

B. Com. (Hons.)
Paper No – BCH 4.1: COST ACCOUNTING

INTEGRATED AND NON-INTEGRATED COST ACCOUNTING SYSTEM

- Non-integral accounting system where separate accounts books are maintained to record financial and cost transactions. Non-integral accounting system is also known as ‘Cost Control Accounts’. Two set of accounts books are kept in non-integral system one for recording cost transaction another for financial transaction. Double entry system is adopted for recording the transactions in both accounts books.
- Integral system is a system of accounting under which only one set of books of account is maintained to record the both transactions (cost & financial). It is also known as integrated accounts system. There is no need for cost ledger and cost ledger control account.
- In case of the non-integrated system, no personal or real accounts are prepared and all entries are passed through the General Ledger Adjustment account.

Ledgers under non-integrated system

- Cost ledger;
- Stores Ledger;
- WIP ledger;
- Finished Goods Ledger

Control accounts

- Stores ledger control account.
- Work-in-progress ledger control account.
- Finished good ledger control account.
- General ledger control account.
- Wages control account.
- Factory overhead control account.
- Administrative overhead control account.
- Selling and distribution overhead control account.
- Cost of sales account.
- Overhead adjustment account.
- Costing profit and loss account.

The following table shows the comparative journal entries in financial accounts, cost accounts and integral accounts:

Sl. No.	Transaction	Financial Accounts	Cost Accounts	Integral Accounts
(i)	Credit purchase of Material	Purchases A/c To, Creditors A/c	Dr Material Control A/c To, General Ledger A/c	Dr Material Control A/c To, Creditors
(ii)	Cash purchase of materials	Purchases A/c To, Bank / Cash. A/c	Dr Material Control A/c To, General Ledger A/c	Dr Material Control A/c To, Cash
(iii)	Purchase of special material for direct use in job	Purchases A/c To, Cash / Creditors. A/c	Dr WIP Control A/c To, General Ledger Adj A/c	Dr WIP Control A/c To, Cash or Creditors A/c
(iv)	Purchase of materials for repairs	Purchases A/c To, Cash/Creditors. A/c	Dr Factory OH control A/c To, General Ledger Adj A/c	Dr Factory OH control A/c To, Cash / Creditors A/c
(v)	Materials returned to suppliers	Creditors A/c To, Purchases A/c	Dr General Ledger Control A/c. To Material control A/c	Dr Creditors A/c To, Material Control A/c
(vi)	Payments to creditors for supplies made	Creditors A/c To, Cash A/c	Dr No Entry	Dr Creditors A/c To, Cash A/c
(vii)	Issue of direct materials to production shops	No Entry	Dr WIP Control A/c To, Materials Control A/c	Dr WIP Control A/c To, Materials Control A/c
(viii)	Issue of indirect materials to production shops	No Entry	Dr Factory OH Control A/c To, Material Control A/c	Dr Factory OH control A/c To, Material Control A/c
(ix)	Return of direct materials to stores	No Entry	Dr Material Control A/c To, WIP Control A/c	Dr Material Control A/c To, WIP Control A/c
(x)	Return of indirect materials to stores	No Entry	Dr Material Control A/c To, Factory Overheads A/c	Dr Material Control A/c To, Factory Overheads A/c
(xi)	Materials transferred from one Job to another	No Entry	Dr No Entry	Dr No Entry
(xii)	Adjustment of normal depreciation in material stocks	No Entry	Dr Factory Overheads Control A/c To, Material Control A/c	Dr Factory Overheads Control A/c To, Material Control A/c

(xiii)	Adjustment of normal surplus in material stocks	No Entry	Dr Material Control a/c To, Factory OH Control A/c	Dr Material Control A/c To, Factory OH Control A/c
(xiv)	Payment of wages & Salaries	Wages & Salaries A/c To Cash / Bank A/c	Dr Wages Control A/c To, General Ledger A/c	Dr Wages & Salaries A/c To, Cash / Bank A/c
(xv)	Analysis of distribution of wages	No Entry	Dr WIP Control A/c POH Control A/c Admin OH Control A/c Sellings Dis OH Control A/c To, Wages Control A/c.	Dr WIP Control A/c Dr POH Control A/c Dr Admin OH Control A/c Dr Sellings Dis OH Control A/c To, Wages Control A/c.

Source: ICAI

Sl No.	Transaction	Financial Accounts	Cost Accounts	Integral Accounts
(xvi)	Payment of Expenses	Expenses A/c Dr To, Cash A/c	POH Control A/c Dr Admin OH Control A/c Dr Selling & Dis OH Control A/c Dr To, General Ledger Adj A/c	POH Control A/c Dr Admin OH Control A/c Dr Selling & Dis OH Control A/c Dr To, Cash A/c
(xvii)	Recording of Depreciation	Depreciation A/c Dr To, Asset A/c	POH Control A/c Dr Admin OH Control A/c Dr Selling & Dis OH Control A/c Dr To, General Ledger Adj A/c	POH Control A/c Dr Admin OH Control A/c Dr Selling & Dis OH Control A/c Dr To, Asset A/c
(xviii)	Absorption of Factory Overheads	No Entry	WIP Control A/c Dr To, Factory Overheads A/c	WIP Control A/c Dr To, Factory Overheads A/c
(xix)	Spoiled / Defective Work	No Entry	Costing Profit & Loss A/c Dr To, WIP Control A/c	Costing Profit & Loss A/c Dr To, WIP Control A/c
(xx)	Recording of Cost of Jobs completed	No Entry	Finished Goods Control A/c Dr To, WIP Control A/c	Finished Goods Control A/c Dr To, WIP Control A/c
(xxi)	Recording of Cost of goods sold	No Entry	Cost of Sales A/c Dr To, Finished goods A/c	Cost of Sales A/c Dr To, Finished goods Control A/c
(xxii)	Recording of sales	Cash/ Debtor A/c Dr To, Sales A/c	General Ledger Control A/c Dr To, Costing P&L A/c	Cash / Debtors A/c Dr To, P&L A/c
(xxiii)	Absorption of Administration Overheads	No Entry	Finished Goods Control A/c Dr To, Admin OH Control A/c	Finished Goods Control A/c Dr To, Admin OH control A/c
(xxiv)	Absorption of Selling Overheads	No Entry	Cost of Sales A/c Dr To, Selling & Dis. Overheads Control A/c	Cost of Sales A/c Dr To, Selling & Dis. OH Control A/c
(xxv)	Under absorption of overheads	No Entry	Costing Profit & Loss A/c Dr To, OH Control A/c	Profit & Loss A/c Dr To, OH control A/c
(xxvi)	Over absorption of overheads	No Entry	OH Control A/c Dr To, Costing P&L A/c	OH Control A/c Dr To, Costing P&L A/c

Source: ICMIAI

EXAMPLE

Problem 10.1 The following transactions have been extracted from the books of a company. You are required to make journal entries under:

- (a) Non-integrated accounts and
(b) Integrated accounts

	₹
1. Purchases of raw materials on cash	4,00,000
2. Carriage inward	3,000
3. Stores issued	2,50,000
4. Productive wages paid	2,04,000
5. Unproductive wages paid	72,000
6. Works overheads incurred	3,65,000
7. Materials issued for repairs	2,100
8. Selling expenses paid	11,000
9. Office expenses paid	4,200
10. Cost of completed jobs	12,15,000
11. Works overheads absorbed	4,10,000

Solution			
Journal Entries in Non-integrated Accounts			
(a)	Particulars	Dr. ₹	Cr. ₹
1.	Stores Ledger Control A/c ... Dr. To Cost Ledger Control A/c <i>(Purchase of materials)</i>	4,00,000	4,00,000
2.	Stores Ledger Control A/c ... Dr. To Cost Ledger Control A/c <i>(Carriage inward treated as a part of the cost of materials purchased)</i>	3,000	3,000
3.	Work-in-progress Ledger Control A/c ... Dr. To Stores Ledger Control A/c <i>(Stores issued to production)</i>	2,50,000	2,50,000
4.	Wages Control A/c ... Dr. To Cost Ledger Control A/c <i>(Payment of direct wages)</i>	2,04,000	2,04,000
5.	Wages Control A/c ... Dr. To Cost Ledger Control A/c <i>(Indirect wages paid)</i>	72,000	72,000
6.	Works Overhead Control A/c ... Dr. To Cost Ledger Control A/c <i>(Works overhead other than indirect wages incurred)</i>	3,65,000	3,65,000
7.	Works Overhead Control A/c ... Dr. To Stores Ledger Control A/c <i>(Material issued for repairs)</i>	2,100	2,100
8.	Selling and Dist. Overheads Control A/c ... Dr. To Cost Ledger Control A/c <i>(Selling expenses paid)</i>	11,000	11,000
9.	Adm. Overheads Control A/c ... Dr. To Cost Ledger Control A/c <i>(Office and adm. expenses paid)</i>	4,200	4,200
10.	Finished Stock Control A/c ... Dr. To Work-in-progress Control A/c <i>(Cost of completed output transferred to finished stock)</i>	12,15,000	12,15,000
11.	Work-in-progress Control A/c ... Dr. To Works overheads Control A/c <i>(Works overheads absorbed by production)</i>	4,10,000	4,10,000
(b) Journal Entries under Integrated System			
1.	Stores Ledger Control A/c ... Dr. To Cash A/c <i>(Materials purchased on cash)</i>	4,00,000	4,00,000
2.	Stores Ledger Control A/c ... Dr. To Cash A/c <i>(Carriage inwards charged to the cost of materials)</i>	3,000	3,000

3.	Work-in-progress Ledger Control A/c To Stores Ledger Control A/c <i>(Stores issued to production)</i>	... Dr.	2,50,000	2,50,000
4.	Wages Control A/c To Cash <i>(Direct wages paid)</i>	... Dr.	2,04,000	2,04,000
5.	Wages Control A/c To Cash <i>(Indirect wages paid)</i>	... Dr.	72,000	72,000
6.	Works Overheads Control A/c To Cash A/c <i>(Works overheads paid)</i>	... Dr.	3,65,000	3,65,000
7.	Works Overheads Control A/c To Stores Ledger Control A/c <i>(Materials issued for repairs charged to works overheads)</i>	... Dr.	2,100	2,100
8.	Selling and Dist. Overheads Control A/c To Cash <i>(Selling expenses paid)</i>	... Dr.	11,000	11,000
9.	Office and Adm. Overheads Control A/c To Cash <i>(Office expenses paid)</i>	... Dr.	4,200	4,200
10.	Finished Stock Control A/c To Work-in-Progress Control A/c <i>(Cost of completed output transferred to finished stock)</i>	... Dr.	12,15,000	12,15,000
11.	Work-in-progress Control A/c To Works Overheads Control A/c <i>(Works overheads absorbed by production)</i>	... Dr.	4,10,000	4,10,000