

Below is presented a proforma of Profit and Loss Reconciliation Statement

Reconciliation Statement

(as on.....)

Particulars	Rs.	P
Profit as per Cost Sheet/Account/Records		
<i>Add :</i> (1) Expenses overcharged in Cost Account	...	
(2) Overvaluation of Opening Stock in Cost A/c	...	
(3) Income or Profit shown in Financial A/c but not in Cost A/c	...	
(4) Undervaluation of Closing Stock in Cost A/c	...	
(5) Expenses charged in cost but not shown in Financial A/c	...	
<i>Less :</i> (1) Expenses undercharged in Cost Account	...	
(2) Undervaluation of Opening Stock in Cost A/c	...	
(3) Expenses or losses shown in Financial A/c but not in Cost A/c	...	
(4) Overvaluation of Closing Stock in Cost A/c	...	
(5) Items of income recorded in cost but not in Financial A/c	...	
Profit as per Financial or P & L A/c		

Memorandum Reconciliation Account

This account is presented in debit and credit form but it is not a part of double entry system of book-keeping. So it is kept as a memorandum account only.

The profit of cost accounts is shown on the credit side, and its loss on the debit side. The items which are 'added' to the cost profit for reconciliation are shown on the credit side and the items to be 'deducted' from the cost profit are shown on the debit side of this account. The balance is the profit as shown by the financial accounts.

Define Reconciliation Statement.

It is a statement that shows difference between cost profit and financial account profit. It is prepared at any time to know the reason of difference.

Reason for difference:

1. Under or over absorption of overhead expenses.
2. Different basis of valuation of inventory.
3. Difference in methods of charging depreciation.
4. purely financial item not included in cost accounts.
5. purely cost items not included in financial books.
6. Abnormal loss and gains.