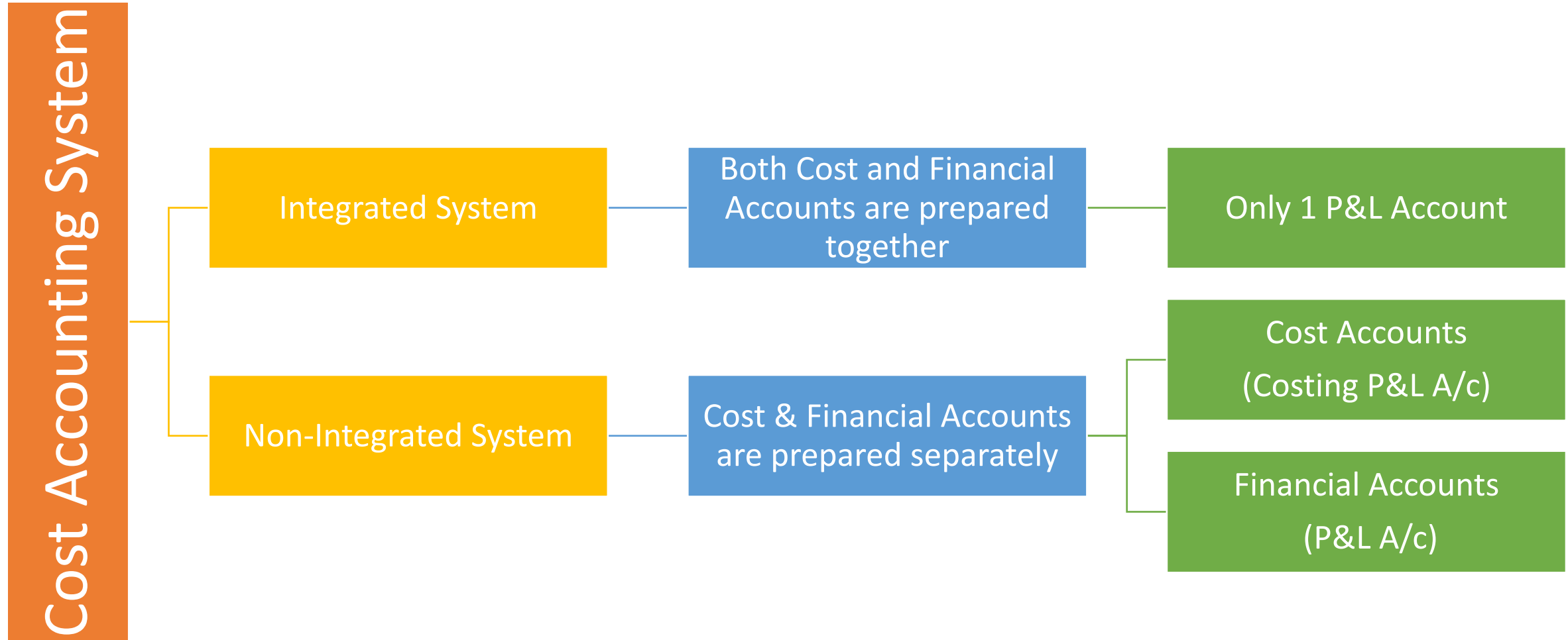


# Cost Accounting System

## 1. Cost Accounting System



# Cost Accounting System

## 2. Reasons for Reconciliation

(A) Items shown only in financial accounts

e.g. Bad debts, income tax etc.

(B) Items shown only in cost accounts

e.g. Notional rent etc.

(C) Under or over recovery of overheads in cost accounts

In P&L – Actual Ohs

In Costing – Recovered Ohs

(D) Different basis for valuation of stock

In P&L – Stock valued on basis of  $DM + DL + D. Exp. + Factory Ohs$

In Costing – Stock valued on basis of COP i.e. including administration Ohs related to production

(E) Basis of Depreciation

# Cost Accounting System

## Format of reconciliation statement

(When starting point is taken as profit as per P&L accounts)

Particulars	(+) Amount	(-) Amount
Profit as per P&L Accounts	✓	-
(+) Expenses in P&L only	✓	-
(-) Income in P&L only	-	✓
(+) Appropriations in P&L only	✓	-
(+) Under recovered OHs in cost accounts	✓	-
(-) Over recovered OHs in cost accounts	-	✓
(+) Under valued opening stock in cost accounts	✓	-
(-) Over valued opening stock in cost accounts	-	✓
(+) Over valued closing stock in cost accounts	✓	-
(-) Under valued closing stock in cost accounts	-	✓
(-) Expenses in cost accounts only	-	✓
Total	✓	✓
Profit as per P&L Account	✓	-

# Cost Accounting System

## Memorandum Reconciliation A/c

To Loss as per Cost/P&L ✓

All '-' items

By Pft. as per Cost/P&L ✓

All '+' items

To Pft. as per P&L/Cost ✓

By Loss as per P&L/Cost ✓

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# Cost Accounting System

## 3. Points to Remember (PTR)

(A) In case of no information then use non-integrated method

(B) Treatment of Overheads

Transfer to P&L A/c – If due to factory inefficiency

Show as Balance c/d – If seasonal nature

Unless otherwise provided

(I) If balance b/d of OHs is given than show closing as balance c/d

(II) If no balance b/d than show closing as either P&L or balance c/d by giving note