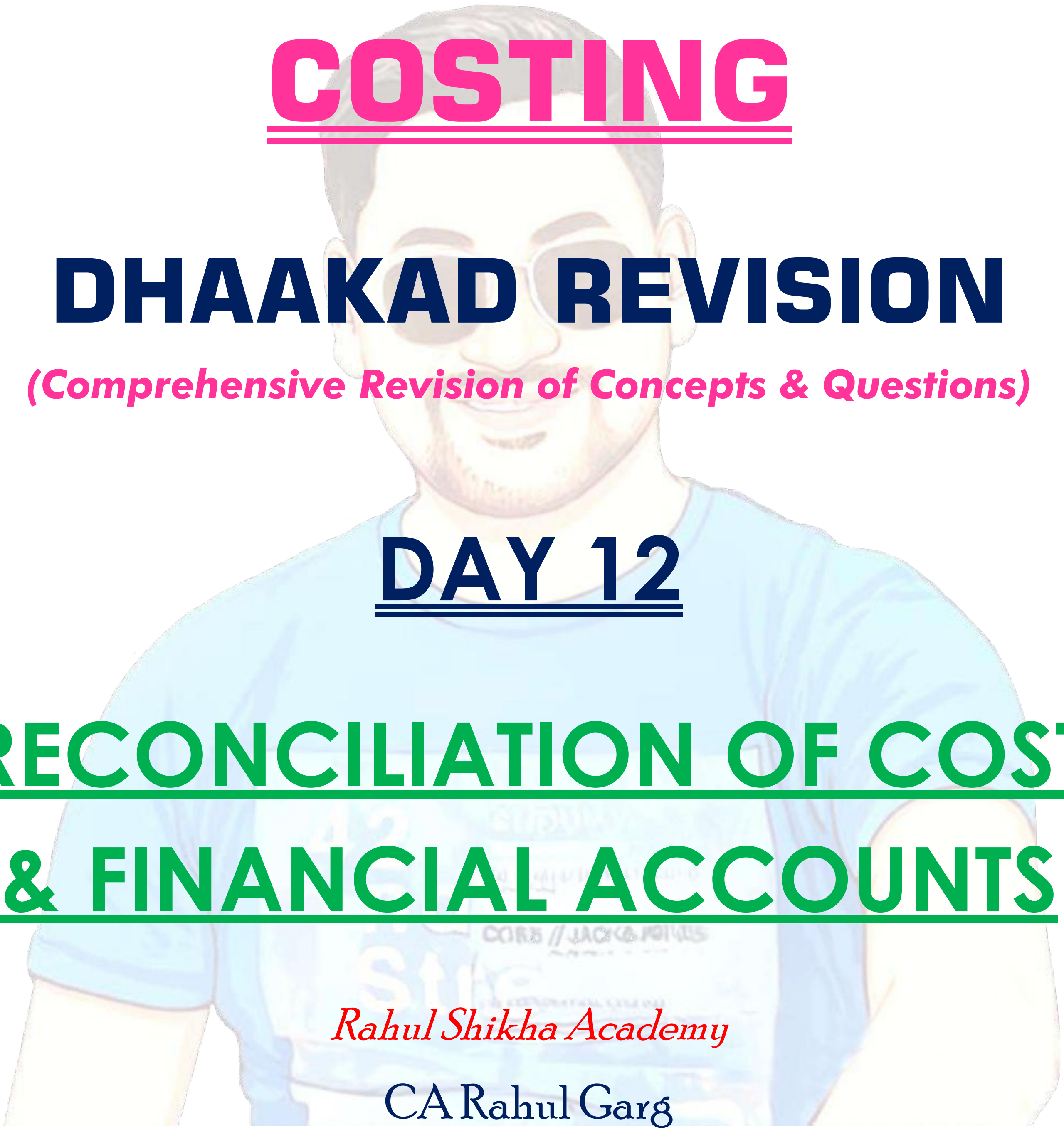
RAHUL SHIKHA ACADEMY RSA Quest For Excellence



CA INTER

COSTING

DHAAKAD REVISION

(Comprehensive Revision of Concepts & Questions)

DAY 12

RECONCILIATION OF COST & FINANCIAL ACCOUNTS

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RECONCILIATION OF COST & FINANCIAL A/C

CONCEPT RECONCILIATION STATEMENT

Particulars	Amount (₹)
Profit (Loss) as per Cost Accounting	
+ Incomes as per Financial Accounting only	
+ Profits as per Financial Accounting only	
- Expenses as per Financial Accounting only	
- Losses as per Financial Accounting only	
- Appropriations as per Financial Accounting only	
+ Over Recovery of Expense in Cost Accounting	
- Under Recovery of Expense in Cost Accounting	
+ Excess Valuation of Opening Stock in Cost Accounting	
- Excess Valuation of Closing Stock in Cost Accounting	
- Under Valuation of Opening Stock in Cost Accounting	
+ Under Valuation of Closing Stock in Cost Accounting	
+ Notional Expenses taken in Cost Accounting only	
= Profit (Loss) as per Financial Accounting	

CONCEPT MEMORANDUM RECONCILIATION ACCOUNT

Particulars	Amount	Particulars	Amount
To Loss as per Cost A/c		By Profit as per Cost A/c	
To All the items of Reconciliation Statement having '-' sign		By All the items of Reconciliation Statement having '+' sign	
To Profit as per Financial A/c		By Loss as per Financial A/c	
	Total		Total

CONCEPT TYPE OF SITUATIONS

TYPE I	TYPE II	TYPE III
Question provides the Profits of Financial A/c and Cost A/c, and also the items creating difference between the two.	Question provides the Profits of Financial A/c only	Question doesn't provide any profits
Prepare 1. Reconciliation statement or Memorandum Reconciliation A/c	Prepare 1. Cost Sheet to find profits of Cost A/c 2. Reconciliation statement or Memorandum Reconciliation A/c	Prepare 1. Trading and Profit Loss A/c to find profits of Financial A/c 2. Cost Sheet to find profits of Cost 3. Reconciliation statement or Memorandum Reconciliation A/c

CQ 1

R Limited showed a net loss of ₹ 35,400 as per their cost accounts for the year ended 31st March, 2022. However, the financial accounts disclosed a net profit of ₹ 67,800 for the same period. The following information was revealed on scrutiny of figures of cost accounts and financial accounts :

	₹
Administrative overhead under recovered	25,500
Factory overhead over recovered	1,35,000
Depreciation under charged in Cost Accounts	26,000
Dividend received	20,000
Loss due to obsolescence charged in Financial Accounts	16,800
Income tax provided	43,600
Bank interest credited in Financial Accounts	13,600
Value of opening stock: In Cost Accounts In Financial Accounts	 1,65,000 1,45,000
Value of closing stock: In Cost Accounts In Financial Accounts	 1,25,500 1,32,000
Goodwill written-off in Financial Accounts	25,000
Notional rent of own premises charged in Cost Accounts	60,000
Provision for doubtful debts in Financial Accounts	15,000

Prepare a reconciliation statement by taking costing net loss as base.

CQ 2

The following information is available in the financial accounts of a manufacturing company for the year ending 31st March, 2025:

	₹
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:

- Manufacturing overheads recovered at 80 percent on direct wages.
- Office and administrative overheads recovered at 25 percent on factory cost.
- Selling and distribution overheads at Re. 1.00 per unit sold.
- Closing stock of finished goods valued at cost of production.

You are required to:

1. Prepare profit and loss account showing net profit in financial accounts.
2. Prepare a statement showing profit in the cost accounts.
3. Prepare a statement reconciling the profits disclosed as per above (1) and (2).

HQ 3

During the year ended 31st March, 2023, the profit of a company stood at ₹ 36,450 as per financial records. The cost book, however, showed a profit of ₹ 51,950 for the same period. You are required to reconcile the profit as shown by two sets of accounts:

	₹
Opening stock overstated in cost accounts	3,500
Closing stock understated in cost accounts	4,600
Factory overheads under recovered in cost accounts	2,500
Administration expenses over recovered in cost accounts	750
Selling and distribution expenses under-recovered in cost accounts	1,650
Depreciation over-recovered in cost accounts	1,500
Interest on investment not included cost accounts	5,000
Obsolescence loss in respect of machineries charged in financial accounts	2,450
Income-tax provided in financial accounts	25,000
Bank interest credited in financial accounts	1,500

Stores adjustments (debit in financial book)	750

HQ 4

A manufacturing company disclosed a net loss of ₹ 3,47,000 as per their cost accounts for the year ended March 31,2003. The financial accounts however disclosed a net loss of ₹ 5,10,000 for the same period. Following information was revealed as a result of scrutiny of figures :

	₹
Factory Overheads under-absorbed	40,000
Administration Overheads over-absorbed	60,000
Depreciation charged in Financial Accounts	3,25,000
Depreciation charged in Cost Accounts	2,75,000
Interest on investments not included in Cost Accounts	96,000
Income-tax provided	54,000
Interest on loan funds in Financial Accounts	2,45,000
Transfer fees (credit in financial books)	24,000
Stores adjustment (credit in financial books)	14,000
Dividend received	32,000

Prepare a memorandum Reconciliation Account.

HQ 5

Given below is the Trading and Profit & Loss Account of a Company for the year ended 31st March, 2023:

	₹		₹
To Materials	27,40,000	By Sales (60,000 units)	60,00,000
To Wages	15,10,000	By Stock (2,000 units)	1,60,000
To Factory Expenses	8,30,000	By Work-in- Progress	
To Admn. Expenses	3,82,400	Materials	64,000
To Selling Expenses	4,50,000	Wages	36,000
To Preliminary Expenses Written off	60,000	Factory Expenses	20,000
To Net Profit	3,25,600	By Dividend received	18,000
	62,98,000		**62,98,000**

The Company manufactures standard units.

In the Cost Accounts:

1. *Factory expenses have been allocated to production at 20% of Prime Cost;*
2. *Administrative expenses at ₹ 6 per unit produced; and*
3. *Selling expenses at ₹ 8 per unit sold.*

Prepare the Costing Profit and Loss Account of the company and reconcile the same with the profit disclosed by the Financial Accounts.

CQ - 1

Reconciliation Statement

Particulars	Amount (₹)
Loss as per Cost A/c	(35400)
− Administrative overhead under recovered	(25500)
+ Factory overhead over recovered	135000
− Depreciation under charged in cost A/c	(26000)
+ Dividend Received	20000
− Loss due to obsolescence	(16800)
− Income Tax Provided	(43600)
+ Bank Interest	13600
+ Over valuation of opening stock in cost A/c (165000 − 145000)	20000
+ Under valuation of closing stock in cost A/c (132000 − 125500)	6500
− Goodwill w/off	(25000)
+ Notional rent of own premises charged in cost A/c	60000
− Provision for Doubtful Debts	(15000)
= Profit as per financial A/c	67800

CQ - 2

(1.) Trading and Profit & Loss A/c
for year ending 31 Mar 2009

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Direct Material	355000	By Sales	1620000
To Direct Wages	360000	By closing stock of FG	150000
To Manufacturing Expenses	245000	By Interest Received on deposits	25000
To office and administrative Expenses	240000		
To selling and distribution Expenses	200000		
To Donation & charity	20000		
To Interest on debentures	48000		
To Preliminary Expenses (W/off)	20000		
To Provision for Income Tax	75000		
To Net Profit	232000		
	1795000		1795000

Note: Production = Sales + closing stock - opening stock

= 180000 + 30000 - 0

= 210000 Units

(2)

Cost Sheet

for year ending 31 Mar 2009

Particulars	Amt (₹)
Direct Material	355000
+ Direct Wages	360000
= Prime Cost	715000
+ Manufacturing Overheads (360000 x 80%)	288000
= Factory Cost	1003000
+ Office and administrative overheads (related to production) (1003000 x 25%)	250750
= Cost of Production	1253750
+ Opening stock of FG	-
- Closing stock of FG $\left(\frac{1253750}{210000} \times 30000\right)$	(179107)
= Cost of Goods sold	10,74,643
+ Selling & distribution Overheads (180000 x 1)	180000
= Cost of Sales	1254643
+ Profit	365357
= Sales	1620000

Reconciliation Statement

	Particulars	Amt (₹)
	Profit as per cost A/c	365357
+	Interest received on deposits	25000
−	Donation and charity	(20000)
−	Interest on debentures	(48000)
−	Preliminary Expenses (W/Off)	(20000)
−	Provision for Income Tax	(75000)
−	Over valuation of closing stock in cost A/c (179107 − 150000)	(29107)
+	over Recovery of Manufacturing overheads (288000 − 245000)	43000
+	over Recovery of office & Administrative overheads (250750 − 240000)	10750
−	Under Recovery of selling & Distribution overheads (200000 − 180000)	(20000)
=	Profit as per financial A/c	2,32,000

MQ -3

Reconciliation Statement

	Particulars	Amount (₹)
	Profit as per Cost Accounting	51,950
+	Opening Stock overstated in Cost A/c	3,500
+	Closing Stock understated in Cost A/c	4,600
-	Factory OH under recovered in Cost A/c	(2,500)
+	Administration OH over recovered in Cost A/c	750
-	Selling & Distribution Expenses under recovered in Cost A/c	(1,650)
+	Depreciation over recovered in Cost A/c	1,500
+	Interest on Investments	5,000
-	Obsolescence Loss of Machineries	(2,450)
-	Income Tax	(25,000)
+	Bank Interest	1,500
-	Stores Adjustment	(750)
=	Profit as per Financial Accounting	36,450

MQ - 4

Memorandum Reconciliation A|c

Particulars	Amt (₹)	Particulars	Amt (₹)
To Loss as per Cost A|c	3,47,000	By Administration OHs	60,000
To Factory OHs under	40,000	over absorbed	
absorbed		By Interest on Investment	96,000
To Depreciation under	50,000	By Transfer Fees	24,000
charged in Cost A|c		By Stores Adjustment	14,000
To Income Tax	54,000	By Dividend Received	32,000
To Interest on Loan funds	2,45,000	By Loss as per Financial A/c	5,10,000
	7,36,000		7,36,000

HQ - 5

Cost Sheet for year ending 31 March 1993

	Particulars	Amount (₹)
	Material	27,40,000
	Wages	15,10,000
	Prime Cost	42,50,000
	Factory Expenses (42,50,000 x 20%)	8,50,000
	Factory Cost of FG & WIP	51,00,000
+	Opening WIP	-
-	Closing WIP (64,000 + 36,000 + 20,000)	(1,20,000)
	Net Factory Cost on FG	49,80,000
	Administration Expenses (62,000 x 6)	3,72,000
	Cost of Production	53,52,000
+	Opening Stock of FG	-
-	Closing Stock of FG $\left(\frac{53,52,000}{62,000} \times 2,000\right)$	(1,72,645)
	Cost of Goods Sold	51,79,355
	Selling Expenses (60,000 x 8)	4,80,000
	Cost of Sales	56,59,355
+	Profit	3,40,645
=	Sales	60,00,000

Reconciliation Statement

	Particulars	Amount (₹)
	Profit as per Cost Accounting	3,40,645
+	Factory Expenses over absorbed	20,000
-	Administration Expenses under absorbed	(10,400)
+	Selling Expenses over absorbed	30,000
-	Preliminary Expenses	(60,000)
-	Over Valuation of Closing Stock	(12,645)
+	Dividend Received	18,000
=	Profit as per Financial Accounting	3,25,600