material from Production Dept to Stores	No Entry	Stores Ledger Control A/c Dr. To WIP Ledger Control A/c	
f.	Issue of Materials for Maintenance purposes	Repairs & Maintenance A/c Dr. To Purchases	Factory OH Ledger Control A/c Dr. To Stores Ledger Control A/c	
g.	Transfer from one job/department to another	No Entry	No Entry is made in the Control Accounts. However, in the individual accounts, the receiving Job Accounts is debited and the transferring Job Account is credited.	
h.	Normal Loss	No Entry	Factory OH Ledger Control A/c Dr. To Stores Ledger Control A/c (**Note:** No Entry if materials is taken at **INFLATED PRICE**).	
i.	Abnormal Loss	Bank A/c Dr. .....Claim Amt. P & L A/c. Dr. ..... Amt. of Loss To Purchases/Trading A/c	Costing P & L A/c Dr. To Stores Ledger Control A/c (**Note:** Claim is not shown in cost records).	Bank A/c Dr. .....Claim Amt. P & L A/c. Dr. ..... Amt. of Loss To Store Ledger Control A/c
(II) LABOUR				
a.	Payment of Wages	Wages A/c Dr. To Cash/Bank A/c	Wages Ledger Control A/c Dr. To Cost Ledger Control A/c	Wages Ledger Control A/c Dr. To Cash/Bank A/c
b.	Analysis of Wages into Direct, Indirect and Abnormal (Idle Time, Overtime etc.)	No Entry	WIP Ledger Control (Dir. Wages) FOH Ledger Control (Ind. Wages) Abnormal Loss (Abnormal Idle Time/Overtime Wages) To Wages Ledger Control A/c	
(III) OVERHEADS & ABSORPTION				
a.	Payments	Respective OH A/c Dr. To Cash/Payable A/c	FOH/AOH/SOH L. Control A/c Dr. To Cost L. Control A/c	FOH/AOH/SOH L. Control A/c Dr. To Cash/Payable A/c
b.	Depreciation on Fixed Assets	Depreciation A/c Dr. To Fixed Assets A/c	FOH/AOH/SOH L. Control A/c Dr. To Cost L. Control A/c	FOH/AOH/SOH L. Control A/c Dr. To Fixed Assets A/c
c.	Absorption of Factory OH	No Entry	WIP Ledger Control A/c Dr. To Factory OH Control A/c	
d.	**NORMAL** Under absorption of Factory OH	No Entry	COS Ledger Control A/c Dr. FG Ledger Control A/c Dr. WIP Ledger Control A/c Dr. To Factory OH L. Control A/c	
e.	**ABNORMAL** Under absorption of Factory OH	No Entry	Costing P & L A/c Dr. To Factory OH L. Control A/c	P & L A/c Dr. To Factory OH L. Control A/c
f.	Overabsorption of Factory OH (If written off to P & L)	No Entry	Factory OH L. Control A/c Dr. To Costing P & L A/c	Factory OH L. Control A/c Dr. To P & L A/c
g.	Overabsorption of Factory OH – Alternative accounting treatments	No Entry	If Overabsorption is carried forward to next accounting period, **No entry** will be passed. If overabsorption is adjusted by reversal of entries, the reverse of the entry passed for normal underabsorption will be passed.	
h.	Recording Goods produced (at **Factory Cost**)	No Entry	Finished Goods Ledger Control A/c Dr. To WIP Ledger Control A/c	
i.	Absorption of AOH	No Entry	Finished Goods Ledger Control A/c Dr. To AOH Ledger Control A/c	
j.	Underabsorption of AOH (See **Note 1** below)	No Entry	COS (units sold) A/c Dr. FG Ledger Control (Closing FG)) A/c Dr. To AOH Ledger Control A/c	

k.	Recording Cost of Goods Sold (at total **Cost of Production**)	No Entry	Cost of Sales A/c Dr. To Finished Goods Ledger Control A/c	
l.	Absorption of SOH	No Entry	Cost of Sales A/c Dr. To SOH Ledger Control A/c	
m	Underabsorption of SOH (See **Note 2** below)	No Entry	Costing Profit & Loss A/c Dr. To SOH Ledger Control A/c	
Note: 1. Underabsorption of AOH can be written off to Costing P & L Account, as an alternative a/cing treatment. AOH overabsorbed may be transferred to Costing P & L. 2. SOH overabsored may be transferred to Costing P & L				
(IV) SALES AND PROFIT				
a.	Recording of Sales and Other income	Cash/S. Debtors A/c Dr. Receivable, if any A/c Dr. To Sales A/c To Other Income A/c	Cost Ledger Control A/c Dr. To Sales A/c	Cash/S. Debtors A/c Dr. Receivables, if any A/c Dr. To Sales A/c To Other Income A/c
b.	Transfer to Cost of Sales to Profit and Loss A/c	Trading A/c Dr. Profit & Loss A/c Dr. To Various Expenses A/c	Costing P & L A/c Dr. To Cost of Sales A/c	Profit & Loss A/c Dr. To Cost of Sales A/c To Other Expenses A/c
c.	Transfer of Sales to Profit & Loss A/c	Sales A/c Dr. Other Income A/c Dr. To Profit & Loss A/c	Sales A/c Dr. To Costing P & L A/c	Sales A/c Dr. Other Income A/c Dr. To Profit & Loss A/c
d.	Profit for the period	Profit & Loss A/c Dr. To L. Capital A/c	Costing P & L A/c Dr. To Cost Ledger Control A/c	Profit & Loss A/c Dr. To Capital A/c
(V) CAPITAL WORK IN PROGRESS				
a.	Capital WIP: **Materials Issued** (**Note:** Similar entries are passed for Labour Cost incurred and expenses incurred for Capital WIP)	Capital WIP A/c Dr. To Cash/Purchases (**Note:** Credit Cash if RM are purchased afresh, credit Purchases if they are already purchased and recorded).	**For Purchases:** Stores Ledger Control A/c Dr. To Cost L. Control A/c **For Issue :** Capital WIP A/c Dr. To Stores L. Control A/c	**For Purchases:** Stores Ledger Control A/c Dr. To Cost S. Creditors A/c **For Issue :** Capital WIP A/c Dr. To Stores L. Control A/c
b.	Completion of Capital Asset	Fixed Asset A/c Dr. To Capital WIP	Cost Ledger Control A/c Dr. To Capital WIP	Fixed Asset A/c Dr. To Capital WIP A/c

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Home work