

**CRASH MAIN MATERIAL / CA INTER / GR. 1 / BOOK / COSTING – PART / 42.5E**

CHAPTERS INCLUDED – COST ACCOUNTING SYSTEMS

(APPLICABLE TO MAY 2020 ATTEMPT OF CA INTER. SYNCHRONISED WITH JULY 2019 EDITION OF ICAI SM.

ISSUED ON 7/12/19)

**6. COST ACCOUNTING SYSTEMS**

NO. OF PROBLEMS IN 41.5E OF CA INTER: CLASSROOM - 10, ASSIGNMENT - 29

NO. OF PROBLEMS IN 41E OF CA INTER: CLASSROOM - 18, ASSIGNMENT - 29.

NO. OF PROBLEMS IN 42.5E OF CA INTER: CLASSROOM - 11, ASSIGNMENT - 11.

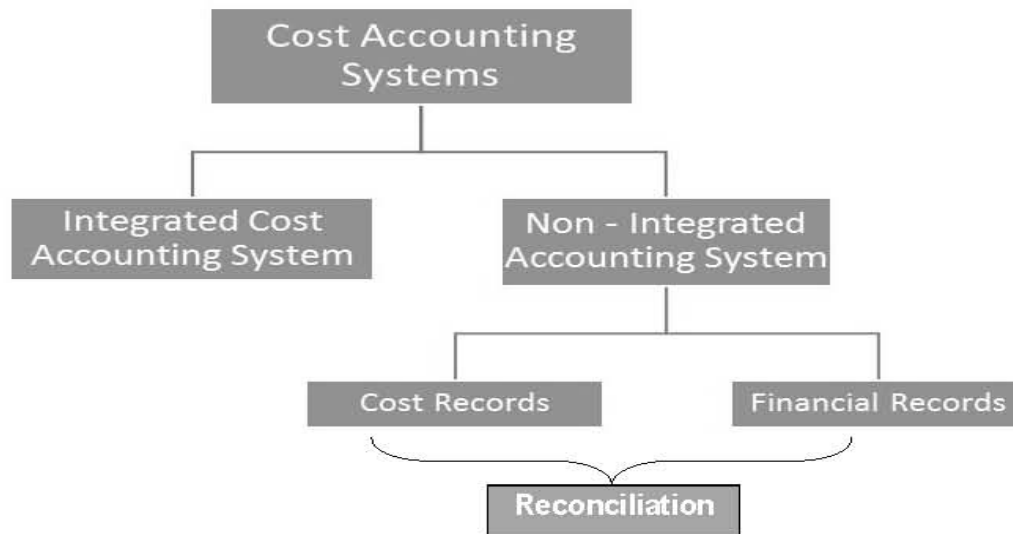
**MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC & CA INTER**

No.	MODEL NAME	M-11	N-11	M-12	N-12 TO M-13	N-13	M-14	N-14	M-15	N-15	M-16	N-16	M-17	N-17	M-18(O)	M-18(N)	N-18(O)	N-18(N)	M-19(N)	M-19(O)	N-19(N)
1.	Preparation of Control Accounts	12	8	-	-	-	-	8	-	-	8	-	8	-	-	-	-	10	-	-	5
2.	Journal Entries	-	-	-	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Comprehensive Model	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Missing Figures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	Reconciliation with Profit	-	-	-	8	-	-	-	-	-	-	8	-	-	-	-	-	-	5	-	-
6.	Reconciliation with Loss	-	-	-		-	-	-	-	-	-	-	-	-	-	5	-	-	-	-	-
7.	Memorandum Reconciliation Account	-	8	-	-	-	-	-	-	7	-	-	-	-	-	-	-	-	-	8	-
8.	Reverse Working	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**SIGNIFICANCE OF EACH PROBLEM COVERED IN THIS MATERIAL**

Problem No. in this material	Problem No. in NEW SM	Problem No. in OLD SM	Problem No. in OLD PM	RTP	MTP	Previous Exams	Remarks
CR 1	-	-	-	-	-	N-19(N)	
CR 2	-	-	-	N-19	-	-	
CR 3	ILL-3	ILL-5	-	-	-	-	
CR 4	-	-	Q.NO-7	-	-	-	
CR 5	PQ-3	ILL-16	-	-	-	N-13	
CR 6	ILL-8	ILL-3	-	-	-	-	
CR 7	-	-	-	-	-	M-19	
CR 8	-	-	Q.NO-12	-	-	-	
CR 9	-	-	Q.NO-17	-	-	N-12	
CR 10	-	-	-	-	N-19	-	
CR 11	-	-	Q.NO-16	-	-	-	
ASG 1	-	ILL-3	-	-	-	-	
ASG 2	-	-	Q.NO-1	-	-	-	
ASG 3	-	-	-	-	-	N-18	
ASG 4	-	-	-	M-18	-	-	
ASG 5	-	-	-	-	N-15	-	
ASG 6	ILL-7	ILL-11	-	-	-	-	
ASG 7	-	-	-	N-13	-	-	

ASG 8	-	-	-	N-16,M-19(N,O)	-	-	
ASG 9	-	-	-	-	-	M-18(N)	
ASG 10	-	-	Q.NO-8	-	-	M-15	
ASG 11	-	-	Q.NO-14	-	-	-	



### **ENTRIES IN NON INTEGRATED ACCOUNTING (IN COST RECORDS)**

#### **A. RECORD ALL THE EXPENSES:**

No.	Particulars	Dr.	Cr.
1.	<b>Purchase of Raw Material (Direct &amp; Indirect):</b> Raw Materials Control A/c Dr. XXX To General Ledger Adjustment A/c (GLA) * (or) XXX To Nominal Ledger Adjustment A/c (or) To Cost Ledger Adjustment A/c		
2.	<b>Transfer to stores of materials purchased:</b> Stores Control A/c Dr. XXX To Raw Material Control A/c XXX <b>Combine entry for 1 &amp; 2:</b> Stores Control A/c Dr. XXX To General Ledger Adjustment A/c XXX		
3.	<b>Materials returned to suppliers:</b> General Ledger Adjustment A/c Dr. XXX To Stores Control A/c XXX		
4.	<b>Direct Materials issued for production:</b> Work-in-progress Control A/c Dr. XXX To Stores Control A/c XXX		
5.	<b>Indirect Materials issued to production dept.:</b> Factory/Works/Production Overhead Control A/c Dr. XXX To Stores Control A/c XXX		
6.	<b>Indirect Materials issued to administration dept.</b> Administration/Office overhead Control A/c Dr. XXX To Stores Control A/c XXX		
7.	<b>Indirect Materials issued to sales dept.:</b> Sales Overhead Control A/c Dr. XXX To Stores Control A/c XXX		
8.	<b>For Normal loss of stores</b> FOH Control A/c Dr. XXX To Stores Control A/c XXX		

9.	For abnormal loss of stores			
	a) Abnormal loss A/c	Dr.	XXX	XXX
	To Stores Control A/c			
	b) Costing P & L A/c	Dr.	XXX	XXX
	To Abnormal loss A/c			
	(OR)			
	Costing P & L A/c	Dr.		
	To Stores Control A/c			
10.	Return of direct material to Stores dept.:			
	Stores Control A/c	Dr.	XXX	XXX
	To Work-in-progress Control A/c			
11.	Return of indirect material to stores dept.			
	Stores Control A/c	Dr.	XXX	XXX
	To FOH/AOH/SOH Control A/c			
12.	Materials transferred from one job to another:			
	Job Control A/c (Receiving)	Dr.	XXX	XXX
	To Job Control A/c (Giving)			
13.	R.M. issued for repairs:			
	FOH/AOH/SOH/Control A/c	Dr.	XXX	XXX
	To Stores Ledger Control A/c			
14.	Payment of wages (direct & Indirect wages):			
	Wages Control A/c	Dr.	XXX	XXX
	To GLA Control A/c			
15.	Payment of expenses (for both direct & indirect):			
	Expenses A/c	Dr.	XXX	XXX
	To GLA Control A/c			
16.	Payment of Overheads:			
	FOH/AOH/SOH Control A/c	Dr.	XXX	XXX
	To GLA Control A/c			
17.	Carriage inward:			
	Manufacturing overhead A/c	Dr.	XXX	XXX
	To GLA Control A/c			

\*Represents all Real a/c's (Except RM, WIP & FG), Personal a/c's.

#### **B. TRANSFER ENTRIES:**

1.	Transfer of applicable portion of DM to WIP: Refer to A 4 above		XXX	XXX
2.	Transfer of Indirect materials to production/ administration/ sales department: Refer to A 5, 6, 7 above		XXX	XXX
3.	Transfer of Direct wages to WIP: WIP Control A/c	Dr.	XXX	XXX
	To Wage Control A/c			
4.	Transfer of Indirect wages to respective dept.: POH/AOH/SOH A/c	Dr.	XXX	XXX
	To Wages Control A/c			
5.	For Normal Idle time wages FOH Control A/c	Dr.	XXX	XXX
	To Wage Control A/c			
6.	For Abnormal Idle time wages Costing P & L A/c	Dr.	XXX	XXX
	To Wage Control A/c			

7.	<b>Transfer of Direct expenses to WIP:</b> WIP Control A/c To Expenses Control A/c	Dr.	XXX	XXX
8.	<b>Transfer of indirect expenses:</b> POH/AOH/SOH Control A/c To Expenses Control A/c	Dr.	XXX	XXX
9.	<b>Transfer of POH to WIP:</b> WIP Control A/c To POH Control A/c	Dr.	XXX	XXX

**C. EXPENSES OF F.G.:**

1.	<b>Conversion of WIP into FG:</b> FG Control A/c To WIP Control A/c	Dr.	XXX	XXX
2.	<b>Transfer of AOH to FG:</b> FG Control A/c To AOH Control A/c	Dr.	XXX	XXX

**D. EMERGENCE OF COST OF SALES:**

1.	<b>Transfer of FG to cost of sales:</b> Cost of sales control A/c To FG Control A/c	Dr.	XXX	XXX
2.	<b>Transfer of SOH to cost of sales:</b> Cost of sales control A/c To SOH Control A/c	Dr.	XXX	XXX
3.	<b>Transfer of bal. in C.O.S to costing P&amp;L A/c:</b> Costing P & L A/c To Cost of sales Control A/c	Dr.	XXX	XXX

**E. SALES ACCOUNTING:**

1.	<b>Cash / Credit Sales:</b> GLA Control A/c To Sales Control A/c	Dr.	XXX	XXX
2.	<b>Transfer of sales to costing P &amp; L A/c:</b> Sales Control A/c To Costing P & L A/c	Dr.	XXX	XXX

**F. RECOVERY OF OVERHEADS:**

1.	<b>P.O.H or A.O.H or S.O.H. recovered:</b> WIP A/c or FG A/c or Cost of Sales A/c To POH A/c or AOH A/c or SOH A/c	Dr.	XXX	XXX
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**G. MISCELLANEOUS ENTRIES:**

1.	<b>Transfer of profits to GLA:</b> Costing P & L A/c To GLA Control A/c	Dr.	XXX	XXX
2.	<b>Transfer of Loss to GLA:</b> GLA Control A/c To Costing P & L A/c	Dr.	XXX	XXX
3.	<b>Abnormal Loss during Production/ WIP:</b> GLA Control A/c Costing P & L A/c TO WIP A/C	Dr. Dr.	XXX XXX	XXX

4.	a) <b>Abnormal Loss during Production having No Scrap Value:</b>			
	Costing P&L A/c	Dr.	XXX	
	TO WIP A/c			XXX
	b) <b>Abnormal Loss during Production having Scrap Value:</b>			
	General Ledger Adjustment A/c	Dr.	XXX	
	Costing P&L A/c (Loss)	Dr.	XXX	
	To WIP A/c			XXX

### **INTEGRATED ACCOUNTS**

- Both financial & costing information will be maintained only in one set of books.
  - Instead of GLA A/C, all real & personal accounts will be maintained.
  - Two P & L A/c's will be prepared:
    - Costing P & L A/c
    - Financial P & L A/c
  - Transfer of profits:
    - Profits obtained in Costing P & L A/c - to be transferred to financial P & L A/c
    - Profits obtained in Financial P & L A/c - to be transferred to capital A/c.
- Items of Pure finance & Non-cost related items: To be shown in Financial P & L A/c

### **RECONCILIATION OF COST AND FINANCIAL STATEMENTS:**

When the cost and financial accounts are kept separately, It is imperative that these should be reconciled, otherwise the cost accounts would not be reliable. The reconciliation of two set of accounts can be made, if both the sets contain sufficient detail as would enable the causes of differences to be located. It is therefore, important that in the financial accounts, the expenses should be analysed in the same way as in cost accounts. It is important to know the causes which generally give rise to differences in the costs & financial accounts.

Reasons for disagreement of profits as per cost and financial accounts: The various reasons for disagreement of profits shown by the two sets of books viz., cost and financial may be listed as below:

- Items appearing only in financial accounts:** The following items of income and expenditure are normally included in financial accounts and not in cost accounts. Their inclusion in cost accounts might lead to unwise managerial decisions. These items are:
  - Income:**
    - Profit on sale of assets
    - Interest received
    - Share Transfer fees
    - Dividend received
    - Rent receivable
  - Expenditure:**
    - Loss on sale of assets
    - Uninsured destruction of assets
    - Loss due to scrapping of plan and machinery
    - Preliminary expenses written off
    - Goodwill written off
    - Underwriting commission and debenture discount written off
    - Interest on mortgage and loans
    - Fines and penalties
  - Appropriation**
    - Dividends
    - Reserves
    - Dividend equalization fund, Sinking fund etc.

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2. **Items appearing only in cost accounts:** There are some items which are included in cost accounts but not in financial account. These are:
  - i) Notional interest on own capital;
  - ii) Notional rent on premises owned.
  - iii) Salary to proprietor
  - iv) Depreciation on assets which are fully depreciated
3. **Under or over-absorption of overhead:** In cost accounts overheads are charged to production at pre-determined rates where in financial accounts actual amount of overhead is charged, the difference gives rise under or over-absorption; causing a difference in profits.
4. **Different bases of stock valuation:** In financial books, stocks are valued at cost or market price, whichever is lower. In cost books, however, stock of materials may be valued on FIFO or LIFO basis and work-in-progress may be valued at prime cost or works cost. Differences in store valuation may thus cause a difference between the two profits.
5. **Depreciation:** The amount of depreciation charge may be different in the two sets of books either because of the different methods of calculating depreciation or the rates adopted. In cost accounts, for instance, the straight line method may be adopted whereas in financial accounts it may be the diminishing balance method.

### RECONCILIATION STATEMENT

(When Profit as per Cost Accounts is taken as a starting point)

Particulars	Rs.	Rs.
<b>A. Profit as per Cost Accounts</b>		.....
<b>B. Add: Items having the effect of higher profit in financial accounts:</b>		
(a) Over-absorption of Factory Overheads/ Office & Adm. Overheads / Selling & Distribution Overheads in Cost Accounts	.....	
(b) Over-valuation of Opening Stock of Raw Material / Work-in-progress / Finished goods in Cost Accounts	.....	
(c) Under-valuation of Closing Stock of Raw Material / Work-in-progress / Finished Goods in Cost Accounts Rent received Transfer Fees received etc.	.....	
(d) Income excluded from Cost Accounts: (e.g.) Interest & Dividend on Investments	.....	.....
<b>C. Less: Items having the effect of lower profit in financial accounts:</b>		
(a) Under-absorption of Factory Overheads/ Office & Adm. Overheads / Selling & Distribution Overheads in Cost Accounts	.....	
(b) Under-valuation of Opening Stock of Raw Material / Work-in-progress/ Finished goods in Cost Accounts	.....	
(c) Over-valuation of Closing Stock of Raw Material / Work-in-progress /Finished Goods in Cost Accounts	.....	
(d) Expenses excluded from Cost Accounts: (e.g.) Bad Debts written off Preliminary Expenses / Discount on Issue, written off Legal Charges	..... ..... ..... .....	(.....)

D. Profit as per Financial Accounts (A + B –C)

.....

**Note:** In case of 'Loss', the amount shall appear as a minus item.**Note:** When profit as per Cost account is calculated from profit as per financial accounts, then items which are added above will be deducted and vice-versa.**PROBLEMS FOR CLASSROOM DISCUSSION****MODEL 1: PREPARATION OF CONTROL ACCOUNTS****PROBLEM 1:** Journalise the following transactions in cost books under Non – Integrated system of Accounting.

(i) Credit Purchase of Material	27,000
(ii) Manufacturing overhead charged to Production	6,000
(iii) Selling and Distribution overheads recovered from Sales	4,000
(iv) Indirect wages incurred	8,000
(v) Material returned from production to stores	9,000

(NOV 19 NEW)

(SOLVE PROBLEM NO 1,2 OF ASSIGNMENT PROBLEMS AS REWORK)

**Note:** \_\_\_\_\_**PROBLEM 2:** As of 30th September, 2019, the following balances existed in a firm's cost ledger, which is maintained separately on a double entry basis.

	Debit( Rs.)	Credit(Rs.)
Stores Ledger Control A/c	15,00,000	-
Work-in-progress Control A/c	7,50,000	-
Finished Goods Control A/c	12,50,000	-
Manufacturing Overhead Control A/c	-	75,000
Cost Ledger Control A/c	-	34,25,000
	35,00,000	35,00,000

During the next quarter, the following items arose:

	(Rs.)
Finished Product (at cost)	11,25,000
Manufacturing overhead incurred	4,25,000
Raw material purchased	6,25,000
Factory wages	2,00,000
Indirect labour	1,00,000
Cost of sales	8,75,000
Materials issued to production	6,75,000

Sales returned (at cost)	45,000
Materials returned to suppliers	65,000
Manufacturing overhead charged to production	4,25,000

Required:

PREPARE the Cost Ledger Control A/c, Stores Ledger Control A/c, Work-in-progress Control A/c, Finished Stock Ledger Control A/c, Manufacturing Overhead Control A/c, Wages Control A/c, Cost of Sales A/c and the Trial Balance at the end of the quarter. **(RTP NOV19 NEW)(ANS:47,10,000)**  
(SOLVE PROBLEM NO 3,4 OF ASSIGNMENT PROBLEMS AS REWORK)

**Concept Question:** What is the impact on question, If Manufacturing overheads charged to production of Rs.3,00,000

**Note:** \_\_\_\_\_

**PROBLEM 3:** On 31st March, 2013 the following balances were extracted from the books of the Supreme Manufacturing Company:

Particulars	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 2013:

Particulars	(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 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 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. Show the following Accounts:

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

Trial Balance as at 30th April, 2013.

**(B) (NEW SM, OLD SM) (ANS.: TOTAL OF TRIAL BALANCE = RS. 95,000)**  
(SOLVE PROBLEM NO 5 OF ASSIGNMENT PROBLEMS AS REWORK)

**Concept Question:** What is the impact on question, if FOH are charged at 200% of direct wages.

**Note:** \_\_\_\_\_



**PROBLEM 4:** A Company operates separate cost accounting and financial accounting systems. The following is the list of Opening balances as on 1.04.2001 in the Cost Ledger.

Particulars	Debit (Rs.)	Credit (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 30.06.2001 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 Factory Cost. At the end of the quarter, WIP stocks increased by Rs. 7,500.

Prepare the relevant Control Accounts, Costing Profit and Loss Account and General Ledger Adjustment Account to record the above transactions for the quarter ended 30.06.2001. (OLD PM)

(A) (ANS.: PROFIT = RS. 48,000)

**Concept Question:** What is the impact on question, if gross profit is 1/3 on factory cost

## **MODEL 2: JOURNAL ENTRIES**

### **PROBLEM 5:**

- a) Dutta Enterprises operates an integral system of accounting. You are required to pass the Journal Entries for the following transactions that took place for the year ended 30th June, 2012.

(Narrations are not required)

Particulars	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	-
Receipts from debtors	2,00,000
Payments to creditors	2,00,000

- b) Journalise the following transactions assuming cost and financial accounts are integrated:

- i) Materials issued: (Rs.)
- |          |          |
|----------|----------|
| Direct   | 3,25,000 |
| Indirect | 1,15,000 |
- ii) Allocation of wages (25% indirect) 6,50,000

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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

(A) (NEW SM, OLD SM,, N 13 5M)

**Concept Question:** What is the impact on question, if under/over recovery is carry forwarded.

**Note:** \_\_\_\_\_

### **MODEL 3: COMPREHENSIVE PROBLEMS**

**PROBLEM 6: (PRINTED SOLUTION AVAILABLE):** 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:

Particulars	(Rs.)	(Rs.)
<b>Balances at the beginning of the month:</b>		
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
<b>Transactions during the month:</b>		
Materials Purchased		75,000
<b>Materials Issued:</b>		
To Production	30,000	
To Factory Maintenance	4,000	34,000
Materials 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 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.    | c) Finished Goods Control Account.      |
| b) Work-in-Progress Control Account. | d) Production Overhead Control Account. |
| e) Profit and Loss Account.          |   |

(B) (OLD SM, NEW SM) (ANS.: PROFIT – RS. 20,000)

(SOLVE PROBLEM NO 6 OF ASSIGNMENT PROBLEMS AS REWORK)

**Concept Question:** What is the impact on question, if production overheads are recovered at 100% of direct material issued.

**Note:** \_\_\_\_\_

### **MODEL 4: MISSING FIGURES**

NIL

### **MODEL 5: RECONCILIATION WITH PROFIT**

**PROBLEM 7:** The net loss of Way well 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:

Particulars	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 investments not included in cost accounts	96,000
Store adjustment (Credit) to 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	21,98,000
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	

Required: prepare a reconciliation statement and arrive at the profit or loss as per financial accounts  
(MAY 19 new 8M)(ANS:61,600)

**Concept Question:** What is the impact on question, if notional rent charged in cost records

**Note:** \_\_\_\_\_

**PROBLEM 8: (PRINTED SOLUTION AVAILABLE)** The following is the Trading and Profit & Loss Account of Omega Limited:

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:	
		Materials 55,250	

		Wages 26,000	
		Production Overheads <u>16,250</u>	97,500
To Administration Overheads	3,10,375	By Dividends received	3,90,000
To Selling and Distribution Overheads	3,68,875	By Interest on bank deposits	65,000
To Preliminary Expenses written off	22,750		
To Goodwill written off	45,500		
To Fines	3,250		
To Interest on Mortgage	13,000		
To Loss on Sale of machine	16,250		
To Taxation	1,95,000		
To Net Profit for the year	3,83,500		
	<b>55,57,500</b>		<b>55,57,500</b>

Omega Limited manufactures a standard unit.

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

- Production overheads have been charged to work-in-progress at 20% on Prime cost.
- Administration Overheads have been recovered at Rs. 9.75 per finished Unit.
- Selling & distribution Overheads have been recovered at Rs. 13 per Unit sold.
- The Under or Over-absorption of Overheads has not been transferred to costing P/L A/c.

**Required:**

- Prepare a proforma Costing Profit & Loss account, indicating net profit.
- Prepare Control accounts for Production overheads, Administration Overheads and Selling & Distribution Overheads.
- Prepare a statement reconciling the profit disclosed by the Cost records with that shown in financial accounts.

(A) (OLD PM) (ANS.: PROFIT AS PER COST RECORDS – 2,14,500)  
(SOLVE PROBLEM NO 7,8 OF ASSIGNMENT PROBLEMS AS REWORK)

**Concept Question:** What is the impact on question, if under/over recovery is transferred to costing P&L a/c

**Note:** \_\_\_\_\_

## **MODEL 6: RECONCILIATION WITH LOSS**

**PROBLEM 9:** R Limited showed a net loss of Rs. 35,400 as per their cost accounts for the year ended 31<sup>st</sup> March, 2014. 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.
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:	
a) In Cost Accounts	1,65,000
b) In Financial Accounts	1,45,000
Value of closing stock:	
a) In Cost Accounts	1,25,500
b) In Financial Accounts	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. (A) (OLD PM) (N12 - 8M) (ANS.: 67,800)  
(SOLVE PROBLEM NO 9 OF ASSIGNMENT PROBLEMS AS REWORK)

**Concept Question:** What is the impact on question, R&D expenses recorded only in financial records.

**Note:** \_\_\_\_\_

### **MODEL 7: MEMORANDUM RECONCILIATION ACCOUNT**

**PROBLEM 10:** A manufacturing company has disclosed a net loss of Rs 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 Rs 2,70,000 for the same period. A scrutiny of data of both the sets of books of accounts revealed the following information:

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

**Required:**

Prepare a Memorandum Reconciliation Account. (MTP NOV 19 NEW)(ANS.:3,05,000)  
(SOLVE PROBLEM NO 10 OF ASSIGNMENT PROBLEMS AS REWORK)

**Concept Question:** What is the impact on question, donations charged to financial P&L a/c only

**Note:** \_\_\_\_\_

### **MODEL 8: REVERSE WORKING**

**PROBLEM 11:(PRINTED SOLUTION AVAILABLE):** The following figures have been extracted from the cost records of a manufacturing company:

	Rs.
Stores:	
Opening Balance	12,60,000

Purchases	67,20,000
Transfer from Work-in-progress	33,60,000
Issues to Work-in-progress	67,20,000
Issues to Repairs and Maintenance	8,40,000
Deficiencies found in Stock taking	2,52,000
Work-in-progress:	
Opening Balance	25,20,000
Direct Wages applied	25,20,000
Overhead Applied	90,08,000
Closing Balance	15,20,000

**Finished Products:**

Entire output is sold at a Profit of 12% on actual cost from work-in-progress.

**Others:** Wages incurred Rs.29,40,000; Overhead incurred Rs. 95,50,000.

Income from investment Rs. 4,00,000; Loss on sale of Fixed Assets Rs. 8,40,000.

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

(A) (OLD PM) (ANS.: PROFIT AS PER COST RECORDS – 19,06,560; LOSS AS PER FINANCIAL RECORDS – 5,87,440)

(SOLVE PROBLEM NO 11 OF ASSIGNMENT PROBLEMS AS REWORK)

**Concept Question:** What is the impact on question, if profit is 15% on actual cost from WIP.

**Note:** \_\_\_\_\_

## PRINTED SOLUTIONS TO SOME SELECTIVE PROBLEMS

**PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 6,8,11**

### PROBLEM NO. 6

a) **Stores Ledger Control Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	25,000	By Work in Progress Control A/c	30,000
Creditors/ Bank A/c	75,000	" Production OH Control A/c	4,000
		Balance c/d	66,000
	<b>1,00,000</b>		<b>1,00,000</b>

b) **Work-in-Progress Control Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	20,000	By Finished Goods Control A/c	65,000
Store Ledger Control A/c	30,000	By Balance c/d (Physical value)	40,000
Wages Control A/c	20,000		
Production Overhead Control A/c (150% of direct wages)	30,000		

Profit & Loss A/c (Stock Gains)	5,000		
	<b>1,05,000</b>		<b>1,05,000</b>

c) **Finished Goods Control Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	35,000	By Cost of Goods A/c	80,000
Work-in-Progress Control A/c	65,000	By Balance c/d	20,000
	<b>1,00,000</b>		<b>1,00,000</b>

d) **Production Overhead Control Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d (Prepaid amount)	3,000	By Work-in-Progress Control A/c (150% of direct wages)	30,000
To Stores Ledger Control A/c	4,000		
To Wages Control A/c: Direct Workers 5,000 Indirect Workers 5,000	10,000		
To Bank	12,000		
To Profit & Loss A/c* (Over absorption, balancing figure)	1,000		
	<b>30,000</b>		<b>30,000</b>

\* Alternatively the over absorbed overhead may be carried forward.

e) **Profit & Loss Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Finished goods Control A/c or Cost of goods sold A/c	80,000	By Sales A/c	1,00,000
Selling & Distribution Overhead A/c	6,000	Production Overhead Control A/c	1,000
Balance c/d	20,000	Work-in-Progress Control A/c (Stock gain)	5,000
	<b>1,06,000</b>		<b>1,06,000</b>

**Notes:**

- Materials transferred between batches will not affect the Control Accounts.
- Non-production time of direct workers is a production overhead and therefore will not be charged to work-in-progress control A/c.
- Production overheads absorbed in work-in-progress Control A/c will then equal Rs. 30,000 (150% of Rs. 20,000).
- In the work-in-progress Control A/c the excess physical value of stock is taken resulting in stock gain. Stock gain is transferred to Profit & Loss A/c.

**PROBLEM NO. 8****Costing Profit & Loss account**

Particulars	Amounts
Materials	23,01,000
Wages	12,05,750

Prime cost	35,06,750
Production overheads (20% of prime cost)	7,01,350
	42,08,100
<b>Less: Work-In-Progress</b>	97,500
<b>Manufacturing cost incurred during the period</b>	<b>41,10,600</b>
Add: administrative overheads (Rs.9.75 x 31,000 units)	3,02,250
<b>Cost of production</b>	<b>44,12,850</b>
<b>Less: Closing finished goods stock</b> $\left(44,12,850 \times \frac{1,000}{31,000}\right)$	1,42,850
<b>Cost of goods sold</b>	<b>42,70,500</b>
Add: selling & distribution overheads (Rs.13 x 30,000 units)	3,90,000
<b>Cost of sales</b>	<b>46,60,500</b>
<b>Profit (balancing figure)</b>	<b>2,14,500</b>
<b>Sales</b>	<b>48,75,000</b>

**Production over head Account**

Particulars	Amount	Particulars	Amount
To general ledger adjustment A/c	6,92,250	By work in progress A/c	7,01,350
To overheads adjustment A/c (over- absorption)	9,100		
	<b>7,01,350</b>		<b>7,01,350</b>

**Administrative overheads Account**

Particulars	Amount	Particulars	Amount
To general ledger adjustment A/c	3,10,375	By finished goods A/c	3,02,250
		By overheads adjustment A/c (under- absorption)	8,125
	<b>3,10,375</b>		<b>3,10,375</b>

**Selling & distribution overheads Account**

Particulars	Amount	Particulars	Amount
To general ledger adjustment A/c	3,68,875	By cost of sales A/c	3,90,000
To overheads adjustment A/c (over- absorption)	21,125		
	<b>3,90,000</b>		<b>3,90,000</b>

**Reconciliation statement**

	Particulars	Rs.	Rs.
	Profit as per cost accounts		2,14,500
<b>Add:</b>	Production overheads (over absorption)	9,100	
	Selling & distribution overheads (over absorption)	21,125	
	Dividend received	3,90,000	
	Interest on bank deposits	65,000	4,85,225
			<b>6,99,725</b>
<b>Less:</b>	Administration overheads (under – absorption)	8,125	
	Preliminary expenses written off	22,750	
	Good will written off	45,500	



Fines	3,250	
Interest on mortgage	13,000	
Loss on sale of machinery	16,250	
Taxation	1,95,000	
Write down of finished stock (Rs.1,42,350 – Rs.1,30,000)	12,350	(3,16,225)
Profit as per financial accounts		<b>3,83,500</b>

**PROBLEM NO.11****Stores Leger Control Account**

	<b>Amt.</b>		<b>Amt.</b>
To Balance b/d	12,60,000	By Work-in-progress control A/c	67,20,000
To General ledger adjustment A/c	67,20,000	By Overhead control A/c	8,40,000
To Work-in progress Control A/c	33,60,000	By Overhead control A/c (Shortage)	2,52,000
		By Balance c/d	35,28,000
	<b>1,13,40,000</b>		<b>1,13,40,000</b>

**W.I.P Control A/c**

	<b>Amt.</b>		<b>Amt.</b>
To Balance b/d	25,20,000	By Stores ledger control A/c	33,60,000
To Stores ledger control A/c	67,20,000	By Costing P&L A/c (Cost of Sales) (Balancing figure)	1,58,88,000
To Direct wages Control A/c	25,20,000		
To Overhead control A/c	90,08,000	By Balance c/d	15,20,000
	<b>2,07,68,000</b>		<b>2,07,68,000</b>

**Costing Profit and Loss A/c**

	<b>Amt.</b>		<b>Amt.</b>
To W.I.P Control A/c	1,58,88,000	By General	
To General ledger Adj. A/c (Profit)	19,06,560	Ledger Adj. A/c Cost of sales	1,58,88,000
		Add 12% Profit	<u>19,06,560</u>
	<b>1,77,94,560</b>		<b>1,77,94,560</b>

**Financial Profit and Loss A/c**

Dr.

Cr.

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Opening stock :Stores	12,60,000		By Sales		1,77,94,560
W.I.P	25,20,000	37,80,000	By Income from investment		4,00,000
To Purchases		67,20,000	By Closing stock:		
To Wages		29,40,000	Stores	35,28,000	
To Overhead		95,50,000	W.I.P	15,20,000	50,48,000
To Loss on sale of			By loss		5,87,440

fixed assets		8,40,000			
		2,38,30,000			2,38,30,000

**Reconciliation statement**

Profit as per Cost Accounts		19,06,560
Add: Income from investments		4,00,000
		23,06,560
Less : Loss on sale of fixed assets	8,40,000	
Under absorption of overheads (Refer to Working Note)	20,54,000	28,94,000
Loss as per Financial Accounts		5,87,440

**Working Notes:****Overhead Control Account**

	Amt.		Amt.
To General Ledger Adj. A/c	95,50,000	By W.I.P control A/c	90,08,000
To Stores Ledger Control A/c	2,52,000	By Balance c/d (under absorption of overheads)	20,54,000
To Stores ledger control A/c	8,40,000		
To Wages control A/c Indirect wages (Rs. 29,40,000 – Rs.25,20,000)	4,20,000		
	1,10,62,000		1,10,62,000

**ASSIGNMENT PROBLEMS****MODEL 1: PREPARATION OF CONTROL ACCOUNTS**

**PROBLEM 1:** The manufacturing cost of a work order is Rs. 1,00,000; 8% of the production against that order spoiled and the rejection is estimated to have a realisable value of Rs. 2,000 only. The normal rate of spoilage is 2%. Record this in the costing journal.

(C) ( OLD SM) (ANS.: AMOUNT TRANSFERED TO COSTING P&L A/C: RS. 4,500)

**PROBLEM 2:** Pass journal entries in the cost books, maintained on non-integrated system, for the following:

(B) (OLD PM)

i. Issue of materials:	Direct Rs. 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

**PROBLEM 3:** The following balances were extracted from a Company ledger as on 30th June, 2018:

Particulars	Debit (Rs.)	Credit (Rs.)
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>Total</b>	<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:

		Rs.
(i)	Factory overheads - allocated to work-in-progress	1,36,350
(ii)	Goods finished - at cost	13,76,200
(iii)	Raw materials purchased	12,43,810
(iv)	Direct wages - allocated to work-in-progress	2,56,800
(v)	Cost of goods sold	14,56,500
(vi)	Raw materials - issued to production	13,60,430
(vii)	Raw materials - credited by suppliers	27,200
(viii)	Raw materials losses - inventory audit	6,000
(ix)	Work-in-progress rejected (with no scrap value)	12,300
(x)	Customer's returns (at cost) of finished goods	45,900

You are required to prepare:

- Raw material control a/c
- Work-in-progress control a/c
- Finished stock control a/c
- General ledger adjustment a/c

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(A) (N18 (N)-10M) (ANS.: A) RS.1,32,630; B) RS.6,03,380; C) RS.3,58,100; (IV) RS.25,68,910

**PROBLEM 4:** As of 31<sup>st</sup> March, 2015, the following balances existed in a firm's cost ledger, which is maintained separately on a double entry basis.

Particulars	Debit (Rs.)	Credit (Rs.)
Stores Ledger Control A/c	3,20,000	--
Work-in-progress Control A/c	1,52,000	--
Finished Goods Control A/c	2,56,000	--
Manufacturing Overhead Control A/c		28,000
Cost Ledger Control A/c		7,00,000
	<b>7,28,000</b>	<b>7,28,000</b>

During the next quarter, the following items arose:

Particulars	(Rs.)
Finished Product (at cost)	2,35,500
Manufacturing overhead incurred	91,000
Raw material purchased	1,36,000
Factory wages	48,000
Indirect labour	20,600
Cost of sales	1,68,000
Materials issued to production	1,26,000
Sales returned (at cost)	8,000
Materials returned to suppliers	11,000

Manufacturing overhead charged to production	86,000
--	--------

You are required to prepare the Cost Ledger Control A/c, Stores Ledger Control A/c, Work-in progress Control A/c, Finished Stock Ledger Control A/c, Manufacturing Overhead Control A/c, Wages Control A/c, Cost of Sales A/c and the Trial Balance at the end of the quarter as per costing records.

(B) (RTP M18, N15) (ANS.: TRIAL BALANCE: RS. 9,87,000)

**PROBLEM 5:** Aditya Limited has separate cost and financial accounting systems.

From the cost accounts, the following information was available for the period:

	(Rs.)
Cost of finished goods produced	5,12,050
Cost of goods sold	4,93,460
Direct material issued	1,97,750
Direct wages	85,480
Production overhead (as per the financial accounts)	2,08,220
Direct material purchases	2,16,590

In the cost accounts, additional depreciation of Rs. 12,500 per period is charged and production overheads are absorbed at 250% of wages.

The various account balances at the beginning of the period were:

	(Rs.)
Stores control	54,250
Work in progress control	89,100
Finished goods control	42,075

#### Requirements

- Prepare the following control accounts in the cost ledger, showing clearly the double entries between the accounts and the closing balances:
- Accounts required: (i) Stores control (ii) Work-in-progress control (iii) Finished goods control and (iv) Production overhead control.

(B) (MTP - N15) (ANS.: b)(i) 73,090 (ii) 73,980 (iii) 60,665 (iv) 7020)

### MODEL 2: JOURNAL ENTRIES

NIL

### MODEL 3: COMPREHENSIVE PROBLEMS

**PROBLEM 6:** 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:

Particulars	(Rs.)	(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. (C) (OLD SM, NEW SM) (ANS.:1,91,300)

#### **MODEL 4: MISSING FIGURES**

**NIL**

#### **MODEL 5: RECONCILIATION WITH PROFIT**

**PROBLEM 7:** The financial books of a company reveal the following data for the year ended 31<sup>st</sup> March, 2014:

	(Rs.)
<b>Opening Stock:</b>	
Finished goods 625 units	53,125
Work-in-process	46,000
<b>01.04.2013 to 31.3.2014</b>	
Raw materials consumed	8,40,000
Direct Labour	6,10,000
Factory overheads	4,22,000
Administration overheads	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 Rs. 3 per unit sold.

Opening Stock of finished goods is valued at Rs. 120 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, 2014 show
  - a) The profit as per financial records.
  - b) The profit as per costing records.
- ii) Present a statement reconciling the profit as per costing records with the profit as per Financial Records. (C) (RTP N13) (ANS: PROFIT AS PER FINANCIAL RECORDS – 69,720; PROFIT AS PER COST RECORDS – 75,482)

**PROBLEM 8:** 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 overheads	1,65,000	- Wages	16,000
Net profit for the year	3,22,500	- Works overhead	4,000
	32,21,500		54,000
			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.

(B) (RTP N16, RTP M19 (N&O))

(ANS.: NET PROFIT AS PER COSTING P&L A/C: RS. 2,92,875; NET PROFIT AS PER FINANCIAL P&L A/C: RS. 3,22,500)

### **MODEL 6: RECONCILIATION WITH LOSS**

**PROBLEM 9:** GK Ltd. showed net loss of Rs. 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 Rs. 2,48,300 for the same period. On scrutinizing both the set of books of accounts, the following information were revealed:

S. No.	Particulars	Amount (Rs.)
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 Exp. 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.

(A) (M18(N)-10M) (ANS.: NET LOSS AS PER COST RECORDS: RS. 2,48,300)

### **MODEL 7: MEMORANDUM RECONCILIATION ACCOUNT**

**PROBLEM 10:** A manufacturing company has disclosed net loss of Rs. 48,700 as per their cost accounting records for the year ended 31st March, 2014. However their financial accounting records disclosed net profit of Rs. 35,400 for the same period. A scrutiny of data of both the sets of books of accounts revealed the following information:

Particulars	Rs.
Factory overheads under absorbed	30,500
Administrative overheads over recovered	65,000
Depreciation charged in financial accounts	2,25,000
Depreciation charged in Cost Accounts	2,70,000
Income Tax Provision	52,400
Transfer fees (credited in financial books)	10,200
Obsolescence loss charged in financial accounts	20,700
Notional rent of own premises charged in cost accounts	54,000
<b>Value of opening stock:</b>	
a) In Cost Accounts	1,38,000
b) In Financial Accounts	1,15,000
<b>Value of closing stock:</b>	
a) In Cost Accounts	1,22,000
b) In Financial Accounts	1,12,500

Prepare a Memorandum reconciliation account.

(A) (OLD PM, M15 - 5M)

(ANS.: NET LOSS AS PER COST RECORDS - 48,700) (SOLVE PROBLEM NO 24 OF ASSIGNMENT PROBLEMS AS REWORK)

### **MODEL 8: REVERSE WORKING**

**PROBLEM 11:** The following figures have been extracted from the cost records of a manufacturing company:

	Rs.
<b>Stores:</b>	
Opening Balance	63,000
Purchases	3,36,000
Transfer from Work-in-progress	1,68,000
Issues to Work-in-progress	3,36,000
Issues to Repairs and Maintenance	42,000
Deficiencies found in Stock taking	12,600
<b>Work-in-progress:</b>	
Opening Balance	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 Rs.1,47,000; Overhead incurred Rs. 5,25,000.

Income from investment Rs. 21,000; Loss on sale of Fixed Assets Rs. 42,000.

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

(A) (OLD PM) (ANS.: PROFIT AS PER COSTING RECORDS – 84,000; LOSS AS PER FINANCIAL RECORDS – 33,600)

## ADDITIONAL PROBLEMS FOR STUDENTS SELF PRACTICE

**PROBLEM 1:** As of 31st March, 2014, the following balances existed in a firm's cost ledger, which is maintained separately on a double entry basis:

Particulars	Debit (Rs.)	Credit (Rs.)
Stores Ledger Control A/c	3,00,000	--
Work-in-progress Control A/c	1,50,000	--
Finished Goods Control A/c	2,50,000	--
Manufacturing Overhead Control A/c	--	15,000
Cost Ledger Control A/c	--	6,85,000
	7,00,000	7,00,000

During the next quarter, the following items arose:

Particulars	(Rs.)
Finished Product (at cost)	2,25,000
Manufacturing overhead incurred	85,000
Raw material purchased	1,25,000
Factory wages	40,000
Indirect labour	20,000
Cost of sales	1,75,000
Materials issued to production	1,35,000
Sales returned (at cost)	9,000
Materials returned to suppliers	13,000
Manufacturing overhead charged to production	85,000

You are required to prepare the Cost Ledger Control A/c, Stores Ledger Control A/c, Work-in progress Control A/c, Finished Stock Ledger Control A/c, Manufacturing Overhead Control A/c, Wages Control A/c, Cost of Sales A/c and the Trial Balance at the end of the quarter

(A) (OLD PM) (ANS.: TOTAL OF TRIAL BALANCE: RS. 9,42,000)

**PROBLEM 2:** From the following details show the necessary accounts in the Cost Ledger.

Particulars	Materials	WIP	F.G.
Opening Balance	8,000	5,000	10,000
Closing Balance	11,000	9,000	12,000
<b>Transactions during the period:</b>			
Materials purchased			25,000
Wages paid (including Rs. 2,000 indirect)			10,000
Overheads incurred			8,000
Overheads absorbed			9,000
Sales			50,000

(B) (NEW SM, OLD SM) (ANS.: PROFIT = RS. 16,000)



**PROBLEM 3:** The following information has been extracted from the cost records of a manufacturing company:

Particulars	(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.

(A) (OLD PM) (N 11, M 17) (ANS.: PROFIT = 12,000)

**PROBLEM 4:** BPR Limited keeps books on integrated accounting system. The following balances appear in the books as on April 1, 2013.

	Dr. (Rs.)	Cr. (Rs.)
Stores Control A/c	40,950	—
Work-in-progress A/c	38,675	—
Finished Goods A/c	52,325	—
Bank A/c	—	22,750
Trade Payables A/c	—	18,200
Non-Current Assets A/c	1,47,875	—
Trade Receivables A/c	27,300	—
Share Capital A/c	—	1,82,000
Provision for Depreciation A/c	—	11,375
Provision for Doubtful Debts A/c	—	3,725
Factory Overheads Outstanding A/c	—	6,250
Pre-Paid Administration Overheads A/c	9,975	—
Profit & Loss A/c*	—	72,800
(*Reserve & Surplus)	3,17,100	3,17,100

The transactions for the year ended March 31, 2014, were as given below:

	(Rs.)	(Rs.)
Direct Wages	1,97,925	—
Indirect Wages	11,375	2,09,300
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 Trade Payables		2,29,775
Payment received from Trade Receivables		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.

(C) (OLD PM) (ANS.:4,46,725)

**PROBLEM 5:** The financial books of a company reveal the following data for the year ended 31<sup>st</sup> March, 20X8:

Opening Stock:	(Rs.)
Finished goods 625 units	53,125
Work-in-process	46,000
<b>01.04.20X7 to 31.03.20X8:</b>	
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 Rs. 3 per unit sold.
- Opening Stock of finished goods is valued at Rs. 120 per unit.
- The company values work-in-process at factory cost for both Financial and Cost Profit Reporting.

**Required:**

- Prepare a statement for the year ended 31<sup>st</sup> March, 20X8. Show

- The profit as per financial records
  - The profit as per costing records.
- ii) Prepare a statement reconciling the profit as per costing records with the profit as per Financial Records.

(B) (RTP N18 (N), SIMILAR: RTP M15, RTP N17)

(ANS.: PROFIT AS PER FINANCIAL RECORDS: RS. 69,725; PROFIT AS PER COST RECORDS: RS.76,177)

**PROBLEM 6:** The following information is available from a company's records for March, 2016:

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

(B) (M 16)

(ANS.: PURCHASE OF RAW MATERIAL: RS. 5,95,000; CLOSING WIP: RS. 63,000; FACTORY OVERHEADS RECOVERED: RS. 1,28,000)

**PROBLEM 7:** The following is the Trading and Profit & Loss Account of ABC Limited:

Particulars	Amount (Rs.)	Particulars	Amount (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	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:

- Production overheads have been charged to work-in-progress at 20% on Prime cost.
- 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:**

- a) Prepare a proforma Costing Profit & Loss statement, indicating net profit.  
 b) Prepare Control accounts for Production overheads, Administration Overheads and Selling & Distribution Overheads.  
 c) Prepare a statement reconciling the profit disclosed by the Cost records with that shown in Financial accounts.

(A) (RTP M17) (ANS.: NET PROFIT AS PER COSTING RECORDS: RS. 7,51,274)

**PROBLEM 8:** The Trading and Profit and Loss Account of a company for the year ended 31-03-2016 is as under:

**Trading and Profit and Loss Account**

Particulars	Amount (Rs.)	Particulars	Amount (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		
	<b>63,70,000</b>		<b>63,70,000</b>

In the Cost Accounts:

- a) Factory expenses have been allocated to production at 20% of Prime Cost.  
 b) Administrative expenses absorbed at 10% of factory cost.  
 c) 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.

(A) (N 16)

(ANS.: NET PROFIT AS PER COSTING P&L A/C: RS. 39,231; NET PROFIT AS PER FINANCIAL P&L A/C: RS. 1,79,800)

**PROBLEM 9:** ABC Ltd. has furnished the following information from the financial books for the year ended 31st March, 2007:

**Profit & Loss Account**

Particulars	(Rs.)	Particulars	(Rs.)
To Opening stock (500 units at Rs. 140 each)	70,000	By Sales (10,250 units)	28,70,000
To Material consumed	10,40,000	By Closing stock (250 units at Rs. 200 each)	50,000
To Wages	6,00,000		
To Gross profit c/d	12,10,000		
	<b>29,20,000</b>		<b>29,20,000</b>
To Factory overheads	3,79,000	By Gross profit b/d	12,10,000
To Administration 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 Preliminary expenses	20,000		
To Net profit	1,92,000		

	12,51,000	12,51,000
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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:

- A statement showing profit as per Cost accounts for the year ended 31st March, 2007 and
- A statement showing the reconciliation of profit as disclosed in Cost accounts with the profit shown in Financial accounts.

(B) (OLD PM) (ANS.: PROFIT AS PER COST RECORDS – 1,94,000)

**PROBLEM 10:** 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:

- Factory overheads under-recovered 5,000
- Administration overheads over-recovered 3,000
- Depreciation charged in financial accounts 70,000
- Depreciation recovered in costs 80,000
- Interest on investment not included in costs 20,000
- Income-tax provided 65,000
- Transfer fees (credit in financial books) 2,000
- Preliminary expenses written off 3,000
- Over-valuation of closing stock of finished goods in cost accounts 7,000

Prepare a Memorandum reconciliation account

(A) (OLD PM) (ANS.: LOSS AS PER COST RECORDS – 2,13,000)

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**PROBLEM 11:** Following information have been extracted from the cost records of XYZ Pvt. Ltd Stores:

	(Rs.)
Opening balance	54,000
Purchases	2,88,000
Transfer from WIP	1,44,000
Issue to WIP	2,88,000
Issue for repairs	36,000
Deficiency found in stock	10,800
<b>Work-in-progress:</b>	<b>(Rs.)</b>
Opening balance	1,08,000
Direct wages applied	1,08,000
Overheads charged	4,32,000
Closing balance	72,000
<b>Finished Production:</b>	<b>(Rs.)</b>
Entire production is sold at a profit of 15% on cost of WIP	
Wages paid	1,26,000
Overheads incurred	4,50,000

Draw the Stores Ledger Control Account, Work-in-Progress Control Account, Overheads Control Account and Costing Profit and Loss Account.

(A) (OLD PM, N14 - 8M) (ANS.: PROFIT = 1,08,000)

**PROBLEM 12:** The following figures have been extracted from the cost records of a manufacturing unit:

Particulars	(Rs.)
Stores: Opening balance	15,000
Purchases of material	80,000
Transfer from work-in-progress	40,000
Issues to work-in-progress	80,000
Issues to repair and maintenance	10,000
Sold as special case of cost	5,000
Shortage in the year	3,000
Work-in-progress: Opening balance	30,000
Direct wages applied	30,000
Overheads applied	1,20,000
Closing balance of W.I.P.	20,000

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

Wages incurred Rs. 35,000, overhead incurred Rs. 1,25,000.

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

(B) (OLD SM, NEW SM) (ANS.: PROFIT AS PER COSTING RECORDS – 20,000; LOSS AS PER FINANCIAL RECORDS – 3000)

**PROBLEM 13:** The following figures have been extracted from the cost records of a manufacturing unit:

Particulars	(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 W.I.P.	45,000

**Finish 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.

(A) (OLD PM) (ANS.: PROFIT AS PER FINANCIAL RECORDS – 16,000 (LOSS); PROFIT AS PER COST RECORDS – 6,000 LOSS)

**PROBLEM 14:** 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:		
	Rs.	
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.

(A) (NEW SM, OLD SM) (ANS.: TRIAL BALANCE – 9,49,025)

**PROBLEM 15:** The net profit of a company amounted to Rs.60,412 for the year ending 31<sup>st</sup> December, 2002, as per its financial records. The cost records, however, revealed a different figure. A scrutiny of the two sets of accounts disclosed the following facts:

- Works overhead recovered in Cost Accounts during the period amounted to Rs. 28,450 while the actual amount of these expenses was Rs. 21,390 only.
- Actual office expenses for the period were Rs. 19,850, whereas the office overhead recovered in Cost Accounts amounted to Rs. 14,500.
- The annual rental value of premises owned by the company, amounting to Rs. 10,800 was charged in Cost Accounts but not in financial Accounts.
- Selling & Distribution expenses for the period amounting to Rs. 16,490 were excluded from costing records.
- Excess depreciation charged in Cost Accounts Rs. 2,400.
- Expenses not included in Cost accounts and shown in Financial Accounts:

Interest of Bank Loan	1,600
Bank charges	160
Director's fees	750
Penalty for late completion of contract	2,500

- Gains during the year not included in Cost Accounts:

Transfer fees	45
Profit on sale of investment	4250
Interest on investments	9450

- The following appropriations had been made before arriving at the profit figure of Rs. 60,412:

Transfer to Dividend Equalisation Fund	10500
Transfer to Income Tax Reserve	6400
Transfer to Debenture Redemption Fund	9000

- Rs. 10,000 given as donation to the P.M.'s Relief Fund has been charged to P & L A/c.

Prepare a Reconciliation statement and find the amount of net Profit/loss as per the costing records.

(A) (ANS.: PROFIT AS PER COSTING BOOKS 89,157)

**PROBLEM 16:** A manufacturing company disclosed a net loss of Rs.3,47,000 as per their cost accounts for the year ended March 31,2003. The financial accounts however disclosed a net loss of Rs.5,10,000 for the period. The following information was revealed as a result of scrutiny of the figures of both the sets of accounts.

Particulars	Rs.
Factory Overheads under-adsorbed	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.

(B) (OLD PM, M14 - 5M, MTP1 M19 (NEW)-5M, SIMILAR: RTP M16) (ANS: FINANCIAL BOOKS – NET LOSS:5,10,000)

**PROBLEM 17:** The Profit as per cost accounts of Venkatesh Pvt. Ltd., for the quarter ended 30th June, 2014 is Rs. 3,65,200. The following information is

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Stocks	As per Cost Accounts (Rs.)	As per Financial Accounts (Rs.)
<b>Opening stocks:</b>		
Raw Material	52,800	55,600
Work in Progress	21,200	22,300
<b>Closing stocks:</b>		
Raw Material	56,000	54,200
Work in Progress	18,600	17,500
Finished Goods	18,000	16,000

Director's fees Rs. 52,000, Interest expenses Rs. 9,600, Provision for doubtful debts Rs. 1,300 and dividend received Rs. 3,800 have been considered in the financial accounts only.

Notional rent of Rs. 7,200 was charged only in the cost accounts.

- Research expenses written-off of Rs. 13,600 has not been charged in the cost accounts.
- Other overheads for the quarter as per the financial accounts were Rs.1,28,000 and as per the cost accounts, it was Rs. 1,30,400.

You are required to prepare, a statement showing profit/ loss as per financial accounts. (B) (MTP N14)

(ANS.: PROFIT AS PER FINANCIAL RECORDS: RS. 2,93,300)

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**THE END**