

Chapter-13

Cost Reconciliation Statement

Cost Reconciliation Statement: is a report or statement prepared to reconcile the profit of cost accounting & financial accounting.

Cost Sheet is prepared to determine the profit under cost accounting and final account or profit and loss account (Income statement) is prepared to determine the net profit under financial accounting.

Cost account and financial account determine the different amount of profit, so cost reconciliation statement is required to prepare.

Some of the points are not recorded in cost sheet or cost alc.

- Income
- Abnormal loss
- Profit
- Written off
- Income tax
- Interest paid / dividend paid

They are always zero in cost alc.

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Specimen of Cost Reconciliation Statement

Particulars	Details	Total
Net profit as per cost acc		xxx
Add:		xxx
		xxx
less:		xxx
Net profit as per financial acc		xxx

Rules for the preparation of CRS

1. If expense/loss increase \rightarrow net profit decrease \rightarrow Add
2. If expenses/loss decrease \rightarrow net profit increase \rightarrow less
3. If income/gain increase \rightarrow net profit increase \rightarrow less
4. If income/gain decrease \rightarrow net profit decrease \rightarrow Add

Reasons for difference in Cost account and Financial account

1. Items of income and expenditure only shown in financial account.
2. Items of income and expenditure only shown in cost account.
3. Over and under absorbed of overheads.
4. Over and under valuation of stock.
5. Different methods for calculation of depreciation on fixed assets.

Homework Problems

HW-1

----- Company
Cost Reconciliation Statement
As on -----

Particulars	Amount
Net Profit as per cost accounting	12,000
Add:	
1) Office and administrative expenses overcharged in cost accounting	2,000
less:	
1) Factory overhead under charged in cost account	4,000
2) Selling and distribution expenses undercharged in cost accounting	1,000
3) Interest paid not charged in cost accounting	3,000
<u>Net profit as per financial accounting</u>	<u>6,000</u>

HW-2

----- Company
Cost Reconciliation Statement
As on 31st December

Particulars	Amount
Net Profit as per financial accounting	15,000
Add:	
1) Factory rent overrecorded in financial accounting	5,000
2) Closing stock overvalued in financial accounting	2,500
less:	
1) Office and administrative expenses undercharged in financial accounting	2,000

2) Dividend received recorded in financial accounting only	5,000
3) Closing stock overvalued in financial accounting	2,500
Net Profit as per Cost Accounting	10,500

HW-3

----- Company
Cost Reconciliation Statement

As on -----

Particulars	Amount
Net Profit as per financial accounting	4,500
Add:	
1) Work overhead over recovered in financial accounting	7,500
2) Depreciation charged in cost accounting	6,500
2) Bad debt written off recorded in financial ac	1,000
Less:	
1) Depreciation overcharged in cost accounting	500
2) Selling expenses undercharged in financial accounting	1,500
Net Profit as per Cost Accounting	11,000

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XYZ Company
Cost Reconciliation Statement

As on - - - - -

Particulars	Amount
Net loss as per financial accounting	7,500
Add:	
1) Preliminary expenses written off	1,000
2) Overvaluation of closing stock in financial accounting	4,000
Less:	
1) Office rent under charged in financial accounting	2,500
2) Interest on investment not included in cost accounting	(2,000)
Net loss as per cost accounting	

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XYZ Company
Cost Reconciliation Statement

As on - - - - -

Particulars	Details	Total
Net loss as per financial accounting		7,500
Add:		
1) Office rent undercharged in financial accounting	2,500	
2) Interest on investment not included in cost accounting	2,500	
3) Overvaluation of closing stock in financial accounting	4,000	8,500
Less:		
1) Preliminary expenses written off during the year		1,000
Net profit ^{loss} as per cost accounting		15,000

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..... Company
 Cost Reconciliation Statement
 As on

Particulars	Details	Amount
Net Profit ^{loss} as per cost accounting		60,000
Add:		
1) Depreciation overcharged in financial accounting.	4,000	
2) Overhead of closing stock in cost accounting	1,000	
3) Income tax provided in financial accounting	4,000	9,000
Less:		
1) Administrative expenses overcharged in financial cost accounting		10,000 3,000
Net loss as per financial accounting		59,000

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..... Company
 Cost Reconciliation Statement
 As on

Particulars	Details	Amount
Net profit as per cost accounting		60,000
Add:		
1) Administrative overhead under recorded in financial accounting	10,000	
2) Interest received recorded in financial accounting	9,000	19,000
Less:		
1) Work overhead overrecorded in financial accounting.	3,000	
2) Closing stock underrecorded in financial accounting	6,000	9,000
Net Profit as per financial accounting		70,000

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----- Company
Cost Reconciliation Statement
As on -----

Particulars	Details	Amount ₹
Net profit as per financial accounting		40,000
Add:		
1) Depreciation underrecorded in cost accounting	2,000	
2) Opening stock underrecorded in cost accounting	5,000	
3) Income tax recorded in financial accounting	3,000	10,000
Less: Fact		
1) Factory overhead overrecorded in cost accounting	2,000	
2) Closing stock underrecorded in cost accounting	500	
3) Gain on sale of fixed assets recorded in financial accounting	1,500	4,000
Net Profit as per cost accounting		46,000