

# Cost Accounting System

<b>Integrated Accounting</b>	<ul style="list-style-type: none"> <li>• It is a system of accounting whereby cost and financial accounts are kept in the same set of books.</li> <li>• Integrated accounting records provide the necessary information for ascertainment of cost of each unit, batch or job or any other cost unit and simultaneously financial statement viz. Profit and Loss A/c and Balance Sheet.</li> <li>• In this system, transactions are recorded based on double entry book-keeping and costs are classified on the basis of function which enables the firm to ascertain product cost.</li> </ul>
<b>Advantages of Integrated Accounting System</b>	<ul style="list-style-type: none"> <li>• No need for reconciliation</li> <li>• Less efforts required</li> <li>• Less time consuming</li> <li>• Economical process i.e; less costly</li> </ul>
<b>Essential Pre-requisites of Integrated System</b>	<ul style="list-style-type: none"> <li>• Deciding the extent of integration of the two sets of books. Some companies find it useful to integrate upto the stage of primary cost or factory cost while others prefer an integration of the entire accounting records.</li> <li>• A suitable coding system must be developed to serve the purpose of both financial and cost accounts.</li> <li>• To lay down the procedure for the treatment of provision for accruals prepaid expenses and other adjustments necessary for preparing interim accounts.</li> <li>• Perfect co-ordination should exist between the staff responsible for financial aspects and cost aspects of the accounts. An efficient processing of accounting documents is to be ensured.</li> </ul>
<b>Non-Integrated Accounting System or Inter-locking System</b>	<ul style="list-style-type: none"> <li>• Under this system, two different sets of records are maintained for Financial Accounts and Cost Accounts.</li> <li>• It is defined as a system in which the cost accounts are distinct from financial accounts, the two sets of accounts being kept continuously in agreement by the use of control accounts or made readily reconcilable by other means.</li> <li>• At the end of each accounting period, it is necessary to reconcile the Cost and Financial Accounts to maintain the accuracy between both sets of books.</li> </ul>

<p><b>Principal Ledgers Maintained Under Non-Integrated System</b></p>	<ul style="list-style-type: none"> <li>• <b>Cost Ledger</b> – It is the main\principal ledger. This ledger consists of all impersonal accounts and is made self-balancing by maintaining a control account for each of the other three ledgers.</li> <li>• <b>Stores Ledger/Job Ledger</b> – This ledger deals with material transaction. It contains a separate account for each item of store (i.e. raw material, components etc.). This account is debited with all purchases of materials for the stores and credited with all issues of materials. The balance of this account represents the cost of unconsumed stores.</li> <li>• <b>Work-in-Progress Ledger</b> – In this ledger, separate accounts are maintained for each job/work in progress. Each such account is debited with material cost, wages, direct expenses and production overheads chargeable to the work and is credited with the cost of work completed/finished goods produced. The balance of this account represents the cost of unfinished work.</li> <li>• <b>Finished goods Ledger</b> – In this ledger, accounts of completely finished products, jobs are contained. Individual accounts are maintained for each type of finished job, products etc. Each such account is debited with the cost of finished goods and the amount of administration overheads absorbed and is credited with the cost of goods sold. The balance of this account represents the cost of unsold finished goods.</li> </ul>
<p><b>Cost Ledger Control Account</b></p>	<ul style="list-style-type: none"> <li>• It is also known as General Ledger Adjustment Account.</li> <li>• This account is operated to make cost ledger self-balancing.</li> <li>• All transactions of income and expenditure, which originate in financial accounts, are entered in this account for eventual transfer to some control account.</li> <li>• Main purpose of this account is to complete entry in cost ledger. No entry should be made direct from financial books to cost books. All entries pass through general ledger adjustment account.</li> <li>• The balance of this account at the end of a particular period represents the total of all balances of impersonal account.</li> </ul>
<p><b>Need for reconciliation</b></p>	<ul style="list-style-type: none"> <li>• To find out the reasons for difference in profit or loss in Cost and Financial Accounts.</li> <li>• Reliability of cost and financial data is verified by reconciling both the accounts.</li> <li>• Reconciliation of cost and financial accounts helps in standardization of policies like inventory valuation, overhead absorption, depreciation provision etc.</li> <li>• The accuracy of cost accounting methods and practices followed by the concern like absorption and recovery of overheads, depreciation allowance, inventory valuation is cross verified with the financial accounts.</li> <li>• It promotes co-operation and co-ordination between the two accounts.</li> <li>• To ensure that there is no over or under recovery of overheads</li> <li>• It helps the management in identifying the reasons for deviation in profits of the two accounts for internal control and efficient management of operations.</li> </ul>

<b>No Requirement of Reconciliation</b>	<ul style="list-style-type: none"> <li>When the cost and financial accounts are integrated then there is no need to have a separate reconciliation statement between the two sets of accounts.</li> </ul>
<b>Reasons for Difference in Costing and Financial Profit/Loss</b>	<ul style="list-style-type: none"> <li><b>Items shown only in financial accounts</b> <ul style="list-style-type: none"> <li>(a) Purely financial charges <ul style="list-style-type: none"> <li>Loss on sale of capital assets</li> <li>Interest on bank loans and mortgages etc.</li> <li>Fines and penalties</li> <li>Amount written off for goodwill or preliminary expenses.</li> </ul> </li> <li>(b) Purely financial incomes <ul style="list-style-type: none"> <li>Profit from sale of capital assets</li> <li>Rent received/receivable</li> <li>Interest or dividend received</li> </ul> </li> <li>(c) Appropriations of profit <ul style="list-style-type: none"> <li>Dividend paid</li> <li>Transfer to reserves</li> <li>Income tax</li> </ul> </li> </ul> </li> <li><b>Items shown only in cost accounts</b> - These are usually notional charges called as imputed costs/opportunity costs. Example: <ul style="list-style-type: none"> <li>Salary or own manager at notional figures though not incurred.</li> <li>A charge in lieu of rent when premises are owned and no rent is payable.</li> </ul> </li> <li><b>Under or over-absorption of overheads in cost accounts</b> – In cost accounts, overheads are recovered on pre-determined basis whereas under financial accounts, overheads are charged on actual basis, thus leading to the difference between the two.</li> <li><b>Different basis of stock valuation</b> – Basis of stock valuation in cost and financial accounts may be different leading to a difference in the profits. In cost accounts, stock will be valued at FIFO, LIFO or average stock etc. but in financial accounts the principle is cost or market value whichever is lower.</li> <li><b>Basis of depreciation</b> – Different methods of providing depreciation adopted in two sets of books may also lead to some difference in the profit of loss figures.</li> </ul>

## PRACTICAL QUESTIONS

1. Journalise the following transactions assuming cost and financial accounts are integrated: [SM]

	₹
Raw materials purchases	20,000
Direct Materials issued to production	15,000
Wages paid (30% indirect)	12,000
Direct wages charged to production	8,400
Manufacturing expenses incurred	9,500



From the wages and salaries analysis, following details of total wages and salaries are available:

	₹	₹
Direct labour	12,000	
Indirect factory labour	5,800	
Salaries to administration staff	2,600	
Salaries to selling and distribution staff	<u>1,600</u>	22,000

5. SK Manufacturing Co. Ltd. opens the costing records, with the balances as on 1<sup>st</sup> July, 2021 as follows:

	(₹)	(₹)
Material Control A/c	1,24,000	-
Work-in-Process Control A/c	62,500	-
Finished Goods Control A/c	1,24,000	-
Production Overhead Control A/c	8,400	-
Administrative Overhead Control A/c	-	12,000
Selling & Distribution Overhead Control A/c	6,250	-
Cost Ledger Control A/c	-	3,13,150
	<b>3,25,150</b>	<b>3,25,150</b>

The following are the transactions for the quarter ended 30<sup>th</sup> September 2021:

	(₹)
Materials purchased	4,80,100
Materials issued to jobs	4,77,400
Materials to works maintenance	41,200
Materials to administration 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
Administration 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

Make up the various accounts as you envisage in the Cost Ledger and prepare a Trial Balance as at 30<sup>th</sup> September, 2021.

6. On 31<sup>st</sup> March, the following balances were extracted from the books of the SK Company:

	Debit (₹)	Credit (₹)
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
	<u>98,000</u>	<u>98,000</u>

The following transactions took place in April:

	₹
Material purchased	95,000
Material returned to suppliers	3,000
Material issued to production	98,000
Material returned to stores	3,000
Productive wages	40,000
Indirect labour	25,000
Factory overhead expenses 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 supplied to production at 150% of direct wages, any under/over absorbed overhead being carried and charged off to the Profit and Loss Account for the month in which they are incurred. 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 stock control a/c
- (e) Factory overhead control a/c
- (f) Costing profit and loss a/c
- (g) Trial balance as at 30<sup>th</sup> April

7. A manufacturing business has a single production department. It absorbs production overheads into costs on a direct labour hour basis. The production overhead budget for the year ending 31<sup>st</sup> March was ₹8,00,000 and budgeted direct labour hours were 1,00,000.

During the year to 31<sup>st</sup> March, the following costs were incurred:

	₹
Direct materials	4,20,000
Indirect materials	40,000
Direct labour	7,50,000
Indirect labour	3,15,000
Indirect expenses	5,05,000

Opening stock of work-in-progress was ₹90,000 and closing work-in-progress was ₹70,000. The number of labour hours worked was 1,10,000 hours.

You are required to:

- (a) Prepare the production overhead account
- (b) Prepare the work-in-progress account
- (c) Prepare the under-over-absorbed overhead account (Overhead adjustment A/c)

8. 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: [SM]

(i) Incomplete Ledger Entries

Raw Material A/c			
	₹		₹
Beginning Inventory	32,000		

Work in Progress A/c			
	₹		₹
Beginning Inventory	9,200	Finished Stock	151000

Creditors A/c			
	₹		₹
Closing Balance	19,200	Opening Balance	16400

Manufacturing Overheads A/c			
	₹		₹
Amount Spent	29,600		

Finished Goods A/c			
	₹		₹
Opening Inventory	24,000	Closing Inventory	30000

(ii) Additional Information:

(a) The cash book showed that ₹89,200 have been paid to creditors for raw material

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

(c) The job card showed that workers have worked for 7,000 hours. The wage rate is ₹10 per labour hour.

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

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

9. SK Ltd. keeps books on integrated accounting system. The following balances appear in the books as on 1st January:

	Dr. (₹)	Cr. (₹)
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 & Loss A/c		32,000
	<u>1,25,000</u>	<u>1,25,000</u>

Transactions for the year ended 31<sup>st</sup> December, were as given below:

	₹	₹
Wages-direct	87,000	
Wages-indirect	<u>5,000</u>	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 overheads 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.

10. 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: [SM]

	(₹)	(₹)
<b>Balances at the beginning of the month:</b>		
Stores Ledger Control Account		25,000
WIP Ledger Control Account		20,000
Finished goods Ledger Control Account		35,000
Prepaid Production overheads brought forward from previous month		3,000
<b>Transactions during the month:</b>		
Material purchased		75,000
<b>Materials issued:</b>		
To production	30,000	
To factory maintenance	4,000	34,000
Material transferred between batches		5,000
<b>Total wages paid:</b>		
To direct workers	25,000	
To indirect workers	5,000	30,000
Direct wages charged to batches		20,000
Recorded and non-productive time of direct workers		5,000
Selling and Distribution Overhead 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-process at the end of the month		40,000

The production overhead absorption rate is 150% of direct wages charged to work-in-process. Required to prepare the following accounts for the month:

- (a) Stores Ledger Control Account
  - (b) Work-in-Process Control Account
  - (c) Finished Goods Control account
  - (d) Production Overhead Control Account
  - (e) Costing Profit & Loss Account
11. 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:

[SM, RTP Dec 2021]

	₹(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

**During the month, the following transactions took place:**

Materials-	Purchased	40
	Issued to production	50
	Issued to 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 items shown above)	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 ₹55 lakhs and ₹25 lakhs respectively. The loss arising in the raw material account is treated as factory overheads. The building under construction was completed during the month. Company's gross profit margin is 20% on sales. Prepare the relevant control accounts to record the above transactions in the cost ledger of the company.

**12.** The following figures have been extracted from the cost record of a manufacturing company:

<b>Stores</b>	₹
Opening balances	63,000
Purchases	3,36,000
Transfer from Work-in-progress	1,68,000
Issue for Work-in-progress	3,36,000
Issue for repairs and maintenance	42,000
Deficiencies found in stock taking	12,600
<b>Work-in-progress:</b>	
Opening balances	1,26,000
Direct Wages applied	1,26,000
Overhead Applied	5,04,000
Closing Balance	84,000

Finished Products: Entire output is sold at a profit of 10% on actual cost from work-in-progress.

**Others:** Wages incurred ₹1,47,000; Overhead incurred ₹5,25,000; Income from investment ₹21,000; Loss on sale of fixed assets ₹42,000.

Draw the stores control account, work-in-progress control account, costing profit and loss account, profit and loss account and reconciliation statement.

13. SK Ltd. has furnished its Profit and Loss account for the year ended 31<sup>st</sup> March, 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:

**Profit and Loss account for the year ended 31<sup>st</sup> March**

Particulars	₹	Particulars	₹
To Opening stock		By Sales	17,80,000
Raw Materials	95,500	By Closing Stock	
WIP	45,000	Raw Materials	99,000
Finished goods	78,000	WIP	58,000
To Purchases	6,42,000	Finished goods	80,000
To Direct Wages	2,22,000	By Dividend received on shares	1,65,000
To Factory overheads	2,45,000		
To Administrative Expenses	1,98,500		
To Selling Expenses	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		
<b>Total</b>	<b>21,82,000</b>	<b>Total</b>	<b>21,82,000</b>

**Reconciliation statement as on 31<sup>st</sup> March is given below:**

	₹	₹
Profit as per financial records		1,42,000
<b>Add:</b>		
Raw Material - Closing stock	1,500	
WIP - 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
<b>Less:</b>		
Raw material - Opening Stock	2,500	
WIP - 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 accounts in the cost ledger of SK Ltd.

- Material Control Account
- WIP Control Account
- Finished goods control account
- Cost of sales account
- Costing profit and loss account

14. A manufacturing company has disclosed net loss of ₹48,700 as per their cost accounting records for the year ended 31<sup>st</sup> March, 2014. However, their financial accounting records disclosed net profit of ₹35,400 for the same period. A scrutiny of data of both the sets of books of accounts revealed the following information:

[May 2014]

	₹
(i) Factory overheads under absorbed	30,500
(ii) Administrative overheads over absorbed	65,000
(iii) Depreciation charged in financial accounts	2,25,000
(iv) Depreciation charged in cost accounts	2,70,000
(v) Income tax provision	52,400
(vi) Transfer fee (credited in financial accounts)	10,200
(vii) Obsolescence loss charged in financial accounts	20,700
(viii) Notional rent of own premises charged in cost accounts	54,000
(ix) Value of opening stock:	
(a) in cost accounts	1,38,000
(b) in financial accounts	1,15,000
(x) Value of closing stock:	
(a) in cost accounts	1,22,000
(b) in financial accounts	1,12,500

Prepare a memorandum reconciliation account by taking costing loss as base.

15. SK company showed a net loss of ₹4,16,000 as per their financial accounts for the year ended 31<sup>st</sup> March. The cost accounts, however, disclosed a net loss of ₹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:

[SM]

(a) Factory overheads under-recovered	₹6,000
(b) Administration overheads over-recovered	₹4,000
(c) Depreciation charged in financial accounts	₹1,20,000

(d) Depreciation recovered in costs	₹1,30,000
(e) Interest on investment not included in costs	₹20,000
(f) Income tax provided	₹1,20,000
(g) Transfer fees (credit in financial books)	2,000
(h) Stores adjustment (credit in financial books)	2,000

Prepare a memorandum reconciliation account.

16. The cost accountant of a company has arrived at a profit of ₹73,24,150 based on cost accounting records for the year. As cost auditor, you find the following differences between financial accounts and cost accounts.

(a) Decrease in value of WIP and Finished goods as per F/A	₹1,28,21,995
As per cost accounts	₹1,31,04,220
(b) Profit on sale of fixed assets	₹61,500
(c) Loss on sale of investments	₹11,200
(d) Voluntary retirement compensation included in salaries and Wages in F/A	₹16,75,000
(e) Donation paid	₹25,000
(f) Major repairs and maintenance written off in F/A	₹13,26,000
Amount in Cost Accounts	₹6,08,420
(g) Insurance claim relating to previous year received during the year	₹14,29,000
(h) Profit from retail trading activity	₹7,12,300

You are required to prepare a reconciliation statement between the profit figures as per costing and financial accounts. Calculate the profit as per financial books.

17. M/s SK Ltd. has furnished you the following information from the financial books for the year ended 31<sup>st</sup> March:

	₹		₹
Opening Stock of finished goods		Sales (10,250 units)	358,750
500 units @ ₹17.50 each	8,750	Closing stock of finished goods	
Material consumed	130,000	250 units @ ₹25 each	6,250
Wages	75,000		
Gross Profit c/d	151,250		
	<b>365,000</b>		<b>365,000</b>
Factory Overheads	47,375	By Gross Profit b/d	151,250
Administration Overheads	53,000	Interest	125
Selling Expenses	27,500	Rent received	5,000
Bad Debts	2,000		
Preliminary Expenses	2,500		
To Net Profit	24,000		
	<b>156,375</b>		<b>156,375</b>

The cost sheet shows:

- (a) The cost of materials as ₹13 per unit;
- (b) The labour cost as ₹7.50 per unit;
- (c) The factory overheads are absorbed at 60% of labour cost;
- (d) The administration overheads are absorbed at 20% of factory cost;
- (e) selling expenses are charged at ₹3 per unit;
- (f) The opening stock of finished goods is valued at ₹22.50 per unit.

You are required to prepare:

- (i) The cost sheet showing the number of units produced and the cost of production, by elements of costs, per unit and in total.
- (ii) The statement of profit or loss as per cost accounts for the year ended 31<sup>st</sup> March
- (iii) The statement showing the reconciliation of profit or loss as shown by the cost accounts with the profit as shown by the financial accounts.

**18.** SK Company Limited furnishes the summary of Trading and Profit & Loss Account for the year ended 31<sup>st</sup> December:

	₹		₹
To Raw Materials	139,600	By Sales (12,000 units)	480,000
To Direct Wages	76,200	By Finished Stock (200 Units)	8,000
To Production Overheads	42,600	By Work-in-progress:	
To Administration OHs	39,100	Materials	28,200
To Selling and Distribution OHs		Wages	11,796
To Preliminary Expenses written off	42,700	Production Overheads	7,999
	2,200		47,995
To Goodwill Written off	2,501	By Interest on Securities	6,000
To Dividends (Net)	3,000		
To Income-tax	4,100		
To Net Profit	189,994		
	<b>541,995</b>		<b>541,995</b>

The company manufactures a standard unit, scrutiny of cost records for the same period shows that:

- (a) Factory overheads have been allocated to the production at 20% on prime Cost
- (b) Administration overheads have been charged at ₹3 per unit on units produced.
- (c) Selling and distribution expenses have been charged at ₹4 per unit on units sold.

You are required to prepare a statement of cost to work out profit as per Cost Accounts and to reconcile the same with that shown in the financial accounts.

19. The Profit & loss Account of SK Ltd. for the year ended 31<sup>st</sup> March, is as follows:

	₹		₹
To Material	480,000	By Sales	960,000
To Wages	360,000	By Closing Stock	180,000
To Factory Expenses	240,000	By Work in progress:	
To Gross Profit	120,000	Materials	30,000
		Wages	18,000
		Factory Expenses	12,000
	<b>1,200,000</b>		<b>60,000</b>
To Administrative expenses	60,000		<b>1,200,000</b>
To Net Profit	66,000	By Gross Profit b/d	120,000
	<b>126,000</b>	By Dividend received	6,000
			<b>126,000</b>

As per the costing records the indirect factory overheads have been absorbed at ₹30 per kg and administrative overheads at ₹15 per kg. During the year 6,000 kgs were manufactured and 4,800 kgs were sold. Prepare Costing P&L A/c and reconcile the costing profit with the financial profit.

20. From the information given below, prepare

- a statement showing costing profit or loss; and
- another statement reconciling the costing profits with those shown by financial accounts:

	₹		₹
Materials	150,000	Sales (1,50,000 units)	300,000
Direct Wages	75,000		
Indirect Factory Expenses	45,000		
Office Expenses	13,500		
Selling and Distribution Expenses	9,000		
Net Profit	7,500		
	<b>300,000</b>		<b>300,000</b>

The normal output of the factory is 2,25,000 units. Factory expenses of a fixed nature are ₹27,000. Office expenses are for all practical purposes constant. Selling and distribution expenses are constant to the extent of ₹3,000 and the balance varies with sales.

21. SK Co. manufactures two sizes of machine components, Size A and B. The following data refer to the year ended March 31<sup>st</sup>:

	Size A	Size B
Production	125 units	400 units
Sales	120 units	360 units
Wages cost per unit	₹40	₹30
Material cost per unit	₹15	₹12
Selling price per unit	₹125	₹90

All expenses other than wages and materials are analyzed under 'works overheads' which during the year amounted to ₹9,000 and 'office overheads' which amounted to ₹10,000. In fixing the selling price it was estimated that works overheads should be taken at 50% on wages and office overhead expenses at 33(1/3)% on work cost.

You are required to compute the following:

- The total cost of each unit on the basis of the above overhead percentages;
- The net profit for the year shown by the financial accounts, valuing unsold stocks at actual material and wages cost plus works overhead at 50% on wages; and
- The reconciliation of net profit in (b) above with the estimated total net profit based on cost figures.

## PRACTICE QUESTIONS

22. Journalize the following transactions assuming the cost and financial accounts are integrated: [May 2022]

Particulars	Amount (₹)
Direct Materials issued to production	₹5,58,000
Allocation of Wages (Indirect)	₹7,50,000
Factory Overheads (Over absorbed)	₹2,25,000
Administrative Overheads (Under absorbed)	₹1,55,000
Deficiency found in stock of Raw material (Normal)	₹2,00,000

23. As at 31<sup>st</sup> March, 2022, the following balances existed in a firm's cost ledger: [SM]

	Dr. (₹)	Cr. (₹)
Stores Ledger Control a/c	3,01,435	-
Work-in-process 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
	<b>6,75,745</b>	<b>6,75,745</b>

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.

24. The following are the balances existed in the books of JPG Ltd. for the year ended, 31<sup>st</sup> March, 2019: [RTP May 2020]

Particulars	Dr. (₹)	Cr. (₹)
Stores Ledger Control A/c	30,00,000	
WIP Control A/c	15,00,000	
Finished goods Control A/c	25,00,000	
Manufacturing Overheads Control A/c		1,50,000
Cost Ledger Control A/c		68,50,000

During the year 2019-20, the following transactions took place:

Particulars	Amount (₹)
Finished Product (at cost)	22,50,000
Manufacturing Overhead incurred	8,50,000
Raw material purchased	12,50,000
Factory wages	4,00,000
Indirect labour	2,00,000
Cost of sales	17,50,000
Materials issued to production	13,50,000
Sales returned (at cost)	90,000
Material returned to suppliers	1,30,000
Manufacturing overhead charged to production	8,50,000

Required:

Prepare the following control accounts and Trial Balance at the end of the year.

Cost Ledger, Stores Ledger, Work-in-process, Finished Stock, Manufacturing Overhead, Wages and Cost of sales.

25. The following balances were extracted from a Company's ledger as on 30<sup>th</sup> June, 2018 [Nov 2018]

	Debit (₹)	Credit (₹)
Raw material control A/c	2,82,450	
Work-in-progress control A/c	2,38,300	
Finished stock control A/c	3,92,500	
General ledger adjustment A/c		9,13,250
	<b>9,13,250</b>	<b>9,13,250</b>

The following transactions took place during the quarter ended 30<sup>th</sup> September, 2018:

	₹
Factory overheads – allocated to work-in-progress	1,36,350
Goods finished – at cost	13,76,200
Raw material purchased	12,43,810

	₹
Direct wages – allocated to work-in-progress	2,56,800
Cost of goods sold	14,56,500
Raw materials – issued to production	13,60,430
Raw materials – credited by suppliers	27,200
Raw materials losses – inventory audit	6,000
Work-in-progress rejected (with no scrap value)	12,300
Customer's returns (at cost) of finished goods	45,900

You are required to prepare:

- (i) Raw material control a/c
- (ii) Work-in-progress control a/c
- (iii) Finished stock control a/c
- (iv) General ledger adjustment a/c

26. From the following details show the necessary accounts in the Cost Ledger:

	Materials	W.I.P	Finished Stock
Opening Balance	8,000	5,000	10,000
Closing Balance	11,000	9,000	12,000

Transactions during the period	₹
Material purchased	25,000
Wages paid (including ₹2,000 indirect)	10,000
Overheads incurred	8,000
Overheads absorbed	9,000
Sales	50,000

27. Following are the figures extracted form the Cost Ledger of a manufacturing unit:

[SM]

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

Stores		₹
Work-in-Process:		
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 accounts and cost accounts and reconcile them.		

28. The following incomplete accounts are furnished to you for the month ended 31<sup>st</sup> March: [SM]

Stores control Account			
	₹		₹
1.03 To Balance b/d	54,000		

Work in Progress Control Account			
	₹		₹
1.03 To Balance b/d	6,000		

Finished goods control Account			
	₹		₹
1.03 To Balance b/d	75,000		

Factory overhead control Account			
	₹		₹
Total Debits for March	45,000		

Creditors Account			
	₹		₹
		1.03 To Balance b/d	30,000

Additional Information:

- The factory overheads are applied by using a budgeted rate based on direct labour hours. The budget for overheads for the year is ₹6,75,000 and budget of direct labour hours is 4,50,000.
- The balance in the account of creditors on 31st March is ₹15,000 and payments made to creditors in March, amount to ₹1,05,000.

- (c) The finished goods inventory as on 31st March, is ₹66,000.
- (d) The cost of goods sold during the month was ₹1,95,000.
- (e) On 31st March, there was only one unfinished job in the factory. The cost records show that ₹3,000 (1,200 direct labour hours) of direct labour cost and ₹6,000 of direct material cost had been charged.
- (f) A total of 28,200 direct labour hours were worked in March. All factory workers earn same rate of pay.
- (g) All actual factory overheads incurred in March, have been posted.

You are required to find:

- (1) Materials purchased during March.
- (2) Cost of goods completed in March.
- (3) Overheads applied to production in March.
- (4) Balance of work in progress on 31st March.
- (5) Direct materials consumed during March.
- (6) Balance of Stores Control Account on 31st March.
- (7) Over-absorbed or under-absorbed overheads for March.

29. R Limited showed a net loss of ₹35,400 as per their cost accounts for the year ended 31<sup>st</sup> march, 2012. However, the financial accounts disclosed a net profit of ₹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: **[Nov 2012]**

	₹
(a) Administrative overhead under recovered	25,500
(b) Factory overhead over recovered	1,35,000
(c) Depreciation under charged in cost accounts	26,000
(d) Dividend received	20,000
(e) Loss due to obsolescence charged in Financial Accounts	16,800
(f) Income tax provided	43,600
(g) Bank interest credited in Financial Accounts	13,600
(h) Value of opening stock	
In Cost Accounts	1,65,000
In Financial Accounts	1,45,000
(i) Value of closing stock	
In Cost Accounts	1,25,500
In Financial Accounts	1,32,000
(j) Goodwill written-off in Financial Accounts	25,000
(k) Notional rent of own premises charged in Cost Accounts	60,000
(l) Provision for doubtful debts in Financial Accounts	15,000

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

30. A manufacturing company has disclosed a net loss of ₹2,25,000 as per their cost accounting records for the year ended March 31, 2019. However, their financial accounting records disclosed a net loss of ₹2,70,000 for the same period. A scrutiny of data of both the sets of books of accounts revealed the following information:

		₹
(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

Required: Prepare a Memorandum Reconciliation Account.

31. A manufacturing company has disclosed a net loss of ₹3,47,000 as per their cost accounts for the year ended March 31, 2018. The financial accounts however disclosed a net loss of ₹5,10,000 for the same period. The following information was revealed as a result of scrutiny of the figures of both the sets of accounts.

		₹
(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 accounts)	24,000
(ix)	Stores adjustment (credit in financial books)	14,000
(x)	Dividend received	32,000

Required: Prepare a Memorandum Reconciliation Account.

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

[May 2019]

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 cos books	35,000

Prepare a Memorandum Reconciliation Account.

33. The net loss of Waywell Ltd. appeared at ₹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:

[May 2019]

	Amount (₹)
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 investments 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.

34. GK Ltd. showed net loss of ₹2,43,300 as per their financial accounts for the year ended 31<sup>st</sup> March, 2018. However, cost accounts disclosed net loss of ₹2,48,300 for the same period. On scrutinizing both the set of books of accounts, the following information were revealed:

[May 2018]

		₹
(i)	Works overheads over recovered	30,400
(ii)	Selling overheads under recovered	20,300
(iii)	Administrative overheads under recovered	27,700
(iv)	Depreciation over charged in cost accounts	35,100
(v)	Bad debts w/off in financial accounts	15,000
(vi)	Preliminary expenses w/off in financial accounts	5,000
(vii)	Interest credited during the year in financial accounts	7,500

Prepare a reconciliation statement reconciling losses shown by financial and cost accounts by taking costing net loss as base.

- 35.** In a factory, work overheads are absorbed at 60% of labour cost and office overheads at 20% of work cost. Prepare
- cost sheet,
  - Trading and Profit & Loss Account and
  - Reconciliation Statement if total expenditure consists of Materials ₹2,00,000; Wages ₹1,50,000; Factory Expenses ₹1,00,000 and Office expenses ₹85,000. 10% of the output is stock at the end and sales are ₹5,20,000.

- 36.** The following figures are available from the financial records of ABC Manufacturing Co. Ltd. for the year ended 31<sup>st</sup> March:

	₹
Sales (20,000 units)	25,00,000
Materials	10,00,000
Wages	5,00,000
Factory Overheads	4,50,000
Administrative Overhead (production related)	2,60,000
Selling and distribution Overheads	1,80,000
Finished goods (1,230 units)	1,50,000

	₹	₹
Work-in-Process:		
Material	30,000	
Labour	20,000	
Factory overheads	20,000	70,000

	(₹)	(₹)
Goodwill written off		2,00,000
Interest on loan		20,000

In the costing records, factory overheads is charged at 100% of wages, administrative overheads 10% of factory cost and selling and distribution overheads at the rate of ₹10 per unit sold.

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

37. During the year a company's profits have been estimated from the costing system to be ₹46,126, whereas the final accounts prepared by the auditors disclose a profit of ₹33,248. Given the following information, you are required to prepare a reconciliation statement showing clearly the reasons for the difference:

### PROFIT AND LOSS ACCOUNT

For the year ended 31<sup>st</sup> March

		₹			₹
To opening Stock	494,358		By Sales		693,000
To Purchases	164,308				
	<u>658,666</u>				
Less : Closing Stock	<u>150,242</u>				
		508,424			
To Direct Wages		46,266			
To Factory Overheads		41,652			
To Gross Profit c/d		96,658			
		<u>693,000</u>			<u>693,000</u>
To Administrative expenses		19,690	By Gross Profit b/d		96,658
To Selling expenses		44,352	By Sundry Incomes		632
To Net Profit		33,248			
		<b>97,290</b>			<b>97,290</b>

Stock Ledger closing balance is ₹156,394;

- Credit balance in Wages Control A/c is ₹49,734;
- Credit balance in Factory Overhead Control A/c is ₹39,428;
- Administration expenses are charged to sales at 3% of selling price in cost accounts;
- Selling price includes 5% (on sales) provision or selling expenses;
- Sundry incomes are not considered in Cost Accounts

38. The following is the summarized Trading and Profit and Loss Account of XYZ Ltd. for the year ended 31<sup>st</sup> March, 2019:

Particulars	Amount (₹)	Particulars	Amount (₹)
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 & distribution overheads	1,65,000	Wages	16,000
Net Profit for the year	3,22,500	Work overheads	<u>4,000</u>
	<b>32,21,500</b>		54,000
			<b>32,21,500</b>

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 ₹5 per finished unit, and (iii) selling and distribution overheads are recovered at ₹6 per unit sold.

You are required to prepare:

- Costing Profit and Loss Account indicating the net profits
  - A statement showing reconciliation between profit as disclosed by the Cost Accounts and Financial Accounts
39. The following figures have been extracted from the financial accounts of a manufacturing firm for the first year of its operation: [SM]

	(₹)
Direct Material Consumption	50,00,000
Direct Wages	30,00,000
Factory Overheads	16,00,000
General 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 stock:	
Finished goods (4,000 units)	3,20,000
Work-in-Process	2,40,000

The cost accounts for the same period reveal that the direct material consumption was ₹56,00,000. Factory overheads is recovered at 20% on prime cost. Administration overheads is recovered at ₹6 per unit of goods sold. Selling and distribution overheads are recovered at ₹8 per unit sold. Prepare the profit and loss accounts both as per financial records and as per cost records. Reconcile the profits as per the two records.

40. The financial books of a company reveal the following data for the year ended 31<sup>st</sup> March, 2018:

[ RTP May 2021 ]

Particulars	₹
Opening Stock:	
Finished goods 625 units	53,125
Work-in-process	46,000
01.04.2017 to 31.03.2018	
Raw materials consumed	8,40,000
Direct labour	6,10,000
Factory overheads	4,22,000
Administration overheads (production related)	1,98,000
Dividend paid	1,22,000
Bad Debts	18,000
Selling and Distribution Overheads	72,000
Interest received	38,000
Rent received	46,000
Sales 12,615 units	22,80,000
Closing stock: Finished goods 415 units	45,650
Work-in-process	41,200

The cost records provide as under:

- Factory overheads are absorbed at 70% of direct wages
- Administration overheads are recovered at 15% of factory cost
- Selling and distribution overheads are charged at ₹3 per unit
- Opening stock of finished goods is valued at ₹120 per unit
- The company values work-in-process at factory cost for both Financial and Cost Profit Reporting.

Required:

- (a) Prepare a statement for the year ended 31<sup>st</sup> March, 2018. Show
  - The profit as per financial records
  - The profit as per costing records
- (b) Prepare a statement reconciling the profit as per costing records with the profit as per Financial Records.

41. The Trading and Profit and Loss account of a company for the year ended 31-03-2016 is as under:  
[Nov 2016]

	₹		₹
To Material	26,80,000	By Sales (50,000 units)	62,00,000
To Wages	17,80,000	By Closing stock (2000 units)	1,50,000
To Factory Expenses	9,50,000	By Dividend received	20,000
To Administration Expenses	4,80,200		
To Selling Expenses	2,50,000		
To Preliminary Expenses	50,000		
To Net Profit	1,79,800		
	<b>63,70,000</b>		<b>63,70,000</b>

In the Cost accounts:

- Factory expenses have been allocated to production at 20% of Prime Cost.
- Administrative expenses absorbed at 10% of factory cost
- Selling expenses charged at ₹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.

- 42 The profit and loss account of ABC Ltd. for the year ended 31<sup>st</sup> March, 2021 is given below:[July 2021]

**Profit and Loss Account (for the year ended 31<sup>st</sup> March, 2021)**

To Direct Material	6,50,000	By Sales	15,00,000
To Direct Wages	3,50,000	(15,000 units)	
To Factory overheads	2,60,000	By Dividend received	9,000
To Administrative overheads	1,05,000		
To Selling overheads	85,000		
To loss on sale of investments	2,000		
To Net Profit	57,000		
	<b>15,09,000</b>		<b>15,09,000</b>

Factory overheads are 50% fixed and 50% variable

- Administrative overheads are 100% fixed
- Selling overheads are completely variable
- Normal production capacity of ABC Ltd. is 20,000 units
- Indirect expenses are absorbed in the cost accounts on the basis of normal production capacity.
- Notional rent of own premises charged in cost accounts is amounting to ₹12,000.

You are required to:

- Prepare a cost sheet and ascertain the Profit as per cost Records for the year ended 31<sup>st</sup> March, 2021.
- Reconcile the profit as per Financial records with Profit as per Cost Records.

## SOLUTION OF PRACTICE QUESTIONS

### 22. Journal Entries

	Particular		Dr. (₹)	Cr. (₹)
(i)	WIP Ledger Control A/c To Stores Ledger Control A/c	Dr.	5,88,000	5,88,000
(ii)	Factory Overhead Control A/c To Wages Control A/c	Dr.	7,50,000	7,50,000
(iii)	Factory Overheads Control A/c To P&L A/c	Dr.	2,25,000	2,25,000
(iv)	P&L A/c To Administrative Overheads Control A/c	Dr.	1,55,000	1,55,000
(v)	Factory Overheads Control A/c To Stores Ledger Control A/c	Dr.	2,00,000	2,00,000

### 23. Journal Entries

S.No.	Particular		Dr. (₹)	Cr. (₹)
1.	Finished Goods Ledger Control A/c To WIP Control A/c	Dr.	2,10,835	2,10,835
2.	Manufacturing Overheads Control A/c To cost Ledger Control A/c	Dr.	91,510	91,510
3.	Stores Ledger Control A/c To Cost Ledger Control A/c	Dr.	1,23,000	1,23,000
4.	Wages Control A/c To Cost Ledger Control A/c	Dr.	72,195	72,195
5.	WIP Control A/c To Wages Control A/c	Dr.	50,530	50,530
6.	Manufacturing Overhead Control A/c To Wages Control A/c	Dr.	21,665	21,665
7.	Cost of Sales A/c To Finished Stock Ledger A/c	Dr.	1,85,890	1,85,890
8.	WIP Control A/c To Stores Ledger Control A/c	Dr.	1,27,315	1,27,315
9.	Finished Stock Ledger Control A/c To Cost of Sales A/c	Dr.	5,380	5,380
10.	Cost Ledger Control A/c To Stores Ledger Control A/c	Dr.	2,900	2,900
11.	WIP Control A/c To Manufacturing Overhead Control A/c	Dr.	77,200	77,200

Stores Ledger Control A/c (SLC)			
To Balance b/d	3,01,435	By Work-in-progress Control a/c	1,27,315
To Cost Ledger Control	1,23,000	By Cost Ledger Control a/c	2,900
		By Balance c/d	2,94,220
	<b>4,24,435</b>		<b>4,24,435</b>

Wages Control A/c			
To Cost Ledger Control	72,195	By Work-in-progress a/c	50,530
		By Manufacturing Overhead A/c	21,665
	<b>72,195</b>		<b>72,195</b>

Manufacturing Overhead Control A/c			
To Cost Ledger Control	91,510	By Balance b/d	10,525
To Wages Control	21,665	By Work-in-progress	77,200
		By Balance c/d	25,450
	<b>1,13,175</b>		<b>1,13,175</b>

Work in Progress Control A/c (WIP)			
To Balance b/d	1,22,365	By Finished Goods Ledger Control	2,10,835
To Wages Control	50,530		1,66,575
To Stores Ledger Control	1,27,315	By Balance c/d (B/F)	
To Manufacturing Overhead	77,200		
	<b>3,77,410</b>		<b>3,77,410</b>

Finished Stock Ledger Control A/c			
To Balance b/d	2,51,945	By Cost of Sales a/c	1,85,890
To WIP Control a/c	2,10,835	By Balance c/d	2,82,270
To Cost of Sales a/c	5,380		
	<b>4,68,160</b>		<b>4,68,160</b>

Cost of Sales A/c			
To Finished Goods Ledger Control	1,85,890	By Finished Stock Ledger Control a/c	5,380
		By Balance c/d	1,80,510
	<b>1,85,890</b>		<b>1,85,890</b>

Cost Ledger Control A/c (CLC)			
To Stores Ledger Control a/c	2,900	By Balance b/d	6,65,220
To Balance c/d	9,49,025	By Manufacturing OH Control	91,510
		By Stores Ledger Control	1,23,000
		By Wages Control	72,195
	<b>9,51,925</b>		<b>9,51,925</b>

Trial Balance at the End of the Month			
Stores Ledger Control a/c		2,49,220	-
Work in Progress Ledger Control a/c		1,66,575	-
Finished Goods Ledger Control a/c		2,82,270	-
Manufacturing Overheads Control a/c		25,450	-
Cost of Sales a/c		1,80,510	-
Cost Ledger Control a/c		-	9,49,025
	<b>Total</b>	<b>9,49,025</b>	<b>9,49,025</b>

24.

Cost Ledger Control A/c			
To Stores Ledger Control a/c	1,30,000	By Balance b/d	68,50,000
To Cost of Sales a/c	16,60,000	By Manuf. Overhead Control a/c	8,50,000
To Balance c/d (Balance)	77,60,000	By Stores Ledger Control a/c	12,50,000
		By Wages Control a/c	6,00,000
	<b>95,50,000</b>		<b>95,50,000</b>

Stores Ledger Control A/c			
To Balance b/d	30,00,000	By Cost Ledger Control a/c	1,30,000
To Cost Ledger Control a/c	12,50,000	By Work in Progress Control a/c	13,50,000
		By Balance c/d (Balance figure)	2,77,000
	<b>42,50,000</b>		<b>42,50,000</b>

Work in Progress Control A/c			
To Balance b/d	15,00,000	By Finished Stock Led. Control a/c	22,50,000
To Wages Control a/c	4,00,000	By Balance c/d (Balancing Figure)	18,50,000
To Stores Ledger Control a/c	13,50,000		
To Manuf. O/H Control a/c	8,50,000		
	<b>41,00,000</b>		<b>41,00,000</b>

Finished Stock Ledger Control A/c			
To Balance b/d	25,00,000	By Cost of Sales A/c	17,50,000
To Work in Progress Control A/c	22,50,000	By Balance c/d (Bal. Fig.)	30,90,000
To Cost of Sales A/c	90,000		
	<b>48,40,000</b>		<b>48,40,000</b>

Manufacturing Overhead Control A/c			
To Cost Ledger Control A/c	8,50,000	By Balance B/d	1,50,000
To Wages Control A/c	2,00,000	By Work in Progress Control A/c	8,50,000
		By Balance c/d (Balancing figure)	50,000
	<b>10,50,000</b>		<b>10,50,000</b>

Wages Control A/c			
To Cost Ledger Control A/c	6,00,000	By Work in Progress Control A/c	4,00,000
		By Manuf. Overhead Control A/c	2,00,000
	<b>6,00,000</b>		<b>6,00,000</b>

Cost of Sales A/c			
To Finished Stock Led. Cont. A/c	17,50,000	By Finished Stock Led. Cont. A/c	90,000
		By Cost Ledger Control A/c	16,60,000
	<b>17,50,000</b>	(Bal.)	<b>17,50,000</b>

#### Trial Balance

Particulars	Debit	Credit
Cost Ledger Control A/c		77,60,000
Stores Ledger Control A/c	27,70,000	
Work in Progress Control A/c	18,50,000	
Finished Stock Ledger Control A/c	30,90,000	
Manufacturing Overhead Control A/c	50,000	
	<b>77,60,000</b>	<b>77,60,000</b>

25.

Raw Material Control A/c			
To Balance B/d	2,82,450	By General Ledger Adj. A/c	27,200
To General Ledger Adj. A/c	12,43,810	By Work in Progress Control A/c	13,60,430
		By Costing P&L A/c (Loss)	6,000
		By Balance c/d (Balance figure)	1,32,630
	<b>15,26,260</b>		<b>15,26,260</b>

Work in Progress Control A/c			
To Balance b/d	2,38,300	By Finished goods Control A/c	13,76,200
To Raw material control A/c	13,60,430	By Costing P&L A/c	12,300
To Wages control A/c	2,56,800	By Balance c/d (Balancing Figure)	6,03,380
To Factory OH control A/c	1,36,350		
	<b>19,91,880</b>		<b>19,91,880</b>

Finished Stock Ledger Control A/c			
To Balance b/d	3,92,500	By Cost of Sales A/c	14,56,500
To Work in Progress Control A/c	13,76,200	By Balance c/d (Bal. Fig.)	3,58,100
To General Ledger Adjustment A/c	45,900		
	<b>18,14,600</b>		<b>18,14,600</b>

General Ledger Adjustment A/c			
To Costing P&L (Sales) (Bal. fig.)	25,68,910	By Balance B/d	9,13,250
To Raw material control A/c	27,200	By Raw material control a/c	12,43,810
		By Wages control A/c	2,56,800
		By Factory OH control A/c	1,36,350
		By Finished Goods Control A/c	45,900
	<b>9,55,000</b>		<b>25,96,110</b>

26.

Store Ledger Control Account			
To Bal. b/d	8,000	By WIP LC A/c (bal fig.)	22,000
To GLA A/c	25,000	By Bal. c/d	11,000
	<b>33,000</b>		<b>33,000</b>

Wages Control Account			
To GLA A/c	10,000	By Fixed overhead control A/c (Bal. fig.)	2,000
		By WIP LC A/c	8,000
	<b>10,000</b>		<b>10,000</b>

Fixed Overhead Control Account			
To Wages Control A/c	2,000	By WIP LC A/c	9,000
To GLA A/c	8,000	By Costing P&L A/c (Bal fig.)	1,000
	<b>10,000</b>		<b>10,000</b>

WIP LC Account			
To Bal. b/d	5,000	By FG LC A/c (Bal fig.)	35,000
To Store ledger control A/c	22,000		
To Wages Control A/c	8,000	By Bal. c/d	9,000
To Fixed overhead control A/c	9,000		
	<b>44,000</b>		<b>44,000</b>

Finished Goods Ledger Control Account			
To Bal. b/d	10,000	By Cost of Sales (Bal fig.)	33,000
To WIP LC A/c	35,000	By Bal. c/d	12,000
	<b>45,000</b>		<b>45,000</b>

Cost of Sales Account			
To FG LC A/c	33,000	By Costing P&L A/c	33,000
	<b>33,000</b>		<b>33,000</b>

Costing P&L Account			
To Cost of sales A/c	33,000	By GLA A/c	50,000
To Fixed overhead control A/c	1,000		
To GLA A/c (Bal fig.)	16,000		
	<b>50,000</b>		<b>50,000</b>

GLA Account			
To Costing P&L A/c [50000-16000]	34,000	By Bal. b/d	23,000
To Bal. c/d (Bal fig.)	32,000	By SLC A/c	25,000
		By Wages Control A/c	10,000
		By Fixed overhead control A/c	8,000
	<b>66,000</b>		<b>66,000</b>

27.

Stores Ledger Control Account			
To Balance b/d	15,000	By Work-in-Progress	80,000
To Cost Ledger Adjustment A/c	80,000	By Overhead A/c	10,000
	40,000	By Cost Ledger Control A/c	5,000
To Work-in-Progress A/c		By Overhead A/c (shortage)*	3,000
		By Balance c/d	37,000
	<b>1,35,000</b>		<b>1,35,000</b>

\*Assumed normal

Wages Control Account			
To Cost Ledger Control A/c	35,000	By WIP Control A/c	30,000
		By Overheads Control A/c	5,000
	<b>10,92,000</b>		<b>35,000</b>

Overheads Control Account			
To Stores Ledger Control A/c	10,000	By Work-in-Progress	1,20,000
To Stores Ledger Control A/c	3,000	By Balanced c/d	23,000
To Wages Control A/c	5,000		
To Cost Ledger Control A/c	1,25,000		
	<b>1,43,000</b>		<b>1,43,000</b>

Work-in-Progress Control Account			
To Balance b/d	30,000	By Stores Ledger Control A/c	40,000
To Stores Ledger Control A/c	80,000	By Costing Profit & Loss A/c	2,00,000
To Wages Control A/c	30,000	(Finished Goods at Cost	
To Overhead A/c (Applied)	1,20,000	Bal. Fig.)	20,000
	<b>2,60,000</b>	By Balance c/d	<b>2,60,000</b>

Costing Profit & Loss Account			
To Work-in-Progress A/c	2,00,000	By General Ledger Adjustment	2,20,000
To General Ledger Adjustment A/c (Profit)	20,000	A/c Sale (2,00,000 + 10%)	
	<b>2,20,000</b>		<b>2,20,000</b>

Financial Profit & Loss Account			
To Material	90,000	By Sales A/c	2,20,000
(op. + Purchase - sale)	30,000	By Closing WIP	20,000
To Opening WIP	35,000	By Closing stock of raw material	37,000
To Wages	1,25,000	By Net loss	3,000
To Overhead expenses			
	<b>2,80,000</b>		<b>2,80,000</b>

Reconciliation Statement	
Profit as Per Cost Account	20,000
Less: Under Absorption of Overhead	(23,000)
Loss as per Financial Accounts	<b>(3,000)</b>

## 28. Working Notes:

$$(a) \text{ Overhead recovery rate} = \frac{\text{Budgeted Factory Overheads}}{\text{Budgeted Direct Labour hours}} = \frac{6,75,000}{4,50,000} = ₹1.50 \text{ per direct labour hour}$$

(b) Direct labour cost WIP (on 31<sup>st</sup> March) ₹3,000

Direct labour hours of WIP 1,200 hours

$$\text{Direct wage rate per hour} = \frac{\text{Direct labour cost on WIP}}{\text{Direct Labour hours of WIP}} = \frac{3,000}{1,200} = ₹2.50 \text{ per hour}$$

(c) Total direct wages charged to production = 28,200 × 2.50 = ₹70,500

### (1) Material purchased during March

Payment made to creditors	₹1,05,000
Add: Closing balance in creditors account	₹15,000
	₹1,20,000
Less: Opening balance	₹30,000
Material purchased during March	₹90,000

### (2) Cost of Goods completed in March

Cost of goods sold during the month	₹1,95,000
Add: Closing finished goods inventory	₹66,000
	₹2,61,000
Less: Opening finished goods inventory	₹75,000
Cost of goods completed in March	₹1,86,000

(3) Overheads applied to production in March = 28,200 × ₹1.50 = ₹42,300

### (4) Balance of WIP on 31<sup>st</sup> March

Direct material cost	₹6,000
Direct labour cost	₹3,000
Overheads (1,200 hours × 1.50)	₹1,800
	₹10,800

### (5) Direct material consumed during March

Dr.	Work in Progress Control A/c			Cr.	
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
1.03	To Opening Balance	6,000		By Finished goods	1,86,000
	To Direct wages	70,500	31.3	By Balance of WIP	10,800
	To Factory overheads	42,300			
	To Material Consumed (Bal. Fig.)	78,000			
		<b>1,96,800</b>			<b>1,96,800</b>

**(6) Balance of Stores Control Account on 31<sup>st</sup> March**

Dr.	Stores Control A/c			Cr.	
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
1.03	To Opening Balance	54,000		By WIP Control A/c	78,000
	To Creditors A/c	90,000	31.3	By Balance c/d	66,000
		<b>1,44,000</b>			<b>1,44,000</b>

**(7) Over-absorbed or Under-absorbed overheads for 31<sup>st</sup> March**

Dr.	Factory Overhead A/c			Cr.	
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To General Ledger Adj. A/c	45,000	31.3	By Factory overhead applied	42,300
				By Costing P&L A/c	2,700
		45,000		(under absorbed)	1,44,000

29.

**Reconciliation Statement**

Particulars	+ (₹)	- (₹)
Net loss as per costing records		35,400
<b>Less:</b> Administration overhead under-recovered		25,500
Depreciation in under charged		26,000
Obsolescence loss not charged		16,800
Income-tax not provided		43,600
Goodwill written off		25,000
Provision for doubtful debts		15,000
<b>Add:</b> Factory overhead over recovered	1,35,000	
Dividend received	20,000	
Interest received not included	13,600	
Difference in value of Opening stock [1,65,000 – 1,45,000]	20,000	
Difference in value of Closing stock [1,32,000 – 1,25,500]	6,500	
Notional rent of own premises	60,000	
	<b>2,55,100</b>	<b>1,87,300</b>
Net profit as per financial records	<b>67,800</b>	

30.

**Memorandum Reconciliation Account**

Particulars	₹	Particulars	₹
To Net loss per costing books	2,25,000	By Administrative overhead over absorber in costs	3,000
To Factory overheads over absorbed	5,000	By Depreciation over charged in cost	10,000
To Income tax not provided in cost	65,000	By Interest on investment	20,000
To Preliminary expenses written off in P&L	3,000	By Transfer fee	2,70,000
To Over-valuation of closing stock of finished goods	7,000	By Net loss as per financial books	
	<b>3,05,000</b>		<b>3,05,000</b>

**31. Memorandum Reconciliation Account**

Particulars	₹	Particulars	₹
To Net loss per costing books	3,47,000	By Administrative overhead over absorber in costs	60,000
To Factory overheads under absorbed	40,000	By Interest on investments	96,000
To Under charged depreciation	50,000	By Transfer fees	24,000
To Income tax provided	54,000	By Stores Adjustment	14,000
To Interest on loan funds	2,45,000	By Dividend Received	32,000
		By Net loss as per financial books	5,10,000
	<b>7,36,000</b>		<b>2,93,000</b>

32.

**Memorandum Reconciliation Account**

Particulars	₹	Particulars	₹
To Work overheads under recovered	48,600	To Net Profit as per cost books	48,408
To Provision for doubtful debts	17,800	By Office overheads over recovered	11,500
To Obsolescence loss	17,200	By Dividend received on shares	17,475
To Store adjustment (Debit)	35,433	By Interest on fixed deposits	21,650
		By Depreciation over charged	5,000
		By Net loss as per financial accounts	15,000
	<b>1,19,033</b>		<b>1,19,033</b>

**33. Reconciliation statement**

Particulars	+ (₹)	- (₹)
Loss as per cost accounts	-	1,18,500
Add: Over absorbed factory overheads	32,500	-
Less: Under absorbed administration overheads	-	38,250
Add: Over charged depreciation in cost accounts [4,99,700 – 4,55,800]	43,900	-

Less: Loss due to obsolescence	-	11,400
Less: Income tax provision	-	32,650
Add: Interest on investment	96,000	-
Add: Stores adjustment (credit)	12,800	-
Less: Difference in value of opening stock (19,62,500 – 18,85,600)	-	76,900
Add: Difference in value of closing stock (21,98,900 – 21,15,800)	83,100	-
Add: Imputed rent charged in cost accounts	1,80,000	-
Less: Selling & distribution expenses not charged in cost accounts	-	72,450
Less: Donation to Prime Minister Relief Fund	-	11,000
Less: Loss on sale of furniture	-	7,250
Less: Bad debts written off	-	18,300
	<b>4,48,300</b>	<b>3,86,700</b>
Profit as per profit & loss account		<b>61,600</b>

#### 34. Reconciliation Statement

Particulars	+ (₹)	- (₹)
Loss as per cost accounts	-	2,48,300
Add: Over recovered Works OHs	30,400	-
Less: Under recovered Selling OHs	-	20,300
Less: Under recovered administrative OHs	-	27,700
Add: Depreciation over charged in cost accounts	35,100	-
Less: Bad Debts w/off in financial accounts	-	15,000
Less: Preliminary expenses w/off in financial accounts	-	5,000
Add: Interest credited during the year in financial accounts	7,500	-
	<b>73,000</b>	<b>3,16,300</b>
Loss as per financial account	-	<b>2,43,300</b>

#### 35. Cost Sheet for the Period

	₹
Materials	2,00,000
Labour	1,50,000
<b>Prime Cost</b>	<b>3,50,000</b>
Factory Overhead	90,000
<b>Factory Cost</b>	<b>4,40,000</b>
Office Overhead*	88,000
<b>Cost of Production</b>	<b>5,28,000</b>
Less: Closing Stock (10% of 5,28,000)	52,800
Profit	4,75,200
Sales	44,800
	<b>5,20,000</b>

\*It is assumed that administration overheads are related to production.

### Profit and Loss Account for the Period

Particulars	₹	Particulars	₹
To Materials	2,00,000	By Sales	5,20,000
To Labour	1,50,000	By Closing Stock (10% of 4,50,000)	45,000
To Factory Expenses	1,00,000		
To Office Expenses	85,000		
To Profit	30,000		
	<b>5,65,000</b>		<b>5,65,000</b>

### Reconciliation Statement

Particulars	+ (₹)	- (₹)
Profit as per cost Account	44,800	
<b>Add:</b> Over-recovery of office expense in Cost Account	3,000	
<b>Less:</b> Over-valuation of stock in Cost Account		7,800
Factory overhead under-charged in Cost Account	10,000	17,800
	<b>47,800</b>	<b>17,800</b>

36.

### Profit & Loss Account

To Materials	10,00,000	By sales	25,00,000
To Wages	5,00,000	By Closing Stock	1,50,000
To Factory Overheads	4,50,000	By Work-in-Progress	70,000
To Administrative Overheads	2,60,000		
To Selling and Distribution Overheads	1,80,000		
To Interest on Capital	20,000		
To Goodwill Written off	2,00,000		
To Net Profit	1,10,000		
	<b>27,20,000</b>		<b>27,20,000</b>

### Cost Sheet

Materials	10,00,000
Add: Wages	5,00,000
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)
Net Factory Cost	19,30,000
Add: Administrative overheads @10% of factory cost	1,93,000
Cost of Production (21,230 units)	21,23,000

Less: Closing stock of finished goods (1,230 units)	(1,23,000)
Cost of goods sold	20,00,000
Add: Selling & Dist. Overheads @ ₹10 per unit	2,00,000
Cost of sales (20,000 units)	22,00,000
Add: Profit	3,00,000
Sales	25,00,000

### Reconciliation Statement

Profit as per Cost Records		3,00,000
<b>Add:</b> Overabsorption of Factory Overheads	50,000	
Overabsorption of Selling & Distribution Overheads	20,000	
Undervaluation of Closing Stock of Finished Goods in Cost Account	27,000	97,000
<b>Less:</b> Under-absorption of Administration Overheads		3,97,000
Interest on Capital Not Charged in Cost Account	67,000	
Goodwill Not Written off in Cost Account	20,000	
Profit as per Financial Records	2,00,000	2,87,000
		1,10,000

37.

### Reconciliation statement

Particulars	+ (₹)	- (₹)
Profit as per profit & loss account	33,248	-
Add: Undervalued closing stock [1,56,394 - 1,50,242]	6,152	-
Less: Over absorbed wages in cost accounts [49,734 - 46,226]	-	3,468
Add: Under absorbed factory overheads [41,652 - 39,428]	2,224	-
Less: Over absorbed administration overheads [(6,93,000×3%) - 19,690]	-	1,100
Add: Under absorbed selling expenses [44,352 - (6,93,000×5%)]	9,702	-
Less: Sundry income not considered in cost accounts	-	632
	51,326	5,200
Profit as per cost accounts	46,126	-

38. Units produced = Units sold + Cl. Stock FG - Op. Stock FG = 30,000 + 2,000 - 0 = 32,000

### Costing Profit & Loss Account

Particulars	Amount (₹)	Particulars	Amount (₹)
Material consumed	14,16,000	Sales (30,000 units)	30,00,000
Direct wages	7,42,000		
Prime cost	21,58,000		
Work overheads (20% of prime cost)	4,31,600		
Gross factory cost	25,89,600		
Less: Work-in-progress	(60,000)		

Net Factory cost	25,29,600		
Administration overheads (5×32,000)	1,60,000		
Cost of production	26,89,600		
Less: Finished stock $\left(\frac{26,89,600}{32,000} \times 2,000\right)$	(1,68,100)		
Cost of goods sold	25,21,500		
Selling & distribution overheads (6×30,000)	1,80,000		
Cost of sales	27,01,500		
Profit (Bal. fig.)	2,98,500		
	30,00,000		30,00,000

### Reconciliation Statement

Particulars	+ (₹)	- (₹)
Profit as per cost accounts	2,98,500	-
Add: Over recovered work OHs	5,600	-
Less: Over valued closing WIP in cost accounts	-	6,000
Add: Under recovered Administration OHs	10,000	-
Less: Over valued Cl. stock in cost accounts	-	600
Add: Over recovered selling & distribution OHs	15,000	-
	3,29,100	6,600
Profit as per profit & loss account	3,22,500	-

### 39. (a) Statement of Profit as per Financial Records

Particulars	₹	Particulars	₹
To Direct material	50,00,000	By Sales (1,20,000 units)	1,20,00,000
To Direct wages	30,00,000	By Closing stock	
To Factory Overheads	16,00,000	WIP	2,40,000
To Gross Profit c/d	29,60,000	Finished goods	3,20,000
	1,25,60,000	(4,000 units)	1,25,60,000
To General Administrative overheads	7,00,000	By Gross Profit b/d	29,60,000
To Selling and distribution overheads	9,60,000	By Dividend received	1,00,000
By Bad Debts	80,000	By Interest received	20,000
To Preliminary expenses written off	40,000		
To Legal charges	10,000		
To Profit	12,90,000		
	30,80,000		30,80,000

Units produced = Units sold + Closing stock – opening stock = 1,20,000 + 4000 – 0 = 1,24,000

### Statement of Profit as per Costing Records

Particulars	₹
Direct Material	56,00,000
Direct labour	30,00,000
Prime cost	86,00,000
Factory overheads (86,00,000×20%)	17,20,000
Factory cost	1,03,20,000
Less: Closing WIP	(2,40,000)
Cost of Production (1,24,000 units)	1,00,80,000
Less: Closing stock $\left[ \frac{10080000}{124000} \times 4000 \right]$	(3,25,160)
Cost of goods sold (1,20,000 units)	97,54,840
Administrative overheads (1,20,000 × ₹6)	7,20,000
Selling and distribution overheads (1,20,000 × ₹8)	9,60,000
Cost of sales	1,14,34,840
Profit (Bal. fig.)	5,65,160
Sales	1,20,00,000

### (b) Reconciliation Statement

Particulars	+ (₹)	- (₹)
Profit as per cost accounts	5,65,160	-
Add: Excess of material consumption	6,00,000	-
Add: Factory overheads	1,20,000	-
Add: Administrative overheads	20,000	-
Add: Dividend received	1,00,000	-
Add: Interest received	20,000	-
Less: Bad Debts	-	80,000
Less: Preliminary expenses written off	-	40,000
Less: Legal charges	-	10,000
Less: Bad Over-valuation of stock	-	5,160
	14,25,160	1,35,160
Profit as per financial accounts	12,90,000	-

### 40. (a) Statement of Profit as per Financial Records

Particulars	₹	Particulars	₹
To Opening stock of Finished goods	53,125	By Sales	22,80,000
To work-in-process	46,000	By Closing stock of Finished Goods	45,650
To Raw materials consumed	8,40,000	By Work-in-process	41,200
To Direct labour	6,10,000	By Rent received	46,000
To Factory overheads	4,22,000	By Interest received	38,000

Particulars	₹	Particulars	₹
To Administration overheads	1,98,000		
To Selling & Distribution overheads	72,000		
To Dividends paid	1,22,000		
To Bad Debts	18,000		
To Profit	69,725		
	24,50,850		24,50,850

Units produced = Units sold + Closing stock - opening stock = 12,615 + 415 - 625 = 12,405

### Statement of Profit as per Costing Records

Particulars	₹
Raw material consumed	8,40,000
Direct labour	6,10,000
Prime cost	14,50,000
Factory overheads (6,10,000×70%)	4,27,000
Factory cost	18,77,000
Add: Opening WIP	46,000
Less: Closing WIP	(41,200)
Factory cost of goods purchased	18,81,800
Add: Administration overheads (15% × 18,81,800)	2,82,270
Cost of Production	21,64,070
Add: Opening stock (625 × 120)	75,000
Less: Closing stock	(72,397)
Cost of goods sold	21,66,673
Selling and distribution overheads (12,615 × 3)	37,845
Cost of sales	22,04,518
Profit (Bal. fig.)	75,482
Sales	22,80,000

### (b) Reconciliation Statement

Particulars	+ (₹)	- (₹)
Profit as per cost accounts	75,482	-
Add: Over absorbed administration overheads	84,270	-
Add: Over valued opening stock of finished goods	21,875	-
Add: Interest received	38,000	-
Add: Rent received	46,000	-
Add: Factory overheads over absorbed	5,000	-
Less: Selling & distribution overheads under recovered	-	34,155
Less: closing stock overvalued	-	26,747
Less: Dividend	-	1,22,000
Less: Bad debts	-	18,000
	<b>2,70,627</b>	<b>2,00,902</b>
Profit as per financial accounts	69,725	-

**Note** – It is assumed that administration overheads are related to production.

#### 41. Costing Profit & Loss Account

Particulars	Amount	Particulars	Amount
To Material	26,80,000	By Prime Cost c/d (B/F)	44,60,000
To Wages	17,80,000		44,60,000
	<b>44,60,000</b>		
To Prime Cost b/d	44,60,000	By Factory Cost c/d (B/F)	53,52,000
To Factory Exp. (44,60,000×20%)	8,92,000		53,52,000
	<b>53,52,000</b>		
To Factory Cost b/d	53,52,000	By Cost of Production c/d (B/F)	58,87,200
To Admin. Exp. (10% × 53,52,000)	5,35,200		58,87,200
	<b>58,87,200</b>		
To Cost of Production b/d	58,87,200	By Cost of Goods Sold c/d (B/F)	56,60,769
To Opening Finished Goods	-	By Closing Finished Goods $\left[ \frac{58,87,200}{52,000} \times 2,000 \right]$	2,26,431
	<b>58,87,200</b>		<b>58,87,200</b>
To Cost of Goods Sold b/d	56,60,769	By Cost of Sales c/d (B/F)	61,60,769
To Selling Exp. (10 × 50,000)	5,00,000		61,60,769
	<b>61,60,769</b>		
To Cost of Sales b/d	61,60,769	By Sales	62,00,000
To Profit	39,231		62,00,000
	<b>62,00,000</b>		<b>62,00,000</b>

#### Reconciliation Statement

Particulars	+ (₹)	- (₹)
Profit as per cost accounts	39,231	-
Less: Under recovered Factory Expenses	-	58,000
Add: Over recovered Administrative Expenses	55,000	-
Less: Over valued closing stock in cost accounts	-	76,431
Add: Over recovered selling expenses	2,50,000	-
Add: Dividend received	20,000	-
Less: Preliminary expenses	-	50,000
	<b>3,64,231</b>	<b>1,84,431</b>
Profit as per financial account	<b>1,79,800</b>	-

#### 42. (i)

#### Cost Sheet

Particulars	Amount
Raw material consumed	6,50,000
Direct wages	3,50,000
	<b>Prime Cost</b> 10,00,000
Add: Fixed factory overheads $\left( \frac{2,60,000 \times 50\%}{20,000} \times 15,000 \right)$	97,500

Add: Variable factory overheads (2,60,000 × 50%)	<u>1,30,000</u>	2,27,500
Add: Notional rent of own premises		12,000
	<b>GFC/NFC/COP/COGS</b>	12,39,500
Add: Administrative overheads $\left(\frac{1,05,000}{20,000} \times 15,000\right)$		78,750
Add: selling & Distribution overheads		85,000
	<b>Cost of Sales</b>	14,03,250
Add: Profit (Balancing figure)		96,750
	<b>Sales</b>	15,00,000

(ii) **Reconciliation Statement**

Particulars	+ (₹)	- (₹)
Profit as per P&L Account	57,000	-
Add: Under recovered factory overheads (2,60,000 – 2,27,500)	32,500	-
Less: Notional rent of own premises	-	12,000
Add: Under recovered administrative overheads (1,05,000 – 78,750)	26,250	-
Add: Loss on sale of investment	2,000	-
Less: Dividend received	-	9,000
<b>Total</b>	<b>1,17,750</b>	<b>21,000</b>
<b>Profit as per Cost Account</b>	<b>96,750</b>	<b>-</b>

