

SHRI SWAMI VIVEKAND SHIKSHAN SANSTHA KOLHPUR

DR. PATANGRAO KADAM ART & COMMERCE
COLLEGE PEN

A PROJECT ON

INTEGRATED & NON-INTEGRATED ACCOUNTING SYSTEM

ON THE SUBJECT

ADAVANCE COST ACCOUNTING

SUBMITTED TO

UNIVERSITY OF MUMBAI

M.COM.-1

SEM.-II

SUBMITTED BY

KARISHMA DATTATREY PATIL

ROLL NO:1211

UNDER GUIDENCE OF

DR. D. R. RAUNDAL SIR

YEAR: 2014-2015

DR. PATANGRAO KADAM ART & COMMERCE
COLLEGE PEN
CERTIFICATE

*This is to certify that Ms. / Mrs. **KARISHMA DATTATREY PATIL***

Of M. COM (2014- 2015) has successfully completed the

Project on

INTEGRATED & NON-INTEGRATED ACCOUNTING SYSTEM

*Under the guidance of **Dr.. D. R. RAUNDAL SIR***

Project Guide / Internal Examiner

External Examiner

Principal

DR. PATANGRAO KADAM ART & COMMERCE
COLLEGE PEN

Name : **Karishma Dattatrey Patil**

Class : **M.COM PART - I**

Roll No : **1211**

SUBJECT : **ADAVANCE COST ACCOUNTING**

TOPIC FOR THE SUBJECT : **INTEGRATED & NON-INTEGRATED**
ACCOUNTING SYSTEM

DOCUMENTATION	MARKS AWARDED	SIGNATURE
Internal Examiner (Out of 10 Marks)		

External Examiner

(Out of 10 Marks)

Presentation

(Out of 10 Marks)

Viva & Interaction

(Out of 10 Marks)

DECLARATION

I KARISHMA DATTATREY PATIL

Student of M. COM. Semester 1 (2014 – 2015)

Hereby declared that i have completed the project on

INTEGRATED & NON-INTEGRATED ACCOUNTING SYSTEM.

The information Submitted is true & original to the best of my knowledge.

Signature of Student.

Karishma Dattatrey Patil

ROLL NO: 1211

TABLE OF CONTENT

SR NO.	INDEX
1	Introduction of Integrated Account System
2	Definition of Integrated Account System
3	Features of Integrated Account System
4	Advantages & Dis-advantages of integral system of accounting
5	Solved Example of Integrated Account System
6	Introduction of Non-Integrated Account System
7	Features of Non-Integrated Account System
8	Solved Example of Non-Integrated Account System
9	Conclusion

ACKNOWLEDGMENT

I take this opportunity to express my profound gratitude and deep regards to my teaching guide Dr. D. R. Raundal Sir for his exemplary guidance, monitoring and constant encouragement throughout the course. The blessing, help and guidance given by him time to time shall carry me a long way in the journey of life on which I am about to embark

Lastly, I thank almighty and my friends for their constant encouragement without which this project would not be possible.

INTEGRATED AND NON INTERATED SYSTEM OF ACCOUNTS

1. INTEGRATED SYSTEM OF ACCOUNTS

INTRODUCTION

Integrated accounting system involves the combination of cost accounting and financial accounting records. In this system, only one set of books of accounts are maintained. This set of books fulfils the principles of cost accounting and financial accounting. In this system, nominal accounts follow the principles of cost accounting. Real accounts and personal accounts are kept in accordance with financial accounting principles.

Integrated accounting system may be defined as “the inter-locking of financial and cost accounting systems to ensure that all relevant expenditure is absorbed into the cost accounts. Under this system, transactions are classified according to both their function and nature”. Under this system, double-entry system of book keeping is followed for recording transactions.

DEFINITION OF INTEGRATED SYSTEM

CIMA has defined integrated system as “ a system in which the financial and cost accounts are inter-locked to ensure that all relevant expenditure is absorbed into the cost accounts.” Under this accounting system transactions are classified both according to their function and natures.

FEATURES OF INTEGRATED ACCOUNTING:

- Account budget setup capability
- Check printing in batch or on demand
- Electronic check request feature automatically creates an Accounts Payable record
- Recurring journal entries tool
- Payroll import functionality
- Search and view accounts by date range, accounting period or any other aspect
- Print or export grid results to Excel
- Trial balance, income statement, balance sheet and statement of cash flows capabilities

- Trust balances by matter
- Ability to transfer monies between trust accounts
- Support for multiple checking accounts with different check formats per account
- Bank statements can be downloaded for reconciliation
- Track and manage vendor and payee relationships
- Process 1099 information
- Account-split capabilities to automatically distribute a check or adjustment among multiple accounts
- Compensation formulas automate the splitting of fee income postings
- Support for matter level, client level or partial payments
- Management of unapplied cash
- Support for write-offs
- Group, sort or filter search results
- Period-based analysis

ADVANTAGES OF INTEGRAL SYSTEM OF ACCOUNTING

1. **Duplication of work avoided:** Keeping unnecessary accounting records is avoided, by which duplication of accounting work is eliminated to a great extent.

Transactions for the year ended 31st December, 2004 were as under:

Particular	Rs.	Rs.
Wages – direct	87000	
Indirect	5000	92000
Purchase of materials (on credit)		100000
Materials issues to production		110000
Materials for repairs		2000
Goods finished during the year (at cost)		215000
Sales (on credit)		300000
Cost of goods sold		220000
Production overheads absorbed		48000
Production overheads incurred		40000
Administration overheads incurred		12000
Selling overhead incurred		14000
Payments to creditors		101000
Payments from debtors		290000
Depreciation of machinery		1300
Prepaid rent (included in factory overheads)		300

Write up accounts in the integrated ledger and prepare a trial balance.

Solution:

Dr.

Stores control A/C

Cr.

Particular	Rs.	particular	Rs.
To balance b/d	18000	By WIP A/C	110000

To creditors A/C	100000	By production overheads	2000
		By balance c/d	6000
	118000		118000

Dr. wages control A/C Cr.

Particular	Rs.	Particular	Rs.
To bank A/C	92000	By WIP A/C	87000
		By production overhead A/C	5000
	92000		92000

Dr. Work in progress A/C Cr.

Particular	Rs.	Particular	Rs.
To balance b/d	17000	By finished goods A/C	216000
To stores control A/C	110000	By balance c/d	47000
To wages control A/C	87000		
To production A/C	48000		
	262000		262000

Dr. Production overhead A/C Cr.

Particular	Rs.	Particular	Rs.
To wages control A/C	5000	By WIP A/C	48000
To stores control A/C	2000	By prepaid rent	300
To Bank A/C	40000		
To depreciation provision	1300		
	48300		48300

Dr. finished goods A/C Cr.

Particular	Rs.	Particular	Rs.
To balance b/d	13000	By cost of sales A/C	220000

To WIP A/C	215000	By balance c/d	20000
To administration overhead	12000		
	240000		240000

Dr. **Administrative overhead A/C** **Cr.**

Particular	Rs.	Particular	Rs.
To bank A/C	12000	By finished goods A/C	12000
	12000		12000

Dr. **cost of sales A/C** **Cr.**

Particular	Rs.	Particular	Rs.
To finished goods A/C	220000	By sales A/C	234000
To selling & distribution A/C	14000		
	234000		234000

Dr. **Selling and distribution A/C** **Cr.**

Particular	Rs.	Particular	Rs.
To bank A/C	14000	By cost of sale A/C	14000
	14000		14000

Dr. **Sales A/C** **Cr.**

Particular	Rs.	Particular	Rs.
To cost of sales A/C	234000	By debtors A/C	300000
To P/L A/C (profit)	66000		
	300000		300000

Dr. **prepaid A/C** **Cr.**

Particular	Rs.	Particular	Rs.
To production overhead A/C	300	By balance c/d	300
	300		300

Dr. **Depreciation provision A/C** **Cr.**

Particular	Rs.	Particular	Rs.
To balance c/d	6300	By balance b/d	5000
		By production overhead A/C	1300
	6300		6300

Dr. **Profit and loss A/C** **Cr.**

Particular	Rs.	Particular	Rs.
To balance c/d	98000	By sales A/C	66000

		By profit b/d	32000
	98000		98000

Dr. Debtors A/C Cr.

Particular	Rs.	Particular	Rs.
To balance b/d	12000	By bank A/C	290000
To sales	300000	By balance c/d	22000
	312000		312000

Dr. creditors A/C Cr.

Particular	Rs.	Particular	Rs.
To bank	101000	By balance b/d	8000
To balance c/d	7000	By stores control A/C	100000
	108000		108000

Dr. bank A/C Cr.

Particular	Rs.	Particular	Rs.
To balance b/d	10000	By creditors	101000
To debtors	290000	By wages control A/C	92000
		By production OH A/C	40000
		By adiministration OH A/C	12000
		By selling and distribution OH A/C	14000
		By balance c/d	41000
	300000		300000

Dr. fixed assets A/C Cr.

Particular	Rs.	Particular	Rs.
To balance b/d	55000	By balance c/d	55000
	55000		55000

Dr. share capital A/C Cr.

Particular	Rs.	Particular	Rs.
To balance c/d	80000	By balance b/d	80000
	80000		80000

Trial balance as on 31-12-2004

Particular	Dr. Rs.	Cr. Rs.
stores control A/C	6000	
WIP A/C	47000	
Finished goods A/C	20000	
Bank A/C	41000	
Creditors A/C		7000
Fixed assets A/C	55000	
Debtors A/C	22000	
Share capital A/C		80000

Depreciation provision A/C		6300
P and L A/C		98000
Prepaid rent A/C	3000	
	191300	191300

NON INTEGRATED SYSTEM OF ACCOUNTS

INTRODUCTION:

Meaning of Non-Integrated Accounts CIMA, London defines it as, "a system in which the cost accounts are distinct from the financial accounts, the two sets of accounts being kept continuously in agreement or readily recognizable" Also known as independent system, separate books system, cost ledger system, interlocking accounting system or traditional system"

FEATURES OF NON- INTEGRATED SYSTEM :

Features of Non-Integrated System Separate set of books for costing and for financial accounting for cost accounting, source of information is the same as financial accounting Cost accounts records only costs, which are a part of Nominal Accounts For other accounts, cost control accounts or adjustment accounts are maintained

Books of Accounts Main Ledger: Cost Ledger: contains control accounts and nominal accounts other than Stores Ledger, WIP Ledger and Finished Goods Ledger Subsidiary Ledgers: Stores Ledger, WIP Ledger and Finished Goods Ledger, Role of general Ledger Adjustment Account Also known as Cost Ledger Control Account or Finance Ledger Control Account It is the counterbalancing account for the stocks of material, work-in-progress, and finished goods

1. **Separate books** : In a non-integrated cost accounting system there are separate cost accounting cost journals and cost ledgers.
2. **Principal of double- entry** : However, it too follows the fundamental principles of double entry book-keeping for this purpose.
3. **Cost manual** : As the number and types of transactions involved in accounting are numerous, a number of individuals are employed in their recording and analysis. A cost manual is prepared for guidance of the staff.
4. **Voucher** : As in the case of financial accounting system, transactions are recorded in the cost journal voucher, which provides the details necessary to support an entry in the cost accounts.
5. **Account/code** : Each entry is debited/credited to a cost accounts. CIMA has defined a cost accounts as ‘an account in the cost ledger. Each account may be given a cost code.
6. **Journal** :These vouchers are first entered into cost journals. There may be one general journal to summaries all original entries or separate journals may be kept to record lab our, material and overhead transactions.
7. **Ledger** : From the cost journals, entries are posted in the cost ledger. CIMA has defined a ‘cost ledger’ as a ledger whose accounts record those transactions which are included in costs. In financial accounting, ledger may be divided into general and subsidiary ledgers like debtors ledger, creditors ledger etc. Similarly, cost ledger may be divided into main and subsidiary ledger. There may be a main ledger known as cost ledger and other subsidiary ledgers like stores ledger, work in progress ledger and finished stock ledger.

SOLVED PROBLEM NON INTEGRATED SYSTEM

Problem no 1.

Cost man Ltd. Maintain separate set of books for financial accounts and cost accounts. The following information is furnished for the year 2003.

Particulars	Rs.
Material control A/C	60000
W-I-P control A/C	90000
Finished good control A/C	140000
Cost ledger control A/C	290000
Transaction for the year are:	
Materials purchased	660000
Materials issued as:	
Direct materials	450000
Indirect materials	120000
Wages paid allocated as:	
Direct materials	270000
Indirect materials	90000
Production expenses	240000
Value of finished goods produced	108000
	0
Closing stock of finished goods	120000
Administration expenses	240000
Selling expenses	180000
sales	180000
	0

Prepare the necessary control accounts in books of costing records.

Solution:

Dr.		Cost Ledger Control A/C		Cr.	
Particular	Rs	particular	Rs		
To costing P/L A/C (Sales)	1800000	By balance b/d	290000		
To balance c/d	450000	By material control A/C	660000		
		By wages control A/C	360000		
		(Direct + indirect wages)			
		By selling and admin expenses	420000		
		By costing P/L A/C	280000		
		By factory overheads control A/C	240000		
	22.50000		22,50000		
		By balance b/d	450000		

Dr.		material control A/C		Cr.	
Particular	Rs.	particular	Rs.		
To balance b/d	60000	By WIP control A/C			
		Direct material	450000		
To cost ledger control A/C	660000	Indirect material	120000	570000	
		By balance c/d		150000	
	720000			720000	

Dr.		WIP control A/C		Cr.	
particular	Rs.	particular	Rs.		
To balance b/d	90000	By finished goods A/c	1080000		
To material control A/C	570000	By balance c/d	180000		
To wages control A/C	270000				
To factory overhead control A/C	330000				
	1260000			1260000	

Dr. Finished goods control A/C Cr.

Particular	Rs	particular	Rs.
To balance b/d	140000	By cost of sales (bal . fig.)	1100000
To WIP	1080000	By balance c/d	120000
	1220000		1220000

Dr. Factory overhead control A/C Cr.

particular	Rs	particular	Rs.
To wages control A/C (Indirect cost)	90000	By WIP	330000
To cost ledger control A/C	240000		
	330000		330000

Dr. Cost P/L A/C Cr.

particular	Rs.	particular	Rs.
To cost of sales (bal. fig.)	1100000	By cost ledger control A/C	1800000
To admin and selling exp.	420000		
To cost ledger control A/C (Costing profit)	280000		
	1800000		1800000

Dr. Trial balance

particular	Dr.	Cr.
Cost ledger control A/C		450000
Material control A/C	150000	
WIP control A/C	180000	
Finished goods control A/C	120000	
	450000	450000

CONCLUSION

Integrating existing databases is a very difficult task. Still, it is something that enterprises face today and cannot avoid if they want to launch new applications or to reorganize the existing information system for better profitability. We have discussed basic issues and solutions. We focused on the fundamental concepts and techniques, insisting on the alternatives and on Criteria for choice. More Details are easily found in an over-abundant literature. To the **best** of our knowledge, no integration tool has yet been developed as a commercial product. Some research Most enterprises' worldview of globalization is mismatched with the reality of globalization today; they bring a proliferation of localized standards when, more than ever, governance, transparency and information integrity need to be maintained consistently throughout the enterprise. By mandating common standards, implementing a standard Chart of Accounts, building common data definitions and deploying common processes across the Finance function, enterprises can transform into IFOs. This will position them to be more responsive, more flexible, and to outperform their peers. To get there, CFOs should take ownership of their Finance processes enterprise wide, simplify their technology and delivery models, and provide a new, single version of the truth to their enterprises. They must formally define their risk programs and take an active role in risk management. For the enterprise to live up to this vision, change and integration will need to come from all areas of the business, not just Finance. With this in mind, the CFO can be a leader in this charge, armed with the facts and trusted with the reins of the enterprise in confident hands.

REFERENCES

- 1 **M.com. Advance Cost Accounting Text Book.**
- 2 www.wikipedia.com
- 3 www.scibd.com
- 4 www.google.com

