

## **Quadrant II – Transcript and Related Materials**

**Programme: T.Y.BCOM ,Bachelor of Commerce**

**Subject: Commerce-Cost Accounting –Major VII**

**Paper Code: COD126**

**Paper Title: DSE 7 -Advanced Cost Accounting -II**

**Unit: III Integral and non integral Accounting , Activity Based Costing**

**Module Name: Journal Entries of Integral Costing, Problem with solution**

**Module No: 14**

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### **Notes**

#### **Introduction**

#### **Meaning of Integral Accounting:**

- It is a system of recording financial and costing transaction in one self contained ledger, called as integrated ledger.
- It implies maintenance of only one set of books for both financial and cost account.

#### **Definition of integrated Accounting:**

According to CIMA-It is a system in which the financial and cost accounts are interlocked to ensure that all relevant expenditure is absorbed into the cost accounts.

#### **Ledgers Accounts under integral Accounting system**

- Store ledger control Account

- Work in progress control Account
- Overhead control Account
- Finished stock control Account
- Cost of sale Account
- Sundry Debtors Account
- Sundry Creditors Account

**Following journal entries are passed for important transactions under integral Accounting system**

**Transactions and journal entries-**

- 1) Materials purchased for stock- Debit stores ledger Account  
Credit Sundry Creditors Account
- 2) Materials purchased for jobs-Debit work in progress control Account. Credit Sundry creditors or cash Account.
- 3) Materials issued-Direct Materials-Debit work in progress Account. Credit stores ledger control Account.
- 4) Material issued-Indirect Material-Debit overhead control Account. Credit store ledger control Account
- 5) Material returned to stores –Debit store ledger control Account. Credit work in progress control Account.
- 6) Material returned to supplier-Debit sundry creditors. Credit stores ledger control Account.
- 7) Overhead incurred-Debit overhead control Account. Credit sundry creditors or cash Account.
- 8) Finished Goods-Debit finished stock ledger control Account. Credit work in progress control Account

9) Cost of sale—Debit cost of sale Account. Credit Finished goods control Account.

10) Sales —Debit Sundry Debtors Account. Credit sales Account.

11) Payment to sundry Creditors—Debit Sundry Creditors Account. Credit Cash Account.

12) Payment received from Sundry Debtors—Debit Cash Account. Credit Sundry Debtors Account.

**Example- From the following information pass necessary journal entries:-**

1. Purchased raw material on credit Rs. 2,00,000/-
2. Purchased raw material for a job Rs.45,000/-
3. Material issued for production Rs.1,10,000/-
4. Wages paid Rs.40,000/-
5. Production overheads Rs.5000/-
6. Expenses paid Rs.7000/-
7. Material returned to stores Rs.5000/-
8. Material returned to suppliers Rs.8,000/-
9. Finished goods Rs.150,000/-
10. Payment to Sundry creditors Rs.90,000/-
11. Sales 4,00,000/-
12. Received from Sundry Debtors Rs.3,00,000/-
13. Production overhead incurred Rs.20,000/-

**Solution-Journal entries**

- 1) Stores ledger control Account Dr Rs. 200,000/-  
    To Sundry creditors Account                      Rs.2,00,000

( Being raw material purchased on credit in stores)

2) Work in progress Account Dr Rs.45,000/-

To Sundry creditors Account                      Rs. 45,000/-

(Being raw material purchased for job)

3. Work in progress control Account Dr.1,10,000/-

To Store ledger control Account              Rs. 1,10,000/-

( Being raw material issued for production)

4) Wages control Account Dr Rs.40,000/-

To Cash Account                                      Rs. 40,000/-

( Being wages paid)

5) Production overhead control Account Rs. 20,000/-

To Cash Account                                      Rs. 20,000/-

(Being production overhead incurred)

6)Overhead control Account(Factory , Administration , selling and distribution) Account Dr Rs.7000/-

To Cash Account                                      Rs.7000/-

(Being expenses paid)

7) Stores ledger control Account Dr. Rs.5,000/-

To Work in progress Account                      Rs. 5,000/-

( Being material returned to stores )

8) Sundry creditors Account Dr Rs. 8000/-

To Stores ledger control Account              Rs.8000/-

(Being material returned to suppliers)

9)Finished goods control Account Dr Rs.1,50,000/-

To Work in progress Account      Rs. 1,50,000/-

(Being finished goods transferred from WIP Account)

10) Sundry Creditors Account Dr Rs. 90,000/-

To cash Account Rs. 90,000/-

(Being paid to sundry creditors)

11) Sundry Debtors Account Dr Rs. 4,00,000/-

To Sales Account      Rs.4,00,000/-

(Being goods sold)

12) Cash/Bank Account Dr. 3,00,000/-

To Sundry Debtors Account Rs.3,00,000/-

(Being cash received from Sundry Debtors)

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