

2. Heating and Lighting - The number of points used plus cost of special lighting or heating for any individual machine, alternatively according to floor area occupied by each machine.
3. Supervision – estimated time devoted by the supervisory staff to each machine.
4. Lubricating Oil and Consumable Stores – On the basis of past experience.
5. Insurance – Insurable value of each machine
6. Miscellaneous Expenses – Equitable basis depending upon facts.

Machine Expenses

1. Depreciation – cost of machine including cost of stand-by equipment such as spare motors, switchgears etc., less residual value spread over its working life.
2. Power – Actual consumption as shown by meter readings or estimated consumption ascertained from past experience.
3. Repairs – Cost of repairs spread over its working life

Meaning of Reconciliation(2 marks)

Where cost accounts and financial accounts are separately maintained in two different sets of books, the profit or loss shown by one may not agree with that shown by other. Therefore, it becomes necessary that periodically the profit or loss shown by the two sets of accounts is reconciled.

A memorandum of reconciliation is prepared showing the reasons for difference between the results disclosed by each system. It is done to check the arithmetical accuracy of both sets of accounts as well as to detect mistakes committed in the accounts.

Need for Reconciliation:

- (a) It reveals the reasons for difference in profit or loss between cost and financial accounts.
- (b) It ensures that no income or expenditure item has been omitted to record and there is no under- or over-recovery of overheads.
- (c) It helps in checking the arithmetical accuracy of both the sets of accounts.
- (d) It ensures the reliability of cost accounts in order to correct ascertainment of cost of production.
- (e) It facilitates internal control by highlighting the variations causing increase or decrease in profit.
- (f) It promotes co-ordination and co-operation between cost and financial accounting departments in order to generate correct and reliable accounting data.
- (g) It enables management to formulate policies regarding overheads, depreciation and stock valuation.
- (h) It ensures managerial decision-making.

The disagreement between the costing and financial profit is caused by the following(15 marks essay)

1. Items Shown Only in Financial Accounts:

There are a number of items which are included in financial accounts but find no place in cost accounts. These may be items of expenditure or appropriation of profit or items of income. The former reduce the profit, while the latter have the reverse effect.

The items may be classified as under:

(a) Purely Financial Charges:

- (i) Loss arising from the sale of fixed assets,
- (ii) Loss on investments,
- (iii) Discount on debentures,
- (iv) Interest on bank loan, mortgages and debentures,
- (v) Expenses of the company's share transfer office,
- (vi) Damages payable,
- (vii) Penalties and fines,
- (viii) Losses due to scrapping of machinery,

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