COST ACCOUNTING SYSTEM

1. "The profits of cost accounts may be different from those projected by financial accounts and in such cases a memorandum reconciliation statement is needed" In the context of this statement, discuss the possible reasons of differences between the two sets of accounts and the need of reconciliation.
2. The following figures are extracted from the Financial Accounts of Anishka Ltd. For the year ended 30-04-2009:

	Rs.	Rs.
Sales (20,000 units)		50,00,000
Materials		20,00,000
Wages		10,00,000
Factory Overheads		9,00,000
Administrative Overheads		5,20,000
Selling and Distribution Overheads		3,60,000
Finished Goods (1,230 units)		3,00,000
Work-in-progress:		
Materials	60,000	
Labour	40,000	
Factory Overheads	40,000	
		1,40,000
Goodwill Written off		4,00,000
Interest paid on capital		40,000

In the costing records, Factory Overhead is charged at 100% of Wages, Administration Overhead 10% of factory cost and Selling and Distribution Overhead at the rate of Rs. 20 per unit sold.

Prepare a statement reconciling the profit as per Cost Records with the profit as per Financial Records.

(Adopted RTP Nov 2009)

3. The financial records of Anamika Manufacturers Ltd. reveal the following for the year ended 30-6-2009:

		Rs. in thousands
Sales (20,000 units)		4,000
Materials		1,600
Wages		800
Factory Overheads		720
Office and Administrative Overheads		416
Selling and Distribution Overheads		288
Finished Goods (1,230 units)		240
Work-in-progress:		
Material	48	
Labour	32	
Overheads (Factory)	32	112
Goodwill written off		320
Interest on Capital		32

In the Costing records, factory overhead is charged at 100% of wages, administration overhead 10% of factory cost and selling and distribution overhead at the rate of Rs. 16 per unit sold.

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

(Adopted RTP May 2010)

4. The following incomplete accounts are furnished to you for the month ended 31st March, 2013

Dr. Stores Control Account Cr.

1.03.13	To Balance b/d	54,000			

Dr. Work in Progress Control Account Cr.

1.03.13	To Balance b/d	6,000			

Dr. Finished Goods Control Account Cr.

1.03.13	To Balance b/d	75,000			

Dr.		Factory Overhead Control Account			Cr.
	Total debits for March,13	45,000			

Dr.		Fixed Overhead Applied Account			Cr.

Dr.		Cost of Goods Sold Account			Cr.

Dr.		Creditors Account			Cr.
			1.03.13	By Balance b/d	30,000

Additional Information:

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

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

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

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

(e) on 31st March, 2013, 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, 2013. All factory workers earn same rate of pay.

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

You are required to find:

(i) Materials purchased during March, 2013.

(ii) Cost of goods completed in March, 2013.

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

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

(v) Direct materials consumed during March, 2013.

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

(RTP May 2013)

5. A Company operates separate cost accounting and financial accounting systems. The following is the list of Opening balances as on 01.04.2012 in the Cost Ledger.

	Debit	Credit
	(₹)	(₹)
Stores Ledger Control Account	60,000	--
WIP Control Account	1,10,000	--
Finished Goods Control Account	40,000	--
General Ledger Adjustment Account		2,10,000

Transactions for the quarter ended 30.06.2012 are as under:

	(₹)
Materials purchased	34,200
Materials issued to production	42,000
Materials issued for factory repairs	1,200
Factory wages paid (including indirect wages ₹ 24,000)	84,000
Production overheads incurred	96,000
Production overheads under-absorbed and written-off	4,800
Sales	3,08,000

The Company's gross profit is 25% on Factory Cost. At the end of the quarter, WIP stocks increased by ₹ 9,600.

Prepare the relevant Control Accounts, Costing Profit and Loss Account and General Ledger Adjustment Account to record the above transactions for the quarter ended 30.06.2012.

(ATP Feb 2013)

6. The following balances were extracted from a company's ledger as on 31st Dec 2011.

	₹	₹
Raw materials control account	42,000	
Work-in-progress control account	16,000	
Finished stock control account	24,000	
Nominal ledger control account		82,000
	82,000	82,000

Further transactions took place during the following quarter as follows:

	₹
Factory overhead-allocated to WIP	11,500
Goods finished-at cost	38,800
Raw materials purchased	32,400
Direct wages-allocated to WIP	19,300
Cost of goods sold	46,000
Raw materials-issued to production	21,000
Raw materials-credited by suppliers	1,200
Inventory audit-raw material losses	1,000
WIP rejected (with no scrap value)	1,300
Customer's returns(at cost) of finished goods	3,400

Prepare all the Ledger Accounts in Cost Ledger

7. MML Ltd. operates on historic job cost accounting system, which is not integrated with financial accounts. At the beginning of a month, the opening balances in cost ledger were.

	₹ (in lakhs)
Stores Ledger Control Account	120
Work-in-Progress Control Account	35
Finished Goods Control Account	465
Building Construction Account	22
Cost Ledger Control Account	642

During the month, the following transactions took place:

Material	Purchased	90
	Issued to production	130
	Issued to general maintenance	8
	Issued to building construction	4
Wages	Gross wages paid:	190
	- Indirect wages	75
	- For building construction	13
Works Overheads	Actual amount incurred (excluding items shown above)	215
	Absorbed in building construction	20
	Under absorbed	8
Royalty paid		5
Selling, distribution and administration overheads		25
Sales		570

At the end of the month, the stock of raw material and work-in-progress was ₹ 60 lakhs ₹ 37 lakhs respectively. The loss arising in the raw material account is treated as factory overhead. 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 company.

(Adopted RTP May 2012)

8. Cost Ledger of Beta Ltd. shows the following balances as on 31st March.

	Dr. ₹	Cr. ₹
Stores ledger control A/c	6,02,870	–
Work-in-progress ledger control A/c	2,44,730	–
Finished stock ledger control A/c	5,03,890	–
Manufacturing overhead control A/c		21,050
Cost ledger control A/c	–	13,30,440
	13,51,490	13,51,490

During the next three months, the transactions that took place is as follows:

	₹
Finished product (at cost)	4,21,670
Manufacturing overhead incurred	1,83,020
Raw materials purchased	2,46,000
Factory wages	1,01,060
Indirect labour	43,330
Cost of sales	3,71,780
Materials issued to production	2,54,630
Sales returned at cost	10,760
Materials returned to suppliers	5,800
Manufacturing overhead charged to production	1,54,400

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

(Adopted RTP Nov 2011)

9. R Limited showed a net loss of ` 35,400 as per their cost accounts for the year ended 31st 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:

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

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

(Nov 2012)

10.

A manufacturing company has disclosed a net loss of ₹ 8, 75,000 as per their cost accounting records for the year ended March 31, 2010. However, their financial accounting records disclosed a net loss of ₹ 7, 19,250 for the same period. A scrutiny of the data of both the sets of books of accounts revealed the following information:

		₹
(i)	Factory overheads over-absorbed	47,500
(ii)	Administration overheads under-absorbed	32,750
(iii)	Depreciation charged in Financial Accounts	2,25,000
(iv)	Depreciation charged in Cost Accounts	2,42,250
(v)	Interest on investments not included in Cost Accounts	62,750
(vi)	Income Tax provided in Financial Accounts	7,250
(vii)	Transfer fees (credit in Financial Accounts)	12,500
(viii)	Preliminary expenses written off	27,500
(ix)	Under-valuation of opening stock in Cost Accounts	6,250
(x)	Under valuations of closing stock in Cost Accounts'	17,500

Required :

Prepare a Memorandum Reconciliation A/c *(8 Marks)*

11. You are given the following information of the cost department of a manufacturing company:

	₹
Stores:	
Opening Balance	*12,60,000*
Purchases	*67,20,000*
Transfer from work-in-progress	*33,60,000*
Issue to work-in-progress	*67,20,000*
Issue to repairs and maintenance	*8,40,000*
Shortage 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.

Other information:

	₹
Wages incurred	*29,40,000*
Overhead incurred	*95,50,000*
Income from Investment	*4,00,000*
Loss on sale of fixed assets	*8,40,000*

Shortage in stock taking is treated as normal loss.

You are require to prepare:

(i) Stores control account;

(ii) Work-in-progress control account;

(iii) Costing Profit and Loss account;

(iv) Profit and Loss account and

(v) Reconciliation statement