

COST AND MANAGEMENT ACCOUNTING - 1

SEMESTER – 2 C&D

CLASS – 1

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UNIT – 5 COST BOOK KEEPING

SECTION 1 : NON INTEGRATED SYSTEM

Cost book keeping has primarily two objects

1. Recording of cost and
2. Controlling of cost.

It went through different stages of development. At present it can be organised

In either of the following two ways:

1. Integrated Accounting
2. Non Integrated Accounting

Features of Non Integrated Accounting

- I. Separate ledgers are kept for recording cost transactions and financial transaction.
- II. It is based on double entry system.
- III. No personal account is kept. Out of Real accounts, only stock are shown in capital account.
- IV. Transaction which affect nominal accounts are recorded separately from financial records.

Advantages of Non Integrated Accounting

- ❖ It can be used very effectively for taking managerial decision as summarised information regarding cost become readily available from the subsidiary records.
- ❖ It helps to prepare accounts for each cost centre to know their cost details and to control such costs.
- ❖ Proper control over material, labour and overhead can be exercised.

- ❖ An internal check is automatically implemented helping quick detection of errors. The different control accounts constitute such internal check.
- ❖ Details information coming out the use of this system help performance evaluation, decision making and to formulate proper policy for control.
- ❖ The costing profit ad loss account can be easily prepared.
- ❖ Standards can be set for measurement and improvement of efficiency.

Disadvantages of Non Integrated Accounting

- ❖ Two separate set of accounts for cost transactions and financial transactions create complications like two profits. This calls for reconciliation.
- ❖ Double efforts have to be put which cause use of additional time, energy and money.
- ❖ The overall profit of the organisation cannot be ascertained easily.
- ❖ Accounting information remain decentralised.

Cost accounting ledgers or ledger maintained under this system

The following important ledgers are kept-

- i. Principal ledger or cost ledger.
- ii. Subsidiary ledger like –
 - a. Stores ledger
 - b. Work in progress ledger
 - c. Financial ledger

Principal ledger or cost ledger – It is the principal ledger which contain all impersonal accounts. It is made self balancing by maintaining a control account for each subsidiary ledger. Like store ledger control account, work in progress control account and Finished goods control account.

Subsidiary ledger –

a. Stores ledger – It contains all ledger account. A separate account is opened for each item of stores(raw material, components , consumable stores , etc). It show both quality and quantity wise details of materials.

b. Work in progress ledger- it contains account of all unfinished jobs and processes. The ledger contains records of each type of jobs undertaken and cost incurred for that. A number is assigned to each job and a separate account is opened for each job to which related cost re debited and the amount of finished goods completed are credited. The balance in a job account represent total balance of work in progress.

c. Finished goods- it contain account of all finished goods. A separate account is opened for each finished products.