Topic 6

COST ACCOUNTING SYSTEM

1. *XYZ Ltd. maintains a non-integrated accounting system for the purpose of management information. The following are the data related with year 2020-21:*

Particulars	(` in '000)
Opening balances:	
- Stores ledger control A/c	24,000
- Work-in-process control A/c	6,000
- Finished goods control A/c	1,29,000
- Building construction A/c	3,000
- Cost ledger control A/c	1,62,000
During the year following transactions took place:	
Materials:	
- Purchased	12,000
- Issued to production	15,000
- Issued to general maintenance	1,800
- Issued to building construction	1,200
Wages:	
- Gross wages paid	45,000
- Indirect wages paid	12,000
- For building construction	3,000
Factory overheads:	
- Actual amount incurred (excluding items shown above)	48,000
- Absorbed in building construction	6,000
- Under-absorbed	2,400
Royalty paid	1,500
Selling, distribution and administration overheads	7,500
Sales	1,35,000

At the end of the year, the stock of raw material and work-in-process was ` 1,65,00,000 and ` 75,00,000 respectively. The loss arising in the raw material account is treated as factory overheads. The building under construction was completed during the year. Gross profit margin is 20% on sales.

Required:

PREPARE the relevant control accounts to record the above transactions in the cost ledger of the company.

2. A manufacturing company disclosed a net profit Rs. 10,20,000 as per their cost accounts for the year ended 31st March 2021. The financial accounts however disclosed a net profit of Rs. 6,94,000 for the same period. The following information was revealed as a result of scrutiny of the figures of both the sets of accounts.

	(Rs.)
(i) Factory Overheads under-absorbed	80,000
(ii) Administration Overheads over-absorbed	1,20,000
(iii) Depreciation charged in Financial Accounts	6,50,000
(iv) Depreciation charged in Cost Accounts	5,50,000
(v) Interest on investments not included in Cost Accounts	1,92,000
(vi) Income-tax provided	1,08,000
(vii) Interest on loan funds in Financial Accounts	4,90,000
(viii) Transfer fees (credit in financial books)	48,000
(ix) Stores adjustment (credit in financial books)	28,000
(x) Dividend received	64,000

PREPARE a Reconciliation statement.

3. The following figures have been taken from the financial accounts of a manufacturing firm for the year ended 31st March, 2021:

	(Rs.)
Direct material consumption	20,00,000
Direct wages	12,00,000
Factory overheads	6,40,000
Administrative overheads	2,80,000
Selling and distribution overheads	3,84,000
Bad debts	32,000
Preliminary expenses written off	16,000
Legal charges	4,000
Dividend received	40,000
Interest on fixed deposit	8,000
Sales - 48,000 units	48,00,000
Closing stock:	
- Finished stock - 4,000 units	3,20,000
- Work-in-process	96,000

The cost accounts for the same period reveal that the Direct Material consumption was Rs. 22,40,000; Factory overhead is recovered at 20% on prime cost; Administration overhead is recovered @ Rs. 4.8 per unit of production; and Selling and Distribution overheads are recovered at Rs. 6.40 per unit sold.

Required:

PREPARE Costing and Financial Profit & Loss Accounts and RECONCILE the difference in the profit as arrived at in the two sets of accounts.