NON-INTEGRATED ACCOUNTING SYSTEM

It is a system of accounting under which separate ledgers are maintained for cost and financial accounts by Accountants. Under such a system the cost accounts restricts itself to recording only those transactions which relate to the product or service being provided. Hence items of expenses which have a bearing with sales or, production or for that matter any other items which are under the factory management are the ones dealt with in such accounts. This leads to the exclusion of certain expenses like interest and, bad debts and revenue/income from 'other than the sale of product or service'.

A special feature of the non-integrated system of accounts is its ability to deal with notional expenses like rent or interest on capital tied up in the stock. The accounting of notional rent facilitates comparisons amongst factories (some owned and some rented). Similarly, recognition of interest on capital tied up in stock could help make the stores and works managers aware of the money being blocked because of holding stock.

Non Integrated Accounting Systems contain fewer accounts when compared with financial accounting because of the exclusion of purchases, expenses and also Balance Sheet items like fixed assets, debtors and creditors. Items of accounts which are excluded are represented by an account known as cost ledger control account.

The important ledgers to be maintained under non-integrated accounting system in the Cost Accounting department are the following:

(a) ***Cost Ledger*** - This is the principle ledger of the cost department in which impersonal accounts are recorded. This ledger also contains a Control Account for each subsidiary ledger.

(b) ***Stores Ledger*** - It contains an account for each item of stores. The entries in each account maintained in this ledger are made from the invoice, goods received note, material requisitions, material received note etc. Accounts in respect of each item of stores show receipt, issue and balance in physical as well as monetary terms.

(c) ***Work-in-Progress Ledger*** - This ledger is also known as job ledger, it contains accounts of unfinished jobs and processes. Each job account is debited with direct and indirect costs related with the job and credited with the amount of finished goods completed and transferred. The balance in a job account represents total balance of job/work-in-progress, as shown by the job account.

(d) ***Finished Goods Ledger*** - It contains an account for each item of finished product manufactured or the completed job. If the finished product is transferred to stores, a credit entry is made in the work-in-progress ledger and a corresponding debit entry is made in this ledger.