



RECONCILIATION STATEMENT

Q. 1. From the accounts of M/s. Shankar & Co. Ltd., the manufacturing, trading and profit and loss account are reproduced below :

To Raw Materials		By Work-in-Progress	
Opening Stock	29,000	Materials	4,000
Purchase	1,87,000	Wages	5,500
To Wages	2,98,000	Works Expenses	3,300
To Work Expenses	1,90,750	By Cost of good produced	6,59,950
		By Closing stock of raw materials	32,000
	7,04,750		7,04,750
To Cost of goods manufactured	6,59,950	By Sales (7,600 Unit)	9,12,000
To Administrative Expenses	1,22,500	By Finished Stock (1,400 Units)	1,17,600
To Selling & distribution Expenses	1,64,000	By Interest on investment	6,800
To Bad debts written off	17,500		
To Net Profit	72,450		
	10,36,400		10,36,400

The following information is also available :

1. Accrued wages of ₹ 17,000 included in wages.
 2. Works expenses are allocated to production at 60 per cent of direct labour cost.
 3. Administrative expenses are allocated at ₹ 12 per unit of production.
 4. Selling and distribution expenses are allocated so as to work out at 20% of selling price.
- Prepare costing profit and loss account and statement of reconciliation between the two accounts.

Q. 2. The net profit of Essel Packaging Co. Ltd. appeared at ₹ 64,377 as per financial records for the year ended 31st March 2014. The cost books, however showed a net profit of ₹86,200 for the same period. A scrutiny of the figures from both the sets of accounts revealed the following data :

	₹
Works overheads under recovered in costs accounts.	1,560
Administrative overheads over-records in costs accounts.	850
Depreciation charged in financial accounts.	5,600
Depreciation recovered in costs accounts.	6,250
Interest on investments not included in cost accounts.	4,000
Loss due to absorbed charged in financial accounts.	2,850
Income-Tax provided in financial accounts	20,150
Bank interest and transfer fees in financial books	375
Stores adjustment (Credit in financial books)	237
Loss due to depreciation in stock values (Charged in financial accounts)	3,375

Prepare a statement showing the reconciliation between the figures of net profits as per cost accounts and the figure of net profit shown in the financial books.

Q. 3. The profit disclosed by a company's cost accounts for the year was ₹ 30,114, while the net profit shown by the financial accounts amounted to ₹ 19,760. On recording the figures, the following differences are brought to light.

- (a) Overheads in the cost accounts were estimated at ₹ 7,500, the actual charge for the year shown by the financial accounts was ₹ 6,932.
- (b) Expenses not charged in the cost accounts amounted to ₹ 750.
- (c) The company has allocated ₹ 600 to general reserve.
- (d) Work was commenced during the year on a new factory and expenditure of ₹ 12,000 was incurred. Depreciation of 5% was provided for in the financial accounts.
- (e) Transfer fees received amounted to ₹ 28.
- (f) The amount charged for income tax ₹ 9,000.

Prepare statement reconciling the figures shown by the cost and financial accounts.

Q. 4. The profit as per cost accounts is ₹ 1,50,000. The following details are ascertained on comparison of cost and financial accounts :

	Cost Accounts	Financial Accounts
a. Opening stocks		
Materials	10,000	15,000
Finished goods	18,000	16,000
b. Closing stocks		
Materials	12,000	13,000
Finished goods	20,000	17,000
c. Interest charged in financial accounts ₹ 10,000		
d. Write off : Preliminary expenses ₹ 500 and Goodwill ₹ 1,500		
e. Dividend on Unit Trust of India received ₹ 1,000		
f. Indirect expenses charged in financial accounts ₹ 80,000, but ₹ 75,500 recovered in cost accounts.		

Find out the profit as per financial accounts by drawing up a Memorandum Reconciliation Account.

Q. 5. Given below is the Trading and Profit and Loss Account of a company for the year ended 31st March, 2015 :

	₹		₹
To Materials	27,40,000	By Sales	60,00,000
To Wages	15,10,000	(60,000 units)	
To Factory Expenses	8,30,000	By Stock (2,000 units)	1,60,000
To Admn. Expenses	3,82,400	By Work - in - Progress	₹
To Selling Expenses	4,50,000	Materials	64,000
To Preliminary Expenses	42,000	Wages	36,000
To Net Profit	3,25,600	Factory Expenses	<u>20,000</u>
	62,80,000		62,80,000

The company manufactures standard units in the Cost Account.

- (i) Factory Expenses have been allocated to production at 20% of Prime Cost ;
- (ii) Administrative expenses at ₹ 6 per unit produced ; and
- (iii) Selling expenses at ₹ 8 per unit sold.

Prepare the costing Profit and Loss Account of the company and reconcile the same with the profit disclosed by the Financial Accounts.

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