

Reconciliation of Cost and Financial....

Questions:

- Q.1** 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, 2009. However, their financial accounting records disclosed a net loss of Rs. 2,58,000 for the same period. A scrutiny of data both the sets of books of accounts revealed the following information.

	Rs.
(i) Factory overheads under absorbed	5,000
(ii) Administration overheads over absorbed	3,000
(iii) Depreciation charged in financial accounts	70,000
(iv) Depreciation charged in cost accounts	80,000
(v) Interest on investment not included in cost accounts	20,000
(vi) Income-tax provided in financial accounts	65,000
(vii) Transfer fees (credit in financial accounts)	2,000
(viii) Preliminary expenses written off	3,000
(ix) Over- valuation of closing stock of finished goods in cost accounts	7,000

Prepare a memorandum Reconciliation Accounts.

- Q.2** A manufacturing company has disclosed a net loss of Rs. 8,75,000 as per their cost accounting records for the year ended March 31,2010. However, their financial accounts records disclosed a net loss of Rs. 7,91,250 for the same period. A security of the data of both the sets of books of accounts revealed the following information:

	Rs.
(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 Account	2,42,250
(v) Interest on investments not included in Cost	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 valuation of closing stock in Cost Accounts	17,500

Required:

Prepare a Memorandum Reconciliation A/c.

- Q.3 R Limited showed a net loss of Rs. 35,400 as per their cost accounts for the year ended 31st March, 2012. 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.
(i) Administrative overheads under recovered	25,500
(ii) Factory overheads 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
(vii) 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 Account	60,000
(xii) Provision for doubtful debts in Financial Accounts	15,000

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

Answer:

Q.1Ans

Memorandum Reconciliation Account

Particular	Rs.	Particular	Rs.
To Net loss as per costing books	2,13,000	By Administrative overhead over absorbed costs	3,000
To Factory overheads under absorbed	5,000	By Depreciation over charged in cost books (80,000 – 70,000)	10,000
To Income tax not provided in cost books	65,000	By Interest on investments not included in cost books	20,000
To Preliminary expenses written off in financial books	3,000	By Transfer fees not considered in cost books	2,000
To Over-valuation of Closing Stock of finished goods in cost books	7,000	By Net loss as per financial books	2,58,000
	2,93,000		2,93,000

Q.2Ans:

Dr. Memorandum Reconciliation Account Cr.

Particular	Amount Rs.	Particular	Amount Rs.
To Net loss as per Cost Accounting records.	8,75,000	By Factory overheads over-absorbed	4,500
To Administrative overheads under-absorbed	32,750	By Excess charge of depreciation in Cost Accounts (2,42,250 – 2,25,000)	17,250
To Income tax provided in			

To	Financial Accounts	7,250	By	Transfer fee	12,500
	Preliminary expenses written off	27,500	By	Interest on investment not included in Cost Accounts	62,750
To	Under valuation of opening stock in Cost Accounts	6,250	By	Under valuation of Closing stock in Cost Accounts	17,500
			By	Net loss as per Financial records	7,91,250
		9,48,750			9,48,750

Q.3Ans:

Statement of Reconciliation

Sl. No	Particulars	Amount (Rs.)	Amount(Rs.)
	Net loss as per Cost Accounts		(35,400)
	Additions		
1.	Factory O/H over recorded	1,35,000	
2.	Dividend Received	20,000	
3.	Bank Interest received	13,600	
4.	Difference in Value of Opening Stock (1,65,000 – 1,45,000)	20,000	
5.	Difference in Value of Closing Stock (1,32,000 – 1,25,000)	6,500	
6.	Notional Rent of own Premises	<u>60,000</u>	2,55,100
	Deductions:		
1.	Administration O/H under recovered	25,500	
2.	Depreciation under charged	26,000	
3.	Loss due to obsolescence	16,800	
4.	Income tax Provided	43,600	
5.	Goodwill written-off	25,000	
6.	Provision for doubtful debts	<u>15,000</u>	-1,51,900
	Net Profit as per Financial A/cs		67,800