

## 6. COST ACCOUNTING SYSTEMS

### ASSIGNMENT SOLUTIONS

#### PROBLEM NO: 1

Actual loss due to spoilage = 8% of Rs1,00,000 = Rs 8000 and Normal loss = 2% of Rs 1,00,000 =Rs 2000,

therefore abnormal loss = Rs 6000.

The rejection has a realisable value of Rs 2000, which is to be apportioned between normal loss and abnormal loss in the ratio of 2 : 6.

The accounting entries necessary for recording the above facts would be :

General ledger adjustment / cash Account	Dr.	2,000
Overhead Control Account	Dr.	1,500
Costing Profit and Loss Control Account	Dr.	4,500
To Work-in-Progress Control Account		8,000

In the case of defectives being inherent in the manufacturing process, the rectification cost may be charged to the specific jobs in which they have arisen. In case defectives cannot be identified with jobs, the cost of rectification may be treated as factory overheads. Abnormal defectives should be written off to the Costing Profit and Loss Account

#### PROBLEM NO: 2

	Particulars		Debit. (Rs.)	Credit. (Rs.)
i)	Work-in-Progress Ledger Control A/c	Dr.	5,50,000	
	Factory Overhead Control A/c	Dr.	1,50,000	
	To Stores Ledger Control A/c			7,00,000
	(Being issue of materials)			
ii)	Work-in Progress Ledger Control A/c	Dr.	2,00,000	
	Factory Overhead control A/c	Dr.	40,000	
	To Wages Control A/c			2,40,000
	(Being allocation of wages and salaries)			
iii)	Factory overhead control A/c	Dr.	20,000	
	To Costing Profit & Loss A/c			20,000
	(Being transfer of over absorption of overhead)			
	Costing Profit & Loss A/c	Dr.	10,000	
	To Administration Overhead Control A/c			10,000
	(Being transfer of under absorption of overhead)			

#### PROBLEM NO: 3

a) Dr. Raw Material Control A/c Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
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 WIP Control A/c	13,60,430
		By Costing P&L A/c (Loss) (or) (GLA)	6,000
		By Balance c/d	1,32,630
	<b>15,26,260</b>		<b>15,26,260</b>

b) Dr. Cr. **WIP Control A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
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 (Loss) (or) (GLA)	12,300
To Wages Control A/c	2,56,800	By Balance c/d	6,03,380
To Factory OH Control A/c	1,36,350		
	<b>19,91,880</b>		<b>19,91,880</b>

c) Dr. Cr. **Finished Goods Control A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	3,92,500	By Cost of Goods sold A/c (or) (GLA)	14,56,500
To General Ledger Adj. A/c	45,900	By Balance c/d	3,58,100
To WIP Control A/c	13,76,200		
	<b>18,14,600</b>		<b>18,14,600</b>

d) Dr. Cr. **General Ledger Adjustment A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Costing P&L A/c (Sales) (B/f)	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>25,96,110</b>		<b>25,96,110</b>

**PROBLEM NO: 4**Dr. Cr. **Cost Ledger Control A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Store Ledger Control A/c	11,000	By Balance b/d	7,00,000
		By Stores Ledger Control A/c	1,36,000
		By Manufacturing Overhead Control A/c	91,000
To Balance c/d	9,84,600	By wages Control A/c	68,600
<b>Total</b>	<b>9,95,600</b>	<b>Total</b>	<b>9,95,600</b>

Dr. Cr. **Stores Ledger Control A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	3,20,000	By Work-in-Progress Control A/c	1,26,000
To Cost Ledger Control A/c	1,36,000	By Cost Ledger Control A/c	11,000
		By Balance c/d	3,19,000
<b>Total</b>	<b>4,56,000</b>	<b>Total</b>	<b>4,56,000</b>

Dr. Cr. **Work-in-Progress Control A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	1,52,000	By Finished Goods Ledger Control A/c	2,35,500
To Wages Control A/c	48,000		
To Store Ledger Control A/c	1,26,000		
To Manufacturing OH Control A/c	86,000	By Balance c/d	1,76,500
<b>Total</b>	<b>4,12,000</b>	<b>Total</b>	<b>4,12,000</b>

Dr. **Finished Goods Control A/c** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	2,56,000	By Cost of Sales A/c	1,68,000
To Work-in-Progress Control A/c	2,35,500		
To Cost of Sales A/c (sales returns)	8,000	By Balance c/d	3,31,500
<b>Total</b>	<b>4,99,500</b>	<b>Total</b>	<b>4,99,500</b>

Dr. **Manufacturing Overhead Control A/c** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Cost Ledger Control A/c	91,000	By Balance b/d	28,000
To Wages Control A/c	20,600	By Work-in-Progress Control A/c	86,000
To Balance C/d	2,400		
<b>Total</b>	<b>1,14,00</b>	<b>Total</b>	<b>1,14,00</b>

Dr. **Wages Control A/c** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Cost Ledger Control A/c	68,600	By Work-in-Progress Control A/c	48,000
		By Manufacturing Overhead Control A/c	20,600
<b>Total</b>	<b>68,600</b>	<b>Total</b>	<b>68,600</b>

Dr. **Cost of Sales A/c** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Finished Goods Ledger Control A/c	1,68,000	By Finished Goods Control A/c (return)	8,000
		By Balance c/d	1,60,000
<b>Total</b>	<b>1,68,000</b>	<b>Total</b>	<b>1,68,000</b>

**Trial Balance**

Particulars	Debit. (Rs.)	Credit. (Rs.)
Stores Ledger Control A/c	3,19,000	
Work-in-Progress Control A/c	1,76,500	
Finished Goods Control A/c	3,31,500	
Manufacturing Overhead Control A/c		2,400
Cost of Sales A/c	1,60,000	
Cost Ledger Control A/c		9,84,600
<b>Total</b>	<b>9,87,000</b>	<b>9,87,000</b>

**PROBLEM NO: 5**Dr. **Stores ledger Control A/c** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	54,250	By Work-in-Progress Control A/c	1,97,750
To Creditors/Bank A/c	2,16,590	By Balance c/d	73,090
<b>Total</b>	<b>2,70,840</b>	<b>Total</b>	<b>2,70,840</b>
By Balance b/d	73,090		

Dr. **Work-in-Progress Control A/c** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	89,100	By Finished Good Control A/c	5,12,050
To Stores Ledger Control A/c	1,97,750	By Balance c/d	73,980
To Wages Control A/c	85,480		

To Production Overhead Control A/c (85,480x250%)	2,13,700		
<b>Total</b>	<b>5,86,030</b>	<b>Total</b>	<b>5,86,030</b>
To Balance b/d	73,980		

Dr. **Finished Goods Control A/c** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	42,075	By Cost of Goods Sold A/c	4,93,460
To Work-in-Progress Control A/c	5,12,050	By Balance c/d	60,665
<b>Total</b>	<b>5,54,125</b>	<b>Total</b>	<b>5,54,125</b>
To Balance b/d	60,665		

Dr. **Production Overheads Control A/c** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Bank A/c	2,08,220	By Work-in-Progress Control A/c	2,13,700
To Additional Depreciation	12,500	By Under-Absorbed (or) Costing P&L A/c	7,020
<b>Total</b>	<b>2,20,720</b>	<b>Total</b>	<b>2,20,720</b>

### **PROBLEM NO: 6**

Dr. **Stores Ledger Control Account** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Balance b/d	18,000	By Work-in-process Control A/c	1,10,000
To Payables (Creditors) A/c	1,00,000	By Production OH Control A/c	2,000
By Balance c/d	6,000		
	<b>1,18,000</b>		<b>1,18,000</b>

Dr. **Wages Control Account** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Bank A/c	92,000	By Work-in-process A/c	87,000
		By Production OH A/c	5,000
	<b>92,000</b>		<b>92,000</b>

Dr. **Work-in-Process Control A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Balance b/d	17,000	By Finished Goods Control A/c	2,15,000
To Stores Ledger Control A/c	1,10,000	By Balance c/d	47,000
To Wages Control A/c	87,000		
To Production OH A/c	48,000		
	<b>2,62,000</b>		<b>2,62,000</b>

Dr. **Production Overhead Control A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Wages Control A/c	5,000	By Work-in-process Control A/c	48,000
To Stores Ledger Control A/c	2,000	By Prepaid Rent A/c	300
To Bank A/c	40,000		
To Prov. for Depreciation	1,300		
	<b>48,300</b>		<b>48,300</b>

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Dr. **Finished Goods Control A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Balance b/d (cost of goods sold)	13,000	By Cost of Sales A/c	2,20,000
To Work-in-process Control A/c	2,15,000	By Balance c/d	20,000
To Administrative OH Control A/c	12,000		
	<b>2,40,000</b>		<b>2,40,000</b>

Dr. **Administration Overheads Control A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Bank A/c	12,000	By Finished Goods Control A/c	12,000
	<b>12,000</b>		<b>12,000</b>

Dr. **Cost of Sales A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Finished Goods Control A/c	2,20,000	By Sales A/c	2,34,000
To Selling & Dist. OH A/c	14,000		
	<b>2,34,000</b>		<b>2,34,000</b>

Dr. **Selling and Distribution Overheads A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Bank A/c	14,000	By Cost of Sales A/c	14,000
	<b>14,000</b>		<b>14,000</b>

Dr. **Sales A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Cost of Sales A/c	2,34,000	By Receivables A/c	3,00,000
To Costing P&L A/c	66,000		
	<b>3,00,000</b>		<b>3,00,000</b>

Dr. **Prepaid Rent A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Production OH Control A/c	300	By Balance c/d	300
	<b>300</b>		<b>300</b>

Dr. **Provision for Depreciation A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Balance c/d	6,300	By Balance b/d	5,000
		By Production OH Control A/c	1,300
	<b>6,300</b>		<b>6,300</b>

Dr. **Profit and Loss A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
		By Balance b/d	32,000
To Balance c/d	98,000	By Sales A/c	66,000
	<b>98,000</b>		<b>98,000</b>

Dr. **Receivables (Debtors) A/c** Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Balance b/d	12,000	By Bank A/c	2,90,000
To Sales	3,00,000	By Balance c/d	22,000
	<b>3,12,000</b>		<b>3,12,000</b>

Dr.		Payables (Creditors) A/c		Cr.	
Particulars	(Rs.)	Particulars	(Rs.)		
To Bank A/c	1,01,000	By Balance b/d	8,000		
To Balance c/d	7,000	By Stores Ledger Control A/c	1,00,000		
	<b>1,08,000</b>		<b>1,08,000</b>		

Dr.		Bank A/c		Cr.	
Particulars	(Rs.)	Particulars	(Rs.)		
To Balance b/d	10,000	By Payables (Creditors) A/c	1,01,000		
To Receivables (Debtors) A/c	2,90,000	By Wages Control A/c	92,000		
		By Production OH A/c	40,000		
		By Administration OH A/c	12,000		
		By Selling & Dist. OH A/c	14,000		
		By Balance c/d	41,000		
	<b>3,00,000</b>		<b>3,00,000</b>		

Dr.		Fixed Assets A/c		Cr.	
Particulars	(Rs.)	Particulars	(Rs.)		
To Balance b/d	55,000	By Balance c/d	55,000		
	<b>55,000</b>		<b>55,000</b>		

Dr.		Share Capital A/c		Cr.	
Particulars	(Rs.)	Particulars	(Rs.)		
To Balance c/d	80,000	By Balance b/d	80,000		
	<b>80,000</b>		<b>80,000</b>		

**Trial Balance as on 31<sup>st</sup> December, 2012**

Particulars	Dr. (Rs.)	Cr. (Rs.)
Stores Control A/c	6,000	
Work-in-Progress A/c	47,000	
Finished Goods A/c	20,000	
Bank A/c	41,000	
Creditors A/c		7,000
Fixed Assets A/c	55,000	
Debtors A/c	22,000	
Share Capital A/c	80,000	
Depreciation Provision A/c		6,300
Profit and Loss A/c		98,000
Prepaid Rent A/c	300	
	<b>1,91,300</b>	<b>1,91,300</b>

**PROBLEM NO: 7**

Dr.		Statement of Profit as per Financial Records (for the year ended 31 <sup>st</sup> March, 2014)		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Opening stock of finished goods	53,125	By Sales	22,80,000		
To Opening stock of WIP	46,000	By Closing stock of finished goods	45,650		
To Raw materials consumed	8,40,000	By Closing stock of WIP	41,200		
To Direct labour	6,10,000	By Rent Received	46,000		
To Factory Overheads	4,22,000	By Interest received	38,000		

To Administration Overheads	1,98,000		
To Selling & Distribution Overheads	72,000		
To Dividend paid	1,22,000		
To Bad debts	18,000		
To Profit	69,720		
	<b>24,50,850</b>		<b>24,50,850</b>

**Statement of profit as per cost records.**

Particulars	Amount (Rs.)	Amount (Rs.)
Sales		22,80,000
Cost of sales.		
Raw Materials Consumed	8,40,000	
Direct Labour	6,10,000	
Prime Cost	14,50,000	
Factory overheads(70% of Direct wages)	4,27,000	
Factory cost	18,77,000	
(+) Opening WIP	46,000	
(-) Closing WIP	41,200	
Factory Cost of goods produced	18,81,800	
Administrative overheads (15% of Factory cost)	2,82,270	
Cost of Production of 12,405 units	21,64,070	
(+) Opening Factory goods (625 units x 120)	75,000	
(-) Closing Factory goods(21,64,070/12,405 x 415 units)	72,397	
Cost of goods Sold	21,66,673	
Selling & Distribution overheads (12,615 x 3)	37,845	22,04,518
Profit		<b>75,482</b>

**Statement of Reconciliation.**

Particulars	Amount (Rs.)	Amount (Rs.)
Profit as per Cost Accounts		75,482
<b>Add:</b> Administrative overheads over Absorbed (2,82,270-1,98,000)	84,270	
Opening stock over valued (75,000-53,125)	21,875	
Interest received	38,000	
Rent Received	46,000	
Factory overheads over recovered (4,27,000-4,22,00)	5,000	<u>1,95,145</u>
		2,70,627
<b>Less:</b> Selling & Distribution overheads under recovery (72,000 - 37,845)	34,155	
Closing stock over valued (72,397-45,650)	26,747	
Dividend	1,22,000	
Bad debts	18,000	(2,00,902)
Profit as per financial accounts		<b>69,725</b>

**PROBLEM NO: 8****Costing Profit and Loss Account for the year ended 31<sup>st</sup> March 2016**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Material consumed	14,16,000	Sales (30,000 units)	30,00,000
Direct wages	7,42,000		

Prime Cost	21,58,000		
Works overheads (20% of Prime cost)	4,31,600		
	25,89,600		
<b>Less: Work in progress</b>	(54,000)		
Factory cost	25,35,600		
Administration overheads (Rs.5 × 32,000 units)	1,60,000		
Cost of production of goods produced	26,95,600		
<b>Less: Finished stock</b>	(1,68,475)		
Cost of production of goods sold	25,27,125		
Selling & distribution overheads (Rs.6 × 30,000 unit)	1,80,000		
Cost of sales	27,07,125		
Profit (balancing figure)	2,92,875		
	30,00,000		30,00,000

**Statement reconciling the profit as per costing profit and loss account with the profit as per financial accounts**

Particulars	Amount (Rs.)	Amount (Rs.)
Profit as per cost records		2,92,875
<b>Add: Overheads over-absorbed:</b>		
- Works overheads (Rs. 4,31,600 – Rs. 4,26,000)	5,600	
- Administration OH (Rs. 1,60,000 – Rs. 1,50,000)	10,000	
- Selling and Distribution (Rs. 1,80,000 – Rs. 1,65,000)	15,000	30,600
<b>Less: Closing stock overvalued (Rs. 1,68,475 – Rs. 1,67,500)</b>		(975)
Profit as per financial accounts		3,22,500

\*It is assumed that the number of units Produced = Number of units sold + Finished stock = 30,000 + 2,000 = 32,000 units.

**PROBLEM NO: 9**

**Reconciliation Statement**

Particulars	Amount (Rs.)	Amount (Rs.)
Loss as per Cost Accounts		(2,48,300)
<b>Add: Works overheads over recovered</b>	30,400	
Depreciation over charged in cost accounts	35,100	
Interest credited during the year in financial accounts	7,500	73,000
<b>Less: Selling overheads under recovered</b>	20,300	
Administrative overheads under recovered	27,700	
Bad debts w/off in financial accounts	15,000	
Preliminary Exp. w/off in financial accounts	5,000	(68,000)
<b>Loss as per Financial Accounts</b>		(2,43,300)

**PROBLEM NO: 10**

Dr .		Memorandum Reconciliation Accounts		Cr.
Particulars	Amount	Particulars	Amount	
To Net Loss as per Cost Accounts	48,700	By Administration overheads over recovered in Cost Accounts	65,000	
To Factory overheads under	30,500	By Depreciation overcharged in	45,000	

absorbed in Cost Accounts		Cost Accounts (2,70,000 – 2,25,000)	
To Provision for Income tax	52,400	By Transfer fees in Financial Accounts	10,200
To Obsolescence loss	20,700	By Notional Rent of own premises	54,000
To Overvaluation of closing stock in Cost Accounts**	9,500	By Overvaluation of Opening stock in Cost Accounts*	23,000
To Net Profit (as per Financial Accounts)	35,400		
	<b>1,97,200</b>		<b>1,97,200</b>

\* Overvaluation of Opening Stock as per Cost Accounts

= Value in Cost Accounts – Value in Financial Accounts

= 1,38,000 – 1,15,000 = 23,000.

\*\* Overvaluation of Closing Stock as per Cost Accounts

= Value in Cost Accounts – Value in Financial Accounts

= 1,22,000 – 1,12,500 = 9,500.

### PROBLEM NO: 11

Dr.

#### Stores Ledger Control A/c

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	63,000	By WIP A/c	3,36,000
To General ledger Adjustment A/c	3,36,000	By Overheads A/c	42,000
To WIP A/c	1,68,000	By Overheads A/c (Deficiency) assumed as abnormal	12,600
		By Balance c/d	1,76,400
	<b>5,67,000</b>		<b>5,67,000</b>

Dr.

#### Work-In-Progress Control A/c

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To balance b/d	1,26,000	By Stores ledger control A/c	1,68,000
To Stores ledger control A/c	3,36,000	By Costing P & L A/c(Finished goods) (Bal. fig)	8,40,000
To Wages control A/c	1,26,000	By balance C/d	84,000
To Overheads A/c	5,04,000		
	<b>10,92,000</b>		<b>10,92,000</b>

\* Alternatively it can be assumed abnormal.

Dr.

#### Costing P&L A/c

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To WIP A/c	8,40,000	By GLA A/c (Sales)	9,24,000
To GLA A/c (Profit)	84,000		
	<b>9,24,000</b>		<b>9,24,000</b>

Dr. Financial Profit and Loss A/c Cr.

Particulars		Amount (Rs.)	Particulars		Amount (Rs.)
To Opening Stock :			By Sales		9,24,000
Stores	63,000		By Income from investment		21,000
WIP	1,26,000	1,89,000	By Closing Stock :		
To Purchases		3,36,000	Stores	1,76,400	
To Wages		1,47,000	WIP	84,000	2,60,400
To Overheads		5,25,000	By Loss		33,600
To Loss on sale of fixed Assets		42,000			
		<b>12,39,000</b>			<b>12,39,000</b>

## Reconciliation Statement.

Particulars	Rs.	Rs.
Profit as per cost A/c's		84,000
<b>Add:</b> Income from investments		21,000
		1,05,000
<b>Less:</b> Under absorption of overheads	96,600	
Loss on sale of fixed Assets	42,000	1,38,600
Loss as per financial A/c's.		<b>33,600</b>

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**THE END**