

Student Study Notes

Non-Integrated Cost Accounting System

What is a Non-Integrated System?

In this system (also known as the **Inter-locking Accounting System**), a business maintains **two separate sets of books**: one for Cost Accounts and one for Financial Accounts [1].

- The **Cost Accountant** is responsible for the Cost Ledgers.
- The **Financial Accountant** is responsible for the financial records [1].

Key Features to Remember

- **Double Entry:** It is based on the full double-entry bookkeeping system [1].
- **No Personal Accounts:** Cost books do not contain names of individuals (Debtors/Creditors) or Cash/Bank accounts [1, 2].
- **Stocks Only:** Unlike financial books, the only “Real Accounts” shown in cost accounts are stocks [1].
- **Reconciliation:** Because the two sets of books are separate, they often show different profits. A reconciliation is necessary to align them [2, 3].

The “General Ledger Adjustment (GLA) Account”

This is the most important account in the cost ledger. It is also called the **Cost Ledger Control Account** [2].

- **Purpose:** It acts as a “bridge” to the financial books.
- **Usage:** Since we don’t use Cash, Bank, Debtors, or Creditors in cost books, we use **GLA** to complete the double entry for any transaction involving these financial items [2].

The Flow of Costs (The “Assembly Line” Logic)

To remember the accounts, follow the physical movement of the product:

1. **Stores Ledger Control:** Where raw materials are kept [2, 4].
2. **Wages Control:** Where all labour costs (direct and indirect) are collected [4, 5].
3. **Work-in-Progress (WIP) Control:** The “factory floor” where materials and labour are combined [4, 6].
4. **Finished Goods Control:** Where the product goes once it is 100% complete [4, 6].
5. **Cost of Sales:** The cost of the products that have been sold [4, 7].
6. **Costing Profit & Loss:** Where you find the final profit or loss by comparing sales value against costs [5, 7, 8].

Essential Journal Entries Cheat Sheet

Transaction Category	Debit	Credit	Src
Material Purchase	Stores Ledger Control A/c	GLA Account	[9]
Direct Material Issued	WIP Control A/c	Stores Ledger Control A/c	[9]
Direct Wages Paid	Wages Control A/c	GLA Account	[9]
Wages Assigned to Jobs	WIP Control A/c	Wages Control A/c	[9]
Overheads Incurred	Overhead Control A/c	GLA Account	[10]
Overheads Absorbed	WIP Control A/c	Overhead Control A/c	[10]
Goods Completed	Finished Goods Control A/c	WIP Control A/c	[8]
Sales (at Sales Value)	GLA Account	Costing Profit & Loss A/c	[8]
Abnormal Loss	Costing Profit & Loss A/c	Respective Account (Stores/WIP)	[5, 9]

Pros and Cons

Advantages

- Provides detailed information for management decisions [3].
- Helps in exercising internal checks and controlling costs for materials and labour [3].
- Allows for setting efficiency standards [3].

Disadvantages

- **Double Effort:** It requires more time, money, and energy because two sets of books are kept [3].
- **Complicated:** It can be complex and requires constant reconciliation [3].

To explain how this works in practice, let's walk through **Illustration 1** from the sources, which is a perfect “easy sum” for students because it covers the entire flow of a product [1].

The Problem (Illustration 1)

Imagine a company has the following transactions:

1. **Raw Materials Purchased:** — 50,000
 2. **Direct Materials Issued to Production:** — 30,000
 3. **Wages Paid:** — 40,000 (of which 70% is Direct)
 4. **Manufacturing Expenses (Overheads) Incurred:** — 30,000
 5. **Manufacturing Expenses Charged to Production:** — 40,000
 6. **Sales:** — 1,00,000
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The Step-by-Step Solution

Step 1: Buying the Materials

When we buy materials, they go into the warehouse (Stores), and we use our “bridge” account (GLA) because we do not use a “Bank” account in cost books [1, 2].

- **Entry:** Stores Ledger Control A/c Dr. (50,000) **To** General Ledger Adjustment A/c Cr. (50,000) [1].

Step 2: Moving Materials to the Factory Floor

Now we move 30,000 worth of materials from the warehouse to the “factory floor” (WIP) [3].

- **Entry:** Work-in-Progress Control A/c Dr. (30,000) **To** Stores Ledger Control A/c Cr. (30,000) [1].

Step 3: Paying the Workers

First, we record the total payment of 40,000 using our “bridge” [4, 5].

- **Entry:** Wages Control A/c Dr. (40,000) **To** General Ledger Adjustment A/c Cr. (40,000) [5].

Step 4: Dividing the Labor (The “70% Rule”)

The problem says **70% is Direct** (28,000) and the rest (**30% or 12,000**) is Indirect. Direct labor goes to the factory floor (WIP), and indirect labor goes to Overhead [4, 5].

- **Entry:**
 - Work-in-Progress Control A/c Dr. (28,000)
 - Factory Overhead Control A/c Dr. (12,000)
 - **To** Wages Control A/c Cr. (40,000) [5].

Step 5: Paying and Charging Overheads

Actual overheads paid (Incurred) were 30,000, but we decided to charge (Absorb) 40,000 to the product [6].

- **To Record Payment:** Factory Overhead Control A/c Dr. (30,000) **To** General Ledger Adjustment A/c Cr. (30,000) [5].
- **To Charge Product:** Work-in-Progress Control A/c Dr. (40,000) **To** Factory Overhead Control A/c Cr. (40,000) [5].

Step 6: Recording the Sale

Finally, we record the sales value of 1,00,000. Again, since we do not use “Debtors” or “Cash,” we use the “bridge” (GLA) [1, 5].

- **Entry:** General Ledger Adjustment A/c Dr. (1,00,000) **To** Costing Profit & Loss A/c Cr. (1,00,000) [5].

Tip for this Sum

students for every transaction involving “paying money” or “receiving money,” the **General Ledger Adjustment A/c** is always the other side of the entry [1, 2]. This is the easiest way for them to avoid mistakes!

Here are three practice questions designed to help master the core concepts of the Non-Integrated System. These questions follow the logical “Physical Flow” of costs.

Practice Question 1: Material Management

Problem: Pass journal entries in the Cost Books for the following transactions:

1. Purchased materials for stock: 60,000 [1]
2. Direct materials issued to production: 45,000 [1]
3. Materials returned from the shop floor to stores: 2,000 [1]
4. Materials returned to suppliers: 5,000 [1]

Solution:

No.	Particulars	Debit ()	Credit ()	Logic
1	Stores Ledger Control A/c ... Dr.	60,000		Materials enter the warehouse.
	To General Ledger Adjustment A/c		60,000	Use GLA for external purchases [1, 2].
2	Work-in-Progress Control A/c ... Dr.	45,000		Direct materials go to the factory floor.
	To Stores Ledger Control A/c		45,000	Materials leave the warehouse [1].
3	Stores Ledger Control A/c ... Dr.	2,000		Unused materials return to warehouse.
	To Work-in-Progress Control A/c		2,000	Reverse of the issue entry [1].
4	General Ledger Adjustment A/c ... Dr.	5,000		Reducing the amount owed (financial bridge).
	To Stores Ledger Control A/c		5,000	Materials leaving the warehouse [1].

Practice Question 2: Labour & Overheads

Problem: Record the following transactions in the Cost Ledger:

1. Total wages paid: 30,000 [1, 3]
2. Wages assigned to production: 80% Direct and 20% Indirect [1, 3]
3. Production overheads incurred (actual cost): 10,000 [3, 4]
4. Production overheads absorbed (charged to production): 12,000 [3, 4]

Solution:

No.	Particulars	Debit ()	Credit ()	Logic
1	Wages Control A/c ... Dr.	30,000		Recording total labor cost.
	To General Ledger Adjustment A/c		30,000	Use GLA for wage payment [1].
2	Work-in-Progress Control A/c ... Dr.	24,000		80% Direct labor goes to WIP [3].
	Factory Overhead Control A/c ... Dr.	6,000		20% Indirect labor goes to Overhead [3].
	To Wages Control A/c		30,000	Clearing the wage pool [1].
3	Factory Overhead Control A/c ... Dr.	10,000		"Incurred" means paying the bill.
	To General Ledger Adjustment A/c		10,000	Use GLA for the payment [4].
4	Work-in-Progress Control A/c ... Dr.	12,000		"Absorbed" means charging the product.
	To Factory Overhead Control A/c		12,000	Moving value from Overhead to WIP [4].

Practice Question 3: Production, Sales & Losses

Problem: Journalize the following transactions:

1. Goods completed and transferred to finished stock: 90,000 [5, 6]
2. Sale of goods (Total Sales Value): 1,50,000 [3, 5]
3. Abnormal loss of materials (e.g., fire): 1,500 [1, 7]
4. Closing the Cost of Sales account (Cost of goods sold was 85,000) [5]

Solution:

No.	Particulars	Debit ()	Credit ()	Logic
1	Finished Goods Control A/c ... Dr.	90,000		Products are finished and moved to godown.
	To Work-in-Progress Control A/c		90,000	Value leaves the factory floor [5].
2	General Ledger Adjustment A/c ... Dr.	1,50,000		Use GLA for incoming sales value.
	To Costing Profit & Loss A/c		1,50,000	Crediting the revenue side of P&L [3, 5].
3	Costing Profit & Loss A/c ... Dr.	1,500		Abnormal loss is a direct hit to profit.
	To Stores Ledger Control A/c		1,500	Materials leave the warehouse but not for production [7].
4	Costing Profit & Loss A/c ... Dr.	85,000		Transferring total cost to find profit.
	To Cost of Sales A/c		85,000	Clearing the Cost of Sales account [5].

Cost Accounting — Non-Integrated System

Calcutta University (CU) B.Com Pattern

Solved Problems & Practice Questions with Full Ledger Solutions

Key Concept: Control Accounts in a Non-Integrated System

In a **Non-Integrated System**, the cost ledger is maintained separately from the financial ledger. The accounts are called **Control Accounts**. The **General Ledger Adjustment (GLA) Account** acts as the bridge to the financial records, replacing Cash, Bank, Debtors, and Creditors in all cost-book entries.

CU Pattern Problem 1: Full Production Cycle

Classic CU B.Com. General pattern — covers the complete cost flow from purchase to sale.

The Question

Prepare the necessary Ledger Accounts in the Cost Books for the following:

No.	Transaction	Amount ()
1	Raw Materials Purchased	50,000
2	Direct Materials Issued to Production	30,000
3	Wages Paid (70% Direct, 30% Indirect)	40,000
4	Manufacturing Expenses Incurred	30,000
5	Manufacturing Expenses Charged (Absorbed)	40,000
6	Sales (Cost of Sales was 80,000)	1,00,000

Full Ledger Solutions

General Ledger Adjustment (GLA) Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To Costing P&L A/c (Sales)	1,00,000	By Stores Ledger Control A/c	50,000
		By Wages Control A/c	40,000
		By Factory Overhead Control A/c	30,000
		By Balance c/d (Balancing Figure)	20,000
Total	1,00,000	Total	1,00,000

Stores Ledger Control Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To GLA Account (Purchases)	50,000	By WIP Control A/c (Direct Issue)	30,000
		By Balance c/d (Closing Stock)	20,000
Total	50,000	Total	50,000

Wages Control Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To GLA Account (Total Paid)	40,000	By WIP Control A/c (70% Direct)	28,000
		By Factory OH Control A/c (30% Indirect)	12,000
Total	40,000	Total	40,000

Work-in-Progress (WIP) Control Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To Stores Ledger Control A/c	30,000	By Finished Goods A/c (Bal. Fig.)	98,000
To Wages Control A/c (Direct)	28,000		
To Factory OH Control A/c (Absorbed)	40,000		
Total	98,000	Total	98,000

CU Pattern Problem 2: Losses & Over-Absorption

B.Com. Honours pattern — focuses on adjustments for losses and overhead over-/under-absorption.

The Question

Record the following and prepare the (1) Factory OH Control A/c and (2) Costing P&L A/c:

No.	Transaction	Amount ()
1	Factory Overhead Incurred	15,000
2	Factory Overhead Absorbed	18,000
3	Abnormal Loss of Materials by Fire	4,000
4	Cost of Sales	60,000
5	Sales Value	85,000

Full Ledger Solutions

Factory (Production) Overhead Control Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To GLA Account (Incurred)	15,000	By WIP Control A/c (Absorbed)	18,000
To Costing P&L A/c (Over-absorption)	3,000		
Total	18,000	Total	18,000

Costing Profit & Loss Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To Cost of Sales A/c	60,000	By GLA Account (Sales)	85,000
To Stores Ledger Control A/c (Abnormal Loss)	4,000	By Factory OH A/c (Over-absorption)	3,000
To GLA Account (Net Profit)	24,000		
Total	88,000	Total	88,000

Practice Question 1: Materials and WIP Flow

The Question

Prepare the **Stores Ledger Control Account** and **Work-in-Progress (WIP) Control Account** from the following information:

No.	Transaction	Amount ()
1	Opening Balance: Stores	15,000
	Opening Balance: WIP	10,000
2	Materials Purchased	60,000
3	Direct Materials Issued to Production	45,000
4	Indirect Materials Issued to Factory	5,000
5	Materials Returned to Suppliers	2,000
6	Direct Wages Charged to Production	25,000
7	Factory Overheads Absorbed	15,000
8	Goods Finished and Transferred to Showroom	70,000

Working Calculations

Stores Closing Balance:

$$15,000 + 60,000 - 45,000 - 5,000 - 2,000 = \mathbf{23,000}$$

WIP Closing Balance:

$$10,000 + 45,000 + 25,000 + 15,000 - 70,000 = \mathbf{25,000}$$

Full Ledger Solutions

Stores Ledger Control Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To Balance b/d	15,000	By WIP Control A/c (Direct Issue)	45,000
To GLA Account (Purchases)	60,000	By Factory OH Control A/c (Indirect)	5,000
		By GLA A/c (Returns to Suppliers)	2,000
		By Balance c/d (Closing Balance)	23,000
Total	75,000	Total	75,000

Work-in-Progress (WIP) Control Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To Balance b/d	10,000	By Finished Goods Control A/c	70,000
To Stores Ledger Control A/c	45,000	By Balance c/d (Closing Balance)	25,000
To Wages Control A/c	25,000		
To Factory Overhead Control A/c	15,000		
Total	95,000	Total	95,000

Practice Question 2: Labour and Overhead Allocation

The Question

Prepare the **Wages Control Account** and **Factory Overhead Control Account**:

No.	Transaction	Amount ()
1	Total Wages Paid	50,000
2	Wages Allocation: 80% Direct, 15% Indirect, 5% Abnormal Idle Time	—
3	Factory Overheads Incurred (cash expenses)	20,000
4	Factory Overheads Absorbed into Production	25,000

Working Calculations

Direct Wages (80%) = $0.80 \times 50,000 = 40,000$ → WIP Control A/c
 Indirect Wages (15%) = $0.15 \times 50,000 = 7,500$ → Factory Overhead Control A/c
 Abnormal Idle Time (5%) = $0.05 \times 50,000 = 2,500$ → Costing P&L A/c
 Total Overhead = $20,000 + 7,500 = 27,500$ Under-Absorption = $27,500 - 25,000 = 2,500$

Full Ledger Solutions

Wages Control Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To GLA Account (Total Wages Paid)	50,000	By WIP Control A/c (Direct 80%)	40,000
		By Factory OH Control A/c (Indirect 15%)	7,500
		By Costing P&L A/c (Abnormal Idle 5%)	2,500
Total	50,000	Total	50,000

Factory Overhead Control Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To GLA Account (Cash Expenses)	20,000	By WIP Control A/c (Absorbed)	25,000
To Wages Control A/c (Indirect)	7,500	By Costing P&L A/c (Under-absorption)	2,500
Total	27,500	Total	27,500

Practice Question 3: Sales, Loss, and Profit

The Question

Prepare the **Finished Goods Control Account** and **Costing Profit & Loss Account**:

No.	Transaction	Amount ()
1	Opening Finished Goods	20,000
2	Goods Completed during the Year	1,50,000
3	Cost of Goods Sold	1,40,000
4	Sales Value	2,00,000
5	Abnormal Loss of Materials (Fire)	3,000

Working Calculations

Closing Finished Stock:

$$20,000 + 1,50,000 - 1,40,000 = \mathbf{30,000}$$

Net Profit:

$$2,00,000 - 1,40,000 - 3,000 = \mathbf{57,000}$$

Full Ledger Solutions

Finished Goods Control Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To Balance b/d	20,000	By Cost of Sales A/c	1,40,000
To WIP Control A/c	1,50,000	By Balance c/d (Closing Balance)	30,000
Total	1,70,000	Total	1,70,000

Costing Profit & Loss Account

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To Cost of Sales A/c	1,40,000	By GLA Account (Sales)	2,00,000
To Stores Ledger Control A/c (Fire Loss)	3,000		
To GLA Account (Net Profit)	57,000		
Total	2,00,000	Total	2,00,000

Final Revision Tips for Students

1. **Over-Absorption:** Absorbed > Incurred $\Rightarrow$ transfer the *excess* to the **Credit** of Costing P&L A/c (increases profit).
2. **Under-Absorption:** Absorbed < Incurred $\Rightarrow$ transfer the *shortfall* to the **Debit** of Costing P&L A/c (reduces profit).
3. **Abnormal Losses** (fire, flood, spoilage) always go to the **Debit** of Costing P&L A/c — they are *not* a product cost.
4. **The Balancing Figure:** If a closing balance is not given, it is always the figure that makes both sides of the ledger equal.
5. **GLA is the Bridge:** Any transaction involving money entering or leaving the business must pass through the **General Ledger Adjustment A/c** in the cost books.

Cost Accounting

Non-Integrated System: Ledger Control Accounts

Pro-Forma Formats, Journal Entries & Practice Problems

Key Concept: Control Accounts

In a **Non-Integrated System**, the cost ledger is kept separately from the financial ledger. The accounts maintained here are called **Control Accounts** — they represent a summary of all transactions from subsidiary ledgers (such as the Stores Ledger or WIP Ledger) in a single principal account. The **General Ledger Adjustment (GLA) Account** acts as the bridge between the two sets of books.

Part A: Pro-Forma Ledger Control Accounts

1. Stores Ledger Control Account

This account summarises all transactions related to raw materials.

Dr. — Particulars (Increases Stock)	Amt. ()	Cr. — Particulars (Decreases Stock)	Amt. ()
To Opening Balance		By Work-in-Progress Control A/c (Direct Materials Issued)	
To General Ledger Adjustment A/c (Purchases)		By Factory/Admin/Selling Overhead A/c (Indirect Materials)	
To WIP Control A/c (Returns from Shop Floor)		By General Ledger Adjustment A/c (Returns to Suppliers)	
		By Costing Profit & Loss A/c (Abnormal Loss of Materials)	
		By Balance c/d (Closing Stock)	

2. Wages Control Account

This account collects all labour costs before they are assigned to production or overheads.

Dr. — Particulars (Total Wages Paid)	Amt. ()	Cr. — Particulars (Allocation of Wages)	Amt. ()
To General Ledger Adjustment A/c (Total Gross Wages)		By Work-in-Progress Control A/c (Direct Wages)	
		By Factory/Admin/Selling Overhead A/c (Indirect Wages)	
		By Costing Profit & Loss A/c (Abnormal Idle Time)	

3. Work-in-Progress (WIP) Control Account

This is the “Factory Floor” ledger where all direct costs are combined to create the product.

Dr. — Particulars (Costs Incurred)	Amt. ()	Cr. — Particulars (Completed Work)	Amt. ()
To Opening Balance		By Finished Goods Control A/c (Cost of Goods Completed)	
To Stores Ledger Control A/c (Direct Materials)		By Balance c/d (Unfinished Work)	
To Wages Control A/c (Direct Wages)			
To Production Overhead Control A/c (Absorbed Overheads)			

4. General Ledger Adjustment (GLA) Account

The most important “balancing” account. It takes the place of Cash, Bank, Debtors, and Creditors, maintaining the link with the financial books.

Dr. — Particulars (Outgoings/Returns)	Amt. ()	Cr. — Particulars (Incomings/Purchases)	Amt. ()
To Stores Ledger Control A/c (Returns to Suppliers)		By Opening Balance b/d	
To Costing Profit & Loss A/c (Net Loss)		By Stores Ledger Control A/c (Purchases)	
To Balance c/d (Closing Balance)		By Wages Control A/c (Total Wages)	
		By Production/Admin/Selling Overhead A/c (Incurred)	
		By Costing Profit & Loss A/c (Sales Value)	

Golden Ledger Rules for Students

- 1. Direct Costs:** Always move from their source (Stores/Wages) to the **Debit** of **Work-in-Progress Control A/c**.
- 2. Indirect Costs:** Always move from their source to the **Debit** of the **Overhead Control Accounts**.
- 3. Completion:** When a product moves from one stage to the next (e.g., WIP → Finished Goods), **Credit** the old stage and **Debit** the new stage.

Part B: Master Practice Problem — Journal Entries

Scenario: Furniture Factory — Pass Journal Entries in the Cost Books

No.	Transaction
1	Materials: Purchased 50,000 worth of timber.
2	Usage: Issued 30,000 of timber to the workshop (Direct) and 2,000 for general factory repairs (Indirect).
3	Wages: Paid total wages of 40,000. (70% for carpenters making furniture; 30% for the security guard.)
4	Factory Costs: Actual manufacturing expenses paid = 30,000; charged to products based on estimates = 40,000.
5	Completion: Finished furniture worth 72,000 moved to the showroom.
6	Sales: Sold the furniture for 1,00,000.

Step 1: Working Calculations

Calculation A — Wages Split:

$$\text{Total Wages} = 40,000$$

$$\text{Direct Wages (70\%)} = 0.70 \times 40,000 = 28,000 \quad \longrightarrow \quad \text{WIP Control A/c}$$

$$\text{Indirect Wages (30\%)} = 0.30 \times 40,000 = 12,000 \quad \longrightarrow \quad \text{Factory Overhead Control A/c}$$

Calculation B — Overhead Difference:

$$\text{Incurred (Actual)} = 30,000 \quad \text{Absorbed (Charged to product)} = 40,000$$

$$\text{Over-Absorption} = 40,000 - 30,000 = 10,000$$

Step 2: Journal Entries (Solution)

No.	Transaction	Dr. Account	Cr. Account	Amt. ()
1	Buying Materials	Stores Ledger Control A/c	General Ledger Adjustment A/c	50,000
2a	Direct Materials	WIP Control A/c	Stores Ledger Control A/c	30,000
2b	Indirect Materials	Factory Overhead Control A/c	Stores Ledger Control A/c	2,000
3a	Paying Wages	Wages Control A/c	General Ledger Adjustment A/c	40,000
3b	Splitting Wages	WIP Control A/c (Direct)	Wages Control A/c	28,000
		Factory Overhead A/c (Indirect)		12,000
4a	Actual Expenses	Factory Overhead Control A/c	General Ledger Adjustment A/c	30,000
4b	Charging Product	WIP Control A/c	Factory Overhead Control A/c	40,000
5	Finishing Goods	Finished Goods Control A/c	WIP Control A/c	72,000
6	The Sale	General Ledger Adjustment A/c	Costing P&L A/c	1,00,000

Student Summary

- **The “WIP” Magnet:** Every direct cost — Materials, Wages, and Absorbed Overheads — is pulled into the **WIP Control Account**. This is the heart of production.
- **Incurred vs. Absorbed:** *Incurred* involves the **GLA Account** (paying the bill). *Absorbed* moves cost from the **Overhead Account** into the **WIP Account**.
- **Closing the Loop:** When goods are sold, the **GLA Account** is debited at the *sales value*, while the cost is tracked in the Cost of Sales Account.

Part C: Practice Problem — Preparing Ledger Accounts

Question

Opening Balances: Stores 10,000; WIP 5,000; Finished Goods 12,000.

Transactions during the month:

- | | |
|---|--|
| 1 | Materials Purchased: 50,000 |
| 2 | Materials Issued to Production (Direct): 40,000 |
| 3 | Direct Wages charged to production: 20,000 |
| 4 | Factory Overheads absorbed into production: 15,000 |
| 5 | Cost of finished goods produced: 65,000 |
| 6 | Cost of goods sold: 55,000 |

1. Stores Ledger Control Account

“Warehouse Bucket” — increases on purchases; decreases when materials are issued.

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To Balance b/d (Opening)	10,000	By WIP Control A/c (Issued to Production)	40,000
To General Ledger Adjustment A/c (Purchases)	50,000	By Balance c/d (Closing Stock — balancing figure)	20,000
Total	60,000	Total	60,000

Student Note

We had 10k, bought 50k $\Rightarrow$ total 60k. Issued 40k to the factory $\Rightarrow$ closing balance = 20k (balancing figure).

2. Work-in-Progress (WIP) Control Account

“Factory Floor Bucket” — every direct cost is poured in; finished goods are transferred out.

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To Balance b/d (Opening)	5,000	By Finished Goods Control A/c (Completed)	65,000
To Stores Ledger Control A/c (Direct Materials)	40,000	By Balance c/d (Unfinished Work — balancing figure)	15,000
To Wages Control A/c (Direct Wages)	20,000		
To Factory Overhead Control A/c (Absorbed Overheads)	15,000		
Total	80,000	Total	80,000

Student Note

Opening 5k + Materials 40k + Wages 20k + Overheads 15k = 80k on the floor.
Finished 65k $\Rightarrow$ 15k still unfinished.

3. Finished Goods Control Account

“Showroom Bucket” — holds products that are 100% ready to sell.

Dr. — Particulars	Amt. ()	Cr. — Particulars	Amt. ()
To Balance b/d (Opening)	12,000	By Cost of Sales A/c (Sold)	55,000
To WIP Control A/c (Completed this month)	65,000	By Balance c/d (Closing Stock — balancing figure)	22,000
Total	77,000	Total	77,000

Student Note

Opening 12k + Completed 65k = 77k available. Sold 55k $\Rightarrow$ closing stock = 22k in the showroom.

Final Pro-Tips for Students

- 1. The Balancing Figure:** The closing balance (Balance c/d) is often not given — find it by making both sides of the account equal.
- 2. Follow the Arrow:** The **Credit** of one account (e.g., WIP) becomes the **Debit** of the next account (Finished Goods). Think of cost as a baton in a relay race.
- 3. No People Allowed:** Only the **General Ledger Adjustment A/c** handles money or outside parties — never use “Cash” or “Bank” in the cost ledger.