



Proforma Final Accounts

Trading and Profit & Loss A/c for the Year Ended

	Dept. A	Dept. B	Total		Dept. A	Dept. B	Total
To Opening Stock	By Sales	.....	.....	.....
To Purchases	Less Returns			
Less Returns	To Transfers	.....	.....	.....
To Transfers	Less Returns	.....	.....	.....
Less Returns				By Closing Stock	.....	.....	.....
To Wages			By Loss on Shop-soiled goods	.....	.....	.....
To Freight	By Loss by fire	.....	.....	.....
To Gross Profit c/d
To Salaries	By Gross Profit b/d	.....	.....	.....
To Delivery Exp.				
To Rent				
To Travelling Expenses				

To Advertising	.....	.....	.....	
To Telephone	.....	.....	.....	
To Discount	.....	.....	.....	
To Electricity	.....	.....	.....	
To Insurance	.....	.....	.....	
To Postage, Telegrams	.....	.....	.....	
To Bad Debts	.....	.....	.....	
To Salesman's Commission	.....	.....	.....	
To N.P. c/d	.....	.....	.....	

General Profit & Loss A/c

	Amt. `		Amt. `
** To Profit Reserve	...	By Net Profit b/d	...
To Audit Fees	...	By Interest on Investment	...
To Loss on shop soiled goods	...	By Dividends	...
To Loss by fire	...	By Profit on Sale of Assets	...
To Income- Tax	...		
To Net Profit transferred to Capital A/c	...		
	<u>...</u>		<u>...</u>

If Profit is not adjusted in closing of inter – department goods.

Liabilities	Amt. `	Assets	Amt. `
Sundry Creditors	...	Buildings	...
		Furniture	...
		Closing Stock	...
		Less Profit on Inter departmental goods	......
Capttal:		Sundry Debtors	...
Add: Net Profit	Bills Receivable	...
Less: Drawings	Bank Balance	...
	Cash in Hand	.....

Illustration: 1

From the following figures, prepare accounts to disclose total profit and the profit of the two departments, A and B:

Particulars		Particulars	
Opening Stock:		Sales:	
A	15,200	A	1,00,000
B	10,800	B	80,000
Purchases:		Purchase Returns:	
A	75,100	A	1,100
B	69,800	B	800
Carriage inward	2,860		
Discount Received	1,430		
Salaries:			
A	9,000		
B	8,500		
General	11,600		
Rent and rates	6,000		
Advertising	8,100		
Insurance	1,000		
General expenses	5,400		
Discount allowed	1,800		
Accountancy charges	500		

The following further information is supplied:

- Goods transferred from department A to B were ₹ 5,000. This has not yet recorded.
- General salaries are to be allocated equally.
- The area occupied is in the ratio of 3 : 2.
- Insurance premium is for comprehensive policy, allocation being inconvenient.
- The closing stock of the two departments were: A, ₹ 17,800 and B, ₹ 15,600.

Solution:

Departmental Trading and Profit and Loss Account

	Dept. A	Dept. B	Total		Dept. A	Dept. B	Total
To Opening stock	15,200	10,800	26,000	By Sales	1,00,000	80,000	1,80,000
To Purchase (less return)	74,000	69,000	1,43,000	By Transfer to B	5,000		5,000
To Carriage inwards	1,480	1,380	2,860	By Closing stock	17,800	15,600	33,400

To Gross Profit c/d	32,120	14,420	46,540			
	122,800	95,600	2,18,400		122,800	95,600
To Salaries:				By Gross		
Departmental	9,000	8,500	17,500	Profit b/d	32,120	46,540
General	5,800	5,800	11,600			
To rent and rates	3,600	2,400	6,000	By Discount received	740	1,430
To Advertising	4,500	3,600	8,100	By Net Loss C/d	—	2,430
To General expenses	3,000	2,400	5,400			
To Discount allowed	1,000	800	1,800			
To Net Profit	5,960					
	32,860	23,500	50,400		32,860	23,500
To (Net) Loss b/d		8,390		By Net Profit c/d	5,960	
To Insurance			2,430			
To Accountancy charges			1,000			
			500			
		8,390	3,930		5,960	

Note: 1. Carriage inward and discount received have been allocated in the ratio of net purchases.

Illustration: 2

From following are extracted from the books of Confusion Ltd. for the year ended 31st December, 2005.

Particulars	P (₹)	Q (₹)	R (₹)
Purchases	4,40,000	5,20,000	1,10,000
Sales	6,10,000	9,25,000	3,20,000
Return inwards	10,000	25,000	20,000
Return outwards	40,000	20,000	10,000
Wages	8,000	5,000	7,000
Stock on 1-1-2005	45,000	35,000	40,000
Stock on 31-12-2005	65,000	20,000	10,000

Other information:

- Goods transferred from P to Q ₹ 10,000 and to R ₹ 80,000
- Goods transferred from R to P ₹ 5,000 and to Q ₹ 6,000

- (c) Goods transferred from Q to P ` 6,500 and to R ` 5,600
- (d) Telephone charges ` 15,800 to be appointed in the ratio of 3:1:1 among P, Q and R departments.
- (e) Rent ` 24,000 to be divided as 1/4, 2/4 and 1/4 among departments P, Q and R respectively.

Other Expenses:

Discount allowed	` 18,000	Legal expenses	` 24,000
Bad debts	` 15,000	Insurance of goods	` 8,600
Income tax	` 58,000		

You should allocate aforesaid expenses as you deem best indicating the basis of allocation.

All working should form a part of your answer.

Prepare Departmental Trading and Profit and Loss A/c in columnar form and general profit loss account for the year ended 31st December, 2005.

Solution:

Departmental Trading and P & L A/c for the year ended 31.12.2005

Particulars	P (`)	Q (`)	R (`)	Particulars	P (`)	Q (`)	R (`)
To Stock	45,000	35,000	40,000	By Sales (net)	6,00,000	9,00,000	3,00,000
To Purchases (net)	4,00,000	5,00,000	1,00,000	By Closing stock	65,000	20,000	10,000
To Wages	8,000	5,000	7,000	By Dep. Transfer	8,000	12,100	11,000
To Dep. Transfer P	—	10,000	8,000	By Dep. Transfer			
To Dep. Transfer R	5,000	6,000	—	By Dep. Transfer			
To Dep. Transfer Q	6,500		5,600				
To Gross Profit c/d	2,18,500	3,76,100	1,60,400				
	6,83,000	9,32,100	3,21,000		6,83,000	9,32,100	3,21,000
To Telephone (charges) (3:1:1)	9,480	3,160	3,160	By Gross Profit b/d	2,18,500	3,76,100	1,60,400
To Rent (1:2:1)	6,000	12,000	6,000				
To Discount (2:3:1)	6,000	9,000	3,000				
To Bad debts (2:3:1)	5,000	7,500	2,500				
To Net Profit (Tr to General P&L A/c)	1,92,020	3,44,440	1,45,740				
	2,18,500	3,76,100	1,60,400		2,18,500	3,76,100	1,60,400

General P & L A/c for the year ended 31.12.2005

Particulars	₹	Particulars	₹
To Legal expenses	24,000	By Net Profit b/d	
To Insurance of goods	8,600	P	1,92,020
To Income tax	58,000	Q	3,44,440
To Net Profit c/d	5,91,600	R	1,45,740
	6,82,200		6,82,200

Illustration: 3

From the following Particulars, prepare trading and profit and loss account of the two departments L & T for the year ended 31st December, 2006.

Particulars	Dept. L ₹	Dept. T ₹	Total ₹
Opening stock	30,000	20,000	50,000
Purchases	1,80,000	1,20,000	3,00,000
Carriage inwards			4,000
Salaries	16,000	14,000	30,000
Sales	2,40,000	1,60,000	4,00,000
Purchase returns	2,000	1,000	3,000
Discount received			3,000
General expenses			20,000
Rent and rates			10,000
Advertising			20,000
Insurance			2,000
Discount allowed			3,000
Selling and distribution expenses			1,000

The further information is relevant:

- General expenses are to be allocated equally.
- Goods transferred from department L to T were ₹ 30,000.
- The area occupied is L $\frac{3}{5}$ and T $\frac{2}{5}$.
- Insurance is not allocated to any particular department.
- The closing stock of the two departments were L ₹ 2,00,000 and T ₹ 1,50,000.

Solution:**Departmental Trading and Profit and Loss A/c for the Year Ended 31st December, 2006.**

Particulars	Basis	Dept. L	Dept. T	Particulars	Basis	Dept. L	Dept. T
To Opening stock	given	30000	20000	By Sales	given	240000	60000
To Purchases:							
	180000	120000					
	(-) 2000	(-) 1000					
		178000	119000	By Closing stock	given	200000	150000
To Carriage inward	3:2	2400	1600	To Transfer	C	30000	—
To Transfer	C	—	30000				
To Gross Profit c/d		259600	139400				
		470000	210000			470000	210000
To Salaries	given	16000	14000	By Discount	3:2	1800	1200
To General expenses	1:1	10000	10000				
To Rent & taxes	3:2	6000	4000	By Gross Profit b/d		259600	139400
To Advertisement	3:2	12000	8000				
To Discount	3:2	1800	1200				
To Selling & Distribution expenses	3:2	600	400				
To Net Profit c/d		215000	103000				
		261400	140600			261400	140600

General Profit and Loss A/c

To Insurance	2,000	By Net Profit b/d	
		L	2,15,000
To Net Profit C/d	3,16,000	T	1,03,000
	3,18,000		3,18,000

Illustration: 4

Prepare department trading and profit and loss account for two departments, viz., chairs department and dolls department for the year ended 31-3-2008.

Particulars	₹
Opening stock:	
Chairs	75,000
Dolls	25,000
Raw material consumed:	
Dolls plus chair	1,80,000
Stores consumed	45,000
Wages:	
Dolls	15,000
Chairs	30,000
Advertisement	7,500
Packing expenses (dolls)	3,000
Office expenses	24,000
Depreciation:	
On factory	16,000
On building equipment	8,000
Sales:	
Chairs	4,50,000
Dolls	90,000
Closing stock:	
Chairs	60,000
Dolls	30,000

Given that:

- (a) Doll making does not require any equipment.
- (b) Only 1/8th of building is occupied by dolls dept.
- (c) Divide office expenses in the ratio of 5:1 between chairs and dolls dept. respectively.
- (d) Value of raw material used by dolls dept. is ₹ 10,000.
- (e) Divide stores consumed on the basis of raw material used.
- (f) Advertisement expenses be allocated appropriately.

Solution:**Departmental Trading and P & L A/c for the the Year Ended 31st March, 2008**

Particulars	Basis	Chairs	Dolls	Particulars	Chairs	Dolls
To Opening stock	given	75,000	25,000	By Sales	4,50,000	90,000
To Raw material	given	1,70,000	10,000	By Closing stock	60,000	30,000
To Stores consumed	RM basis	42,500	2,500			
To Wages	given	30,000	15,000			
To Gross Profit c/d		1,92,500	67,500			
		5,10,000	1,20,000		5,10,000	1,20,000
To Packing expenses	excl		3,000	By Gross Profit b/d	1,92,500	67,500
To Advertisement expenses	sales	6,250	1,250			
To Office expenses	5:1	20,000	4,000			
To Depreciation:						
Building	7:1	7,000	1,000			
Factory equipment	excl	16,000				
To Net Profit c/d		1,43,250	58,250			
		1,92,500	67,500		1,92,500	67,500

Illustration 5

From the following particulars, prepare trading and profit and loss A/c of the two departments A and B for the year ended 31-12-2007.

Particulars	A (₹)	B (₹)	Total (₹)
Opening stock	15,000	10,000	25,000
Purchases	90,000	60,000	1,50,000
Carriage inward			2,000
Salaries	8,000	7,000	15,000
Sales	1,20,000	80,000	2,00,000
Purchase returns	1,000	500	1,500
Discount received			1,500
General expenses			10,000
Rent and taxes			5,000
Advertising			10,000
Insurance			1,000
Discount allowed			1,500
Selling and distribution expenses			500

The further information is relevant:

- General expenses are to be allocated.
- Goods transferred from department A to B were ₹ 3,000.
- The area occupied is A $\frac{3}{5}$ and B $\frac{2}{5}$.
- Insurance being inconvenient, it is not to be allocated.
- The closing stock of the two departments were: A ₹ 20,000 and B ₹ 15,000.

Solution:

Trading and P & L A/c for the Year Ended 31.12.07

Particulars	A	B	Particulars	A	B
To Opening stock	15,000	10,000	By Sales	1,20,000	80,000
To Purchases A 90,000 (1000) B 60,000 (500)	89,000	59,500	By Transfer	3,000	
To Carriage inward	1,200	800	By Closing stock	20,000	15,000
To Transfer		3,000			
To Gross Profit c/d	37,800	21,700			
	1,43,000	95,000		1,43,000	95,000
To Salaries	8,000	7,000	By Gross Profit b/d	37,800	21,700
To General expenses (1:1)	5,000	5,000	By Discount	900	600
To Rent/rates (area) (3:2)	3,000	2,000			
To Advertisement (3:2)	6,000	4,000			
To Discount (3:2)	900	600			
To Selling and distribution expenses (3:2)	300	200			
To Net Profit c/d	15,500	3,500			
	38,700	22,300		38,700	22,300

General P & L A/c

Particulars	₹	Particulars	₹
To Insurance	1,000	By Net Profit	
		A	15,500
To Net Profit transferred to b/s	18,000	B	3,500
	19,000		19,000

Illustration: 6

Jackson Departmental Stores has two departments:

Dept. A for sports equipments and Dept. B for musical instruments.

Following information is given regarding the transactions for the year 2008:

Particulars		₹
Opening stock:	Dept. A	42,000
	Dept. B	34,000
Purchases:	Dept. A	2,56,000
	Dept. B	1,94,000
Sales:	Dept. A	4,30,000
	Dept. B	374,000
Return Inwards:	Dept. A	10,000
	Dept. B	14,000
Wages		45,000
Salaries		40,000
Advertisement expenses		26,000
Insurance charges		3,800
Rent and taxes		36,000
Electricity charges		40,000
Bad debts		3,900
Carriage inwards		9,000
Discount allowed		3,250
Discount received		2,250
Office and general expenses		21,000

Additional information:

- Closing stock of Dept. A was ₹ 54,000 and Dept. B was ₹ 40,000.
- Insurance was taken for stock of goods on the basis of opening stock of each department.
- Dept. A occupies half of the space than Dept. B whereas the electricity consumption on Dept. A was 50% more than that of Dept. B.
- Wages are incurred in proportion of purchases of each department whereas both the departments employ same number of employees in the office.
- Office and general expenses to be apportioned to Dept. A and Dept. B in the ratio of 2:1 respectively.
- During the year, the goods costing ₹ 15,000 transferred to Dept. A from Dept. B, not considered above.

Prepare Departmental Trading and Profit and Loss A/c for the year ended 31st December, 2008.

Solution:**Departmental Trading and P & L A/c for the Year Ended 31st December, 2008**

Particulars	A	B	Particulars	A	B
To Opening stock	42,000	34,000	By Sales	4,20,000	3,60,000
To Purchases	2,56,000	1,94,000	By Transfer	—	15,000
To Wages	25,600	19,400	By Closing stock	54,000	40,000
To Carriage forward	5120	3,880			
To Transfer	15,000	—			
To Gross Profit c/d	1,30,280	1,63,720			
	4,74,000	4,15,000		4,74,000	4,15,000
To Salaries	20,000	20,000	By Gross Profit b/d	1,30,280	1,63,720
To Advance	14,000	12,000			
To Insurance	2,100	1,700			
To Rent & sales	12,000	24,000			
To Electricity	24,000	16,000			
To Bad debts	2,100	1,800			
To Discount	1,750	1,500			
To Office & general expenses	14,000	7,000			
To Net Profit c/d	41,610	80,690			
	1,31,560	1,64,690		1,31,560	1,64,690

Working Note:

1. Opening stock ratio = 42000 : 34000
= 21 : 17
2. Purchase ratio = 256000 : 194000
= 128 : 97

Illustration: 7

(Typical Allocation of Profit)

M/s, B, R, carried on a business of drapers and Tailors in Sangali, D was in charge of Department A dealing in cloth B that of Department B, selling garments and R of Department C, the tailoring section. It has been agreed that each of the three partners would receive 75% of the profits disclosed by account of the department of which he in charge and the balance of the profits would be shared in the proportion $\frac{1}{2}$, $\frac{1}{4}$, $\frac{1}{4}$ among D, B, and R respectively. The following is the Trading and Profit and Loss A/c of the firm for the six months ended March 31st, 2012

	Amt. `		Amt. `
To Opening Balance of Stock:		By Sales:	
Cloth (A) 40,000		Cloth (A)	1,80,000
Readymade		Readymade garments (B)	1,30,000
garments (B) 24,000		Tailoring/ jobs (C)	90,000
Tailoring/goods (C) 20,000	84,000	By Discounts	800
To Purchases:		By Closing Balance:	
Cloth (A)	1,40,700	Cloth (A)	45,000
Readymade Garments (B)	80,000	Readymade Garments (B)	22,300
Tailoring Goods (C)	44,000	Tailoring jobs (C)	21,600
To Salaries and wages	48,000		
To Advertisement	2,400		
To Rent	10,800		
To Discount Allowed	1,200		
To Sundry Expenses	12,000		
To Depreciation:			
Furniture and Fitting	750		
To Net Profit	64,950		
	4,89,800		4,89,800

After taking into consideration the following, prepare Departmental Account for each of the three Departments and also prepare a profit and loss appropriation A/c to show the distribution of profits amongst the partner.

- Cloth of the value of ` 10,700 and other goods of the value of ` 600 were transferred at cost by Departments A and B respectively to department C.
- Cloth and garments are sold in the show room, Tailoring work is carried out at the workshop.
- The details of salaries and wages were as follows:
 - General office 50 p.c. Showroom 25 p.c. Workshop 25 p.c., (75 p.c. of which is for tailoring wages alone).
 - Allocate General office Exps. In the proportion 3 : 2 : 1 among the Depts. A, B, C
 - Distribute show room expenses in the proportion 1 : 2 between Dept. A & B.
- The workshop rent is ` 1,000 per month. The rent of the General Office and Show room is to be divided equally between the Departments A & B.
- Depreciation charge to be allocated equally amongst the three Departments.
- All other expenses are to be allocated on the basis of turnover of each department.
- Discounts received are to be distributed amongst the three Departments as follows :
A ` 400, B ` 250, and C ` 150.

(IPCC Modified)

Solution:

**Departmental Trading and Profit & Loss A/c
For six Months Ended 31.3.2012**

	Dept. A	Dept. B	Dept. c		Dept. A	Dept. B	Dept. c
To Opening Stock	40,000	24,000	20,000	By Sales	1,80,000	1,30,000	90,000
To Purchases	1,40,000	80,600	44,400	By Transfer to Dept. C	10,700	600	
To Transfer from Dept. A & B			11,300	By Stock Closing	45,100	22,300	21,600
To G.P. c/d	55,100	48,300	35,900	-	-	-	
	2,35,800	1,52,900	1,11,600		2,35,800	1,52,900	1,11,600
To Salaries & Wages	17,000	17,000	14,000	By Gross Profit b/d	55,100	48,300	35,900
To Sundry Expenses	5,400	3,900	2,700	By Discount	400	250	150
To Rent	2,400	2,400	6,000				
To Advt.	1,080	780	540				
To Discount	540	390	270				
To Dep.	250	250	250				
To Net Profit c/d	28,830	23,830	12,290		-	-	-
	55,500	48,550	36,050		55,500	48,550	36,050

Profit & Loss Appropriation A/c

	Amt. `		Amt. `
To D's Capital :	`	By Profit & Loss A/c	
75% of 28,880	21,622.50	Net Profits	`
½ of 16,237.50	<u>8,816.75</u>	Dept. A	28,830
To B's Capital :	`	Dept. B	23,830
75% of 28,830	17,872.50	Dept. C	<u>12,290</u>
¼ of 16,237.50	<u>4,059.38</u>		64,950.00
To R's capital :	`		
75% of 12,290	9,217.50		
¼ % of 16,237.50	<u>4059.37</u>		-
	64,950.00		64,950.00

Working Notes:

1. Salaries and wages will be distributed as under:

(a) General office	50%	=	24,000
Show Room	25%	=	12,000
Work shop	25%	=	<u>12,000</u>
			48,000

(b) Statement showing allocation of salaries and wages amongst Department:

	A	B	C	Total
1. Work shop ` 12,000 75% to C, for tailoring and remaining 3,000 equally	— 1,000	— 1,000	9,000 1,000	12,000
2. Show Room 12,000 : Between A and B as 1 : 2	4,000	8,000	—	12,000
3. General Office – ` 24,000 in the ratio of 3 : 2 : 1	<u>12,000</u>	<u>8,000</u>	<u>4,000</u>	<u>24,000</u>
	17,000	17,000	14,000	48,000

2. Rent – Total ` 10,800

Workshop- 1,000 p.m.	6,000
Show Room and Gen. Office	4,800
Show Room and Gen. Office	
A	2,400
B	2,400
Workshop C	6,000

3. Other Expenses

In ratio of Turnover

A	1,80,000	45.0%
B	1,30,000	32.5%
C	<u>90,000</u>	<u>22.5%</u>
	<u>4,00,000</u>	<u>100.0%</u>

Sundry Expenses	12,000	5,400	3,900	2,700
Advertising	2,400	1,080	780	540
Discount	1,200	540	390	270

Illustration: 8

(Transfer of goods, unrealised profit)

Future Ltd. have two departments, A and B. The latter department gets all its requirements from the A department at the usual selling price. On December 31st 2012, the following was the trial balance:

	Cr. `	Cr. `
Share capital		1,00,000
Stock (A department)	40,000	
Stock (B department)	2,000	
Purchases- A	5,50,000	
Purchases- B	5,000	
Sales- A		6,25,000
Sales- B		75,000
Transfer of goods to B department	25,000	25,000
Director's fees and remuneration	15,000	
Wages and Salaries- A	10,000	
Wages and Salaries- B	20,000	
Rent and Rates ($\frac{3}{4}$ to A)	4,000	
Lighting ($\frac{3}{4}$ to B)	1,000	
Depreciation-B	2,500	
Depreciation- A	500	
Office Expenses	1,500	
Furniture and Fitting	10,000	
Office salaries	8,000	
Equipment	25,000	
Carriage Inward (A)	33,000	
Investment	50,000	
Income from Investments		5,000
Cash at Bank	27,000	-
	8,30,000	8,30,000

Closing stock of A on hand was ` 48,000 and that in B amounted to ` 3,750. It is desired to ascertain profit or loss on strict accountancy principles.

(C S Modified)

Solution:

Trading and Profit & Loss A/c
for the Year Ended 31st December 2012

	A`	B`		A`	B`
To Opening Stock	40,000	2,500	By Sales	6,25,000	75,000
To Purchases	5,50,000	5,000	By Trans. of		
To Trans. of goods from Dept. (A)	-	25,000	goods to Dept.(B)	25,000	-
To Carriage Inwards	33,000		By Closing Stock	48,000	3,750
To Wages & Salaries	10,000	20,000			
To Gross Profit c/d	65,000	26,250		-	-
	6,98,000	78,750		6,98,000	78,750
To Rent & Rates (3: 1)	3,000	1,000	By Gross Profit b/d	65,000	26,250
To Lighting (1: 3)	250	750	78,750		
To Depreciation	500	2,500			
To Net Profit c/d	61,250	22,000		-	-
	65,000	26,250		65,000	26,250

General Profit & Loss A/c

	Amt. `		Amt. `
To Director's Fees Remuneration	15,000	By Net Profit b/d :	
To Office Salaries	8,000	Dept. (A)	61,250
To Office Expenses	1,500	Dept. (B)	22,000
To Stock Reserve A/c	375	By Income from	
To Net Profit c/d	63,375	Investment	5,000
	88,250		-
			88,250

Balance Sheet as on 31st December, 1999

Liabilities	Amt. `	Assets	Amt. `
Share Capital	1,00,000	Furniture and Fittings	10,000
Profit & Loss A/c	63,375	Equipment	25,000
		Investment	50,000
		Stock – Dept. (A)	48,000
		Dept. (B)	<u>3,750</u>
			51,750
		Less: Stock Reserve	<u>375</u>
		Cash at Bank	27,000
	1,63,375		1,63,375

Working Note:

The gross profit of department (A) is ₹ 65,000 and its sales (including transfers) amount to ₹ 6,50,000.

$$\text{Gross Profit Rate} = \frac{65,000}{6,50,000} \times 100 = 10\%$$

Stock Reserve-10% on 3,750 = 375.

Illustration: 9

**From the Information Given by Rakesh
Finalise his Account for Year 2012**

	X Dept. ₹	Y Dept. ₹	Total ₹
Capital	—	—	90,000
Sales	6,00,000	9,60,000	15,60,000
Sundry Creditors	—	—	21,000
General Reserve	—	—	9,000
Land and Buildings	—	—	37,000
Furniture and Fixtures	—	—	7,500
Stock (1.1.1999)	9,000	12,000	21,000
Purchases	3,00,000	4,50,000	7,50,000
Sundry Expenses	—	—	4,20,000
Sundry Debtors	—	—	60,000
Drawings	—	—	84,000
Bank Balance	—	—	3,00,000

- Closing stock of Dept. X – ₹ 39,000 including goods from Dept. Y of ₹ 12,000 at cost to Dept. X Dept. Y Dept. ₹ 78,000 including goods from Dept. X of ₹ 27,000 at cost to Dept. Y.
- Sales of Dept. X includes transfer of goods to Dept. Y of the Value of ₹ 60,000, and sales of Dept. Y includes transfer of goods to Dept. X of the value of ₹ 90,000 both at normal sale price.
- Opening stock of Dept. X and Dept. Y includes goods of the value of ₹ 3,000 and ₹ 4,500 taken from Dept. Y and Dept. X respectively at Sales price. Assume Same G.P. Percent, as in 1999, included in opening stock.
- Provision for unrealised profit in respect of opening stock is included in General Reserve.
- Depreciate Land and Buildings by 5% and Furniture and Fixtures by 10%.

(CA Inter Modified)

Solution:

In the Books of Rakesh
Departmental Trading and General Profit & Loss A/c
for the year ended 31st December 2012

	X`	Y`	Total`		X`	Y`	Total`
To Opening Stock	9,000	12,000	21,000	By Sales	5,40,000	8,70,000	14,10,000
To Purchases	2,10,000	3,90,000	6,00,000	By Transfer	60,000	90,000	1,50,000
To Transfer	90,000	60,000	1,50,000	By Closing Stock	39,000	78,000	1,17,000
To G.P. c/d	3,30,000	5,76,000	9,06,000	-	-	-	-
	6,39,000	10,38,000	16,77,000		6,39,000	10,38,000	16,77,000
To Sundry Exps.			4,20,000	By Gross Profit b/d			9,06,000
To Dep : Land & Bldg.		1,875					
Furniture & Fixtures		<u>750</u>	2,625				
To Prov. For unrealised profit			17,775*				
To N.P. Transfer to B/S			4,65,600				
			9,06,000				9,06,000

Opening "Provision for unrealised profit" (included in the Opening Stocks) – ` 4,275 (credit) and "Provision for unrealised Profit" (included in the Closing Stocks) ` 22,050 (Debit). These could appear as credit and debit separately, but here the difference ` (22,050 – 4,275) = ` 17,775 is shown debited to General P & L A/c "Provision for unrealised profit" of the year ` 22,050 is deducted from closing stock in the Balance Sheet:

Balance Sheet as on 31st December 2012

Liabilities	Amt.`	Assets	Amt.`
Capital :		Land and Bldgs.	37,500
Balance	90,000	Less: Depreciation	<u>1,875</u>
Add: Net Profit	<u>4,65,600</u>	Furniture & Fixtures	7,500
	5,55,600	Less: Depreciation	<u>750</u>
Less: Drawings	84,000	4,71,600	6,750
General Reserve:		Stock in trade:	
Balance	9,000	Dept. X	39,000
Less: Prov. For		Dept. Y	<u>78,000</u>
			1,17,000

unrealised profits	4,275	4,725	Less: Prov. For		
Sundry Creditors		21,000	unrealised profit	22,050	94,950
			Debtors		60,000
			Bank Balance		3,00,000
		4,97,325			4,97,325

Working Note:

Provision for unrealised Profit included in the Stocks

Gross Profit percent to Sales

$$\text{Dept X} - \frac{3,30,000}{6,00,000} \times 100 = 55\%$$

$$\text{Dept. Y} - \frac{5,76,000}{9,60,000} \times 100 = 60\%$$

Amount of provision for unrealised profit included in opening stock: (Same G.P. As above assumed to be included in opening stock)

Dept. X	60% of ` 3,000	=	1,800
Dept. Y	55% of ` 4,500	=	<u>2,475</u>
	Total		<u>4,275</u>

Amount of Provision for unrealised profit included in Closing Stock:

Dept. X	60% of ` 12,000 =	7,200
Dept. Y	55% of ` 27,000 =	<u>14,000</u>
	Total	<u>22,050</u>

Provision now required = ` 22,050 – ` 4,275 = ` 17,775.

Illustration: 10

Following figures are extracted from the books of D' Mart Departmental Stores, Bombay for the year ended 31st December, 2012

	Department		
	A`	B`	C`
Purchases	1,800	3,250	7,100
Returns Outward	200	100	300
Sales	6,100	12,200	18,300
Returns Inward	100	200	300
Wages	400	600	800
Stock 1.1.99	700	450	1,000
Stock 31.12.99	300	500	400

Solution:

**In Books of M/s. D' Mart Department Stores
Departmental Trading and Profit and Loss A/c
for the Year Ended 31st December, 2012**

Particulars	A `	B `	C `	Particulars	A `	B `	C `
To Stock	700	450	1,000	By Sales			
To Purchases				<i>Less:</i>			
<i>Less:</i> Returns	1,600	3,150	6,800	Returns	6,000	12,000	18,000
To Departmental				By Departmental			
Transfers	120	190	300	Transfers	300	150	160
To Wages	400	600	800	By Stock	800	500	400
To G.P. b/d.	4,280	8,260	9,660	-	-	-	
	7,100	12,650	18,560		7,100	12,650	18,560
To Telephone				By G.P. b/d	4,280	8,260	9,660
Charges	10	10	10				
To Salaries	20	20	20				
To Office Exp.	30	30	30				
To Rent	60	60	120				
To Discount	30	60	90				
To Bad Debts	25	50	75				
To Insurance	32	20	16				
To Net Profit c/d	4,073	8,010	9,299	-	-	-	
	4,280	8,260	9,660		4,280	8,260	9,660

General Profit & Loss A/c

	Amt. `		Amt. `
To Legal Expenses	240	By Departmental P & LA/c	
To Balance Tax	630	Net Profit b/d.	
To Balance C/d	20,515	Department A	4,073
		Department B	8,010
		Department C	<u>9,299</u>
	21,382		<u>21,382</u>

Note: Discount and Bad Debt are allocated in the ratio of Net Sales of each department and Insurance of Goods is allocated on the basis of closing stock of each department

Legal Expenses and Income Tax are taken to General Profit and Loss A/c, since they cannot be allocated on any reasonable basis. However, if they are to be allocated. Legal Expenses can be allocated on the basis of sales and Income Tax in the ratio of Net Profit of each department.

Departmental Transfe`

Particulars	Debit (Receiving Department)			Credit	
	A	B	C	Supplying Dept.	Amount
TRF from Dept. A	NIL	100	200	Department A	300
TRF from Dept. B	50	NIL	100	Department B	150
TRF from Dept. C	70	90	NIL	Department C	160
Total	120	190	300	Total	610

The entry for inter-departmental transfer is as follows:

Department A	DR	120	
Department B	DR	190	
Department C	DR	300	
			To Department A
			To Department B
			To Department C
			300
			150
			160

(Being the entry for inter-department transfer)

Illustration: 11

M/s, Perfect Departmental Stores, Mumbai has three different department namely "Machinery", "Instruments", and "Spares" Department. Following information is extracted from their books for the year ended 31st March, 2012

	Department		
	Machinery`	Instruments`	Spares`
Stock as at April, 1999	72,000	60,000	48,000
Purchases	4,00,000	3,00,000	2,00,000
Actual Sales	5,08,000	4,12,000	2,97,000
G.P. On Normal Selling Price	20%	25%	30%

It was observed that during the year certain items were sold at discount and these discounted sales were included in the sales figures mentioned above. The items sold at discount were as follows:

	Department		
	Machinery`	Instruments`	Spares`
Sales at Normal Prices	25,000	10,000	7,000
Sales at Actual Prices	18,000	6,000	4,000

From the particula` given above compute:

- The value of stock as at 31st March, 2012
- The departmental trading results.

(IPCC Modified)

Solution:

In the Books of M/s, Perfect Dept. Stores Departmental Trading A/c
For the year Ended 31st March, 2012

Particulars				Particulars			
Particulars	Machinery	Instruments	Spares	Particulars	Machinery	Instruments	Spares
To Opening Stock	72,000	60,000	48,000	By Sales	5,08,000	4,12,000	2,97,000
To Purchases	4,00,000	3,00,000	2,00,000	By Closing Stock	60,000	48,000	38,000
To Gross Profit	96,000	1,00,000	87,000		-	-	-
	5,68,000	4,60,000	3,35,000		5,68,000	4,60,000	3,35,000

Working Notes:

1. Ascertainment of cost of sales

	Department		
	Machinery	Instruments	Spares
Sales at actual price	5,08,000	4,12,000	2,97,000
<i>Add:</i> Discount	7,000	4,000	3,000
(a) Sales at Normal price	<u>5,15,000</u>	<u>4,16,000</u>	<u>3,00,000</u>
(b) Profit on Normal Price	20%	25%	30%
(c) Cost of Sales as a % of sales	80%	75%	70%
(d) Value of Cost of Sales	4,12,000	3,12,000	2,10,000

2. Ascertainment of closing stock

	Department		
	Machinery	Instruments	Spares
Opening Stocks	72,000	60,000	48,000
Purchases	<u>4,00,000</u>	<u>3,00,000</u>	<u>2,00,000</u>
<i>Less:</i> Closing Stock (Balancing Figure)	4,72,000	3,60,000	2,48,000
Cost of Sales	60,000	48,000	38,000
	4,12,000	3,12,000	2,10,000

Illustration: 12

Big Bazar Department Stores, wishes to ascertain the approximate net profit of the (a) Grocery, (b) Dry Fruits, (c) Crockery departments separately for the year ended on 31st March, 2012. Stock were not taken, however adequate system of accounting results in normal rates of gross profit before charging direct expenses were Grocery – 40%, Dry Fruits 30% and Crockery – 20% on turnover.

Indirect expenses are charged in proportion to departmental turnover. The following are the figure for the departments:

	Department		
	Grocery `	Dry Fruits `	Crockery `
Stock on 1 st April, 1999	5,67,000	3,00,000	2,70,000
Purchases for the year	7,33,000	10,50,000	5,00,000
Sales for the period	12,00,000	10,00,000	6,00,000
Direct expenses for the year	2,00,000	1,40,000	70,000

The total indirect expenses for the period (including relating to other departments) were ` 4,20,000 on the total turnover of ` 84,00,000.

You are required to prepare statement showing the approximate net profit of each department for the ended 31st March 2012

(CIMA Modified)

Solution:

**Big Bazar Departmental Stores
Departmental Profit and Loss A/c
For the year Ended 31st March, 2012**

Department				Department			
	Grocery	Dry Fruits	Crockery		Grocery	Dry Fruits	Crockery
To Opening Stock	5,67,000	3,00,000	2,70,000	By Sales	12,00,000	10,00,000	6,00,000
To Purchases	7,33,000	10,50,000	5,00,000	By Closing Stock	5,80,000	6,50,000	2,90,000
To Direct Exps.	2,00,000	1,40,000	70,000				
To Indirect Exps.	60,000	50,000	30,000				
To Net Profit	2,20,000	1,10,000	20,000				
	17,80,000	16,50,500	8,90,000		17,80,000	16,50,500	8,90,000

Working Notes:

1. To ascertain the value of closing stock, it is necessary to ascertain the cost of sales, In this example Gross Profit Ratio is given before charging direct expenses. Hence cost of sales calculated as under does not include the direct expenses.

	Department		
	Grocery `	Dry Fruits `	Crockery `
Sales	12,00,000	10,00,000	6,00,000
Less: Gross Profit at 40%, 30%, 20% Respectively	<u>4,80,000</u>	<u>3,00,000</u>	<u>1,20,000</u>
Cost of Sales	7,20,000	7,00,000	4,80,000

From the above amounts of Cost of Sales the value of Closing Stock is ascertained as follows:

	Department		
	Grocery `	Dry Fruits `	Crockery `
Opening Stock	5,67,000	3,00,000	2,70,000
Purchases	7,33,000	10,50,000	5,00,000
	13,00,000	13,50,000	7,70,000
<i>Less:</i> Closing Stock (Balancing Figure)	<u>5,80,000</u>	<u>6,50,000</u>	<u>2,90,000</u>
Cost of Sales	7,20,000	7,00,000	4,80,000

2. Allocation of Indirect Expenses:

Indirect Expenses ` 4,20,000

Total turnover from all the department ` 84,00,000

Ratio of Indirect Expenses to Sales

$$= \frac{\text{Indirect Expenses}}{\text{Total Sales}} \times 100 = \frac{4,20,000}{84,00,000} \times 100 = 5\%$$

Indirect Expenses Allocated

- (a) Grocery Department = 5% of ` 12,00,000 = ` 60,000
 (b) Dry – Fruits Department = 5% of ` 10,00,000 = ` 50,000
 (c) Crockery Department = 5% of ` 6,00,000 = ` 30,000

Illustration: 13

(Transfer of goods)

Pantaloon Stores submitted the following particulars and information about their Department Stores, for the year ended on 31st March, 2012

Particulars	Hosiery `	Garments `	Cloth `
Opening Stock Purchases	33,000	27,000	1,05,000
<i>Less:</i> Returns Sales	90,000	60,000	2,25,000
<i>Less:</i> Returns	1,80,000	1,20,000	2,70,000
Wages	15,000	9,000	
Closing Stock	21,000	72,000	81,000

Expenses Paid:

Salaries	60,000
Rent	10,000
Printing	2,000
Electricity	2,160
Sundry	2,850

Transfer from Cloth Department to Hosiery ` 6,000 and Garments ` 63,000.

- Salaries ` 48,000 were paid to 20 salesmen on a uniform scale. In the three departments, number of salesman were 4, 5 and 11 respectively.

Allocated the remaining salary in equal proportion to the three departments.

- Space occupied by the departments was equal.
- Pricing expenses to be apportioned as 1 : 1 : 2 respectively.
- The electricity points in each department were 5, 4, and 9 respectively.

Write the departmental Trading and Profit & Loss Account for the year ended on 31st March , 2000.

Hint: Sundry expenses are allocated in the ratio of sales.

(CS Modified)

Pantaloons Departmental Trading and Profit & Loss A/c

Dr.

For the year Ending 31st March, 2012

Cr.

Particulars	Hosiery	Garments	Cloth	Particulars	Hosiery	Garments	Cloth
To Stock	33,000	27,000	1,05,000	By Sales			
To Purchases				Less: Returns	1,80,000	1,20,000	2,70,000
Less: Returns	90,000	60,000	2,25,000	By Departmental			
To Departmental				Transfer	-	-	69,000
Transfer	6,000	63,000	-	By Stock	21,000	72,000	81,000
To Wages	15,000	9,000	-		-	-	-
To G.P. c/d	57,000	33,000	90,000				
	2,01,000	1,92,000	4,20,000		2,01,000	1,92,000	4,20,000
To Salaries	13,600	16,000	30,400	By G.P.			
To Rent	3,600	3,600	3,600	b/d	57,000	33,000	90,000
To Printing	1,200	1,200	2,400				
To Electricity	600	480	1,080				
To Sundry Exp.	900	600	1,350				
To N.P. c/d	37,100	11,120	51,170		-	-	-
	57,000	33,000	90,000		57,000	33,000	90,000

Illustration: 14

(Insurance premium on comprehensive policy)

Prepare Department Trading and Profit and Loss Account the following particulars:

Particulars	Dept. A.	Dept. B	Dept. D	Total
Purchases	90,000	60,000	30,000	
Sales	1,60,000	1,28,000	64,000	
Wages	30,000	24,000	20,000	
Closing stock	44,000	32,000	28,000	
Salaries	13,000	7,000	9,000	
Rent				7,000
Insurance				4,700
Motor Van Expenses				4,400
Advertising				6,600
Travelling Expenses				3,300
Carriage Inward				12,000
Discount Received				3,600
Bad Debts				1,100
Accountancy Chares				1,800
Discount Allowed				2,200

Additional Information:

1. There was no Opening Stock.
2. The floor space occupied by the three department A, B, and C is in the ratio of 3 : 2 : 2.
3. The Motor Van Expenses are to be divided equally between Departments B and C.
4. The Insurance premium is on a comprehensive policy and cannot be allocated.

(University of Mumbai, Nov. 1996)

Solution:

Departmental Trading and Profit and Loss Account for the year ended

	Basis	Dept. A	Dept. B	Dept. C		Basis	Dept. A	Dept. B	Dept. C
To Purchases		90,000	60,000	30,000	By Sales		1,60,000	1,28,000	64,000
To Wages		30,000	24,000	20,000	To Closing				
To Carriage Inward					Stock		44,000	32,000	28,000
Purchases		6,000	4,000	2,000					
To Gross Profit c/d		78,000	72,000	40,000					
		2,04,000	1,60,000	92,000			2,04,000	1,60,000	92,000

To Salaries		13,000	7,000	9,000	By Gross				
To Rent	3:2:2	3,000	2,000	2,000	Profit b/d		78,000	72,000	40,000
By Discount Received	1,800	1,200	600						
To Motor Van Exp.			2,200	2,200					
To Advertising Sales		3,000	2,400	12,000					
To Travelling Exp.	5:4:2	1,500	1,200	600					
To Bad Debts	5:4:2	500	400	200					
To Discount allowed	5:4:2	1,000	800	400					
To Net Profit c/d	5:4:2	57,800	57,200	25,000			-	-	-
		79,800	73,200	40,600			79,800	73,200	40,600

Illustration: 15

On 30th June, 2012 the trial Balance of Reliance Fresh, who runs a departmental stores having three departments A, B, and C, stood as follows :

Particulars		Debit	Credit
Sundry Debtors		64,000	-
Opening Stock	A	20,000	-
	B	16,000	
	C	8,000	
Cash in hand		310	
Cash at Bank		3,090	-
Plant & Machinery		55,000	-
Sundry Creditors		-	-
Trade Expenses		2,150	21,300
Sales	A	-	1,40,000
	B		70,000
	C		1,40,000
Carriage outwards		800	
Salaries		4,450	
Rent		1,800	

Bills payable			15,000
Land & Building		1,09,000	
Purchases	A	1,10,000	
	B	70,000	
	C	57,500	
Discounts		2,200	
Capital		—	1,38,000
Total		5,24,300	5,24,300

The stock on 30.6.2012 was: A ` 16,000, B ` 38,000 and C ` 4,500. ` 800 are to be written off as bad 5% is to be provided for Doubtful debts. Depreciation to be charged at 10% on plant and machinery and 2% on Land and Buildings.

Expenses which cannot be allocated reasonable, should be allocated in the ratio of 2 : 2 : 1 over three departments. Prepare Departmental Trading and profit and Loss Account for the year 30th June, 2012 and Balance Sheet as on that date.

(C.A. Inter Modified)

Solution:

Departmental Trading and Profit and Loss Account for the year Ended

		Dept. A	Dept. B	Dept. C			Dept. A	Dept. B	Dept. C
To Opening Stock		20,000	16,000	8,000	By Sales		1,40,000	70,000	1,40,000
To Purchases		1,10,000	70,000	57,500	To Closing Stock		16,000	38,000	4,500
To Gross Profit c/d		26,000	1,08,000	79,000			-	-	-
		1,56,000	1,08,000	1,44,500			1,56,000	1,08,000	1,44,500
To Bad Debts	800				By Gross Profit b/d	26,000	22,000	79,000	
Add: N.R.B.D	3,160								
(2:2:1)	3,960	1,584	1,584	792					
To Depn. on. Plant	(2:2:1)	2,200	2,200	1,100					
To Trade Exp.	(2:2:1)	860	860	430					
To Carriage (Sales outward)	(2:1:2)	320	160	320					

To Salaries	(2:2:1)	1,780	1,780	890				
To Rent	(2:2:1)	720	720	360				
To Depn. on land & Building	(2:2:1)	872	872	436				
To discount (Sales & 2,200/-)	(2:1:2)	880	440	880				
To Net Profit tr. To capital A/c		16,784	13,384	73,792				
		26,000	22,000	79,000			26,000	22,000
							79,000	

Balance Sheet as on 30th June 1998

Liabilities		Assets	
Capital	1,38,000	Sundry Debtors	64,000
<i>Add:</i> Net Profit		<i>Less:</i> Bad debts	<u>800</u>
A 16,784			63,200
B 13,384		<i>Less:</i> New RBD	
C <u>73,792</u>	1,03,960	@ 5%	<u>3,160</u>
		Cash	310
		Bank	3,090
Sundry Creditors	21,300	Plant & Machinery	55,000
Bills Payable	15,000	<i>Less:</i> Dep. @ 10%	5,500
		Land & Bldg.	1,09,000
		<i>Less:</i> Dep. @ 2%	<u>2,180</u>
		Closing Stock	58,500
	2,78,260		2,78,260

Theory Questions

1. What is a Single Entry System of Book-Keeping?
2. Explain the main features of Single Entry System?
3. State the limitations of single entry system.
4. State the procedure of calculating profit or loss under single entry system?
5. How is the single entry converted into double entry?
6. What are the advantages and disadvantages of single Entry system?
7. (a) What is a statement of Affairs?
(b) What is the difference between a statement of Affairs and a Balance Sheet?

8. What is meant by 'Departmental' accounts?
9. What are advantages of Departmental accounts?
10. What difficulties are faced in the preparation of departmental profit and loss account?
11. What are the different methods of allocating expenses amongst the departments?

Exercises

Problem 1

From the following balances, prepare departmental trading and profit and loss account for the year ended on 31-12-2008.

Particulars	Department P (₹)	Department Q (₹)	Total (₹)
Opening stock	37,500	35,000	72,500
Purchases	87,500	75,000	1,62,500
Sales	1,50,000	1,25,000	2,75,000
Wages	15,000	10,000	25,000
Rent, rates, taxes and insurance			23,475
Salaries			7,750
Lighting and heating			5,250
Discount allowed			5,500
Discount received			1,625
Advertising			9,200
Carriage inwards			5,850
Furniture and fittings			12,500

The following information is also provided:

- (a) Internal transfer of goods from departments P to department Q ₹ 5,000.
- (b) The items rent, rates and insurance, lighting and heating, salaries and carriage inward to be apportioned 40% department P and 60% department Q.
- (c) Advertising to be apportioned equally.
- (d) Discount allowed and discount received are apportioned on the basis of departmental sales and purchases.
- (e) Depreciation at 10% p.a. on furniture and fittings to be charged $\frac{3}{4}$ to department P and $\frac{1}{4}$ to departmental Q.
- (e) Stock as at 31st December 2008: Department P ₹ 42,500 department Q ₹ 37,500.

Problem 2

From the following particulars prepare trading and profit and loss account of the two departments — computers and television for the year ended 31-12-2009.

Particulars	Computers (₹)	Television (₹)	Total (₹)
Opening stock	45,000	30,000	75,000
Purchases	2,70,000	1,80,000	4,50,000
Carriage inward			6,000
Salaries	24,000	21,000	45,000
Sales	3,60,000	2,40,000	6,00,000
Purchase returns	3,000	2,000	5,000
Discount received			4,500
General expenses			30,000
Rent and rates			15,000
Advertising			30,000
Discount allowed			4,500
Insurance			3,500
Selling and distribution			1,500

The further information is relevant:

1. General expenses are to be allocated equally.
2. The area occupied is computer 3/5 and television 2/5.
3. Insurance is not allocated to any particular department.
4. The closing stock of the two departments were computer ₹ 3,00,000 and television ₹ 2,25,000.

Problem 3

Prepare departmental trading and profit and loss account from the following particulars:

Particulars	Dept. P. (₹)	Dept. Q. (₹)	Dept. R. (₹)	Total (₹)
Opening stock	60,000	45,000	40,000	
Purchases	2,25,000	1,50,000	75,000	
Wages	75,000	60,000	50,000	
Closing stock	1,10,000	80,000	70,000	
Sales	4,00,000	3,20,000	1,60,000	
Salaries	32,500	17,500	22,500	
Motor van expenses				11,000
Advertising				16,500
Travelling expenses				8,250
Insurance				11,750
Carriage inwards				30,000
Discount received				9,000

Bad debts				2,750
Discount allowed				5,500
Rent				17,500
Accountancy charges				4,500

Additional information:

- The insurance premium is on a comprehensive policy and cannot be allocated among the department.
- The motor van expenses are to be divided equally between departments Q and R.
- The floor space occupied by the three departments P, Q and R is the ratio of 3 : 2 : 2. Other expenses or incomes are to be allocated on suitable basis.
- Other expenses or income are to be allocated equally.

Problem 4

A firm has two departments, L and M. From the following figures, prepare the departmental trading and profit and loss account for the year ended 31st December.

Particulars	Department L (₹)	Department M (₹)
Opening stock	40,000	50,000
Purchases	1,50,000	1,00,000
Sales	2,50,000	1,50,000
Salaries	16,800	12,000

Other Expenses	
General salaries	20,000
Carriage inward	10,000
Carriage outward	16,000
Advertisement	12,000
Rent and rates	18,000
Interest on bank loan	5,000
Lighting for sales department	2,400
Discount received	3,000
Insurance	2,000

Additional information:

- Area occupied by the two departments is in the ratio of 2 : 1.
- General salaries are to be allocated equally.
- Insurance premium is for a comprehensive policy; hence its allocation is inconvenient.
- Closing stock was L: ₹ 36,000 and M: ₹ 40,000

Problem 5

Prepare Departmental Accounts from the following information:

	Amt. `		Amt. `
Opening Stock (A)	15,200	Sales (A)	1,00,000
Opening Stock (B)	10,800	Sales (B)	80,000
Purchases (A)	75,100	Purchases Returns (A)	1,000
Purchases (B)	69,800	Purchases (B)	800
Carriage Inwards	2,860		
Salaries (A)	9,000		
Salaries (B)	8,500		
Salaries General	11,500	Discounts of Purchases	1,430
Rent Taxes	6,000		
Advertising	8,100		
Insurance	1,000		
General Expenses	5,400		
Discounts Allowed	1,800		
Accountancy Fees	500		

Other Information:

- A Transfer of goods of ` 5,000 from Dept. A to Dept. B was not recorded.
- General Salaries are to be allocated equally.
- Area occupied is in the ratio of 3 : 2.
- Insurance charge is for a comprehensive policy.
- Closing stock are A ` 17,800 and B ` 15,600.

(C,S,Modified)

(Ans. G.P. A- 32,018 B - 9,420
 N.P. A- 8,910 B - 10,940
 Net Loss of the Firm ` 8,930)

(Hint : Insurance Gen. Exp. & A/c are debited to Gen. P & L A/c)

Problem 6

The following balance for the year ended 30th June, 2012 were extracted from the books of Chandresh.

Capital			2,00,000
Sales:	Dept. A		1,48,000
	Dept. B		1,32,600
Inter- Departmental Transfer:	Dept. A		5,000
Dividend on shares			2,300
Sundry Creditors			59,480
Provision for Doubtful Debts			1,500
Drawings		40,000	
Stock (1.7.99)	Dept. A	22,000	
	Dept. B	19,600	
Sales Returns:	Dept. A	7,000	
	Dept. B	5,600	
Wages		33,000	
Advertising		17,400	
Shares		46,000	
Debtors		98,400	
Carriages Inward:		4,800	
Purchases:	Dept. A	79,200	
	Dept. B	74,800	
Inter Departmental Transfers:	Dept. B	5,000	
Rent		36,600	
Furniture		30,000	
Sundry Expenses		14,800	
Bank Balance		13,880	-
		5,48,880	5,48,880

You are required to prepare Departmental Trading and P & L A/c for the year ended 30th June 2000 and a Balance sheet as on that date considering the following :

- Write off bad debts of ` 2,400 and increase the provision for doubtful debts to 5% of book debts.
- Provide ` 1,000 for stationery.
- Depreciate Furniture by 10% p.a.
- Closing Stock : Dept. A ` 59,200
Dept. B ` 34,000

- (e) Inter- departmental transfer were at cost price.
 (f) All the expenses are to be allocated between A and B dept. in the ratio of 2:1

(Ans. N.P. A - 26,466 G.P. A - 78,800
 B - 22,834 B - 49,000

Difference in books ` 800)

Problem 7

Sanman Ltd. It is a departmental stores having three departments A, B, & C. the manager of each department is entitled to a commission of 10% of the Net profit of the department besides their annual salary of ` 3,000 each. The information about three departments for the year ended 31.3.2012 are given below :

	A`	B`	C`
Opening Stock	72,000	48,000	40,000
Purchases	2,64,000	1,76,000	88,000
Debtors at end	15,000	10,000	10,000
Sales	3,60,000	2,70,000	1,80,000
Closing Stock	90,000	35,000	42,000
Floor space occupied (S.Q. ft.)	3,000	2,500	2,000
No. of Employees	25	20	15

Balance of other revenue items and their basis of allocation is as follows:

	`	Basis
Carriage Inward	6,000	Purchases
Carriage Outward	4,500	Turnover
Salaries including Manager's Salaries	81,000	No. of employees
Advertisement	5,400	Turnover
Discount Allowed	2,250	Turnover
Discount Received	1,800	Purchases
Rent, Rates & Taxes	7,500	Floor space occupied
Depreciation on Furniture	1,500	Equal

Assets and Liabilities as on 31.3.2012

	`
Share Capital	3,00,000
Goodwill	1,00,000
Bills Payable	12,100
Bills Receivable	42,500

Furniture	13,500
Creditors	27,000
Cash Balance	1,750
Bank Balance	1,62,000

Prepare Trading and P & L A/c for the year ended 31.3.89 after Providing for Bad Debts at 5% and Balance Sheet as on that date.

(C S Modified)

(Ans.	A	B	C
G.P.	1,11,000	79,000	93,000
N.P.	62,325	40,545	59,940

B/S Total ` 5,20,000)

Problem 8

From the following Trial Balance, prepare Departmental Trading and P & L A/c for the year ended 31.12.2012 and a Balance Sheet as on that date:

Particulars		Dr. `	Cr. `
Stock (1.1.2012):	Dept. X	5,400	
	Dept. Y	4,900	
Purchases:	X	9,800	
	Y	7,350	
Sales:	X		16,900
	Y		13,520
Wages:	X	1,340	
	Y	240	
Rent		1,870	
Salaries		1,320	
Lighting & Heating		420	
Discount Allowed		441	
Discount Received		133	
Advertising		738	
Carriage Inward		469	
Furniture		600	
Plant & Machinery		4,200	
Debtors		1,820	
Creditors			3,737
Capital			9,530
Drawings		900	
Cash		32	
Bank		1,980	
		43,820	43,820

- (a) Rent and Lighting & Heating are to be allocated between factory and office in the ratio of 3 : 2.
- (b) Rent, Lighting and Heating, Salaries, Depreciation are to be apportioned to X and Y as 2 : 1.
- (c) Other expenses and incomes are to be apportioned to X and Y on suitable basis.
- (d) Following adjustment are to be made:

Rent Prepaid		₹	370
Lighting & Heating Outstanding		₹	180
Depreciation of Furniture @ 10% p.a.			
Depreciation of Plant & Machinery @ 10%			
(e) Stock on 31.12.2012	X	₹	2,748
	Y	₹	2,401

(C. A. Inter Modified)

(Ans.	G.P.	X	2,000
		Y	2,810
	N.P.	Y	1,463
	N.L.	X	339)

B/S Total ₹ 13,671

Problem 9

M/s Prakash and Lokesh, the General Provision Merchants, has prepared the following Trial Balance on 31st July, 2012. They three departments A, B, and C.

Particulars	Dr. ₹	Cr. ₹
Stock on 31 st July, 2011:		
A	5,600	
B	4,000	
C	4,200	
Purchases:		
A	20,000	
B	12,800	
C	24,000	
Sales:		
A		35,000
B		16,000
C		36,160
Wages (Dept. A)	9,400	
Packing charges	1,400	
Rates and Taxes	450	
Electricity and Insurance	600	

Advertisements		1,100	
Bad debts		2,000	
Sundry Expenses		1,600	
Salaries		9,000	
Interest on Loan		1,200	
Loan taken			40,000
Sundry Creditors			16,000
Sundry Debtors		24,000	
Furniture		4,000	
Freehold Property		34,800	
Cash		10	
Capital:	Prakash		11,000
	Lokesh		11,000
Drawings:			
	Prakash	2,500	
	Lokesh	2,500	
		1,65,160	1,65,160

Adjustments:

1. **Prepayments:** Insurance ` 160 and Rates and taxes ` 150.
2. **Outstanding Payments:** Electricity ` 360/-
3. 5% Reserve for Doubtful Debts to be made.
4. 2 ½ % Reserve for discount on creditors to be made.
5. Interest on capitals to be allowed at 5% per annum.
6. Depreciate Furniture by 10% per annum.
7. Closing stock were valued at – ` 6,000, B- ` 5,000 and C- ` 4,000.

Proportion of apportionment of all revenue items in A and C Department is 40% each and B Department 20%.

Prepare Departmental Trading and profit and Loss Account for the year ended 31st July, 2000 and the Balance Sheet as on that date.

(C I M A, London Modified)

(Ans.	G.P.	A	6,000
		B	4,200
		C	11,460

N.P.	B	480
	C	4,520
N. Loss	A	1,440
B/s Total ₹ 76,520)		

The following balance as on 31st December, 2012 are extracted from the books of Ratanlal whose business consist of two departments Hosiery and Boot.

Problem 10

	Hosiery ₹	Boo ₹	Total ₹
Sales (Finished Goods)	2,00,000	3,00,000	5,00,000
Purchases (Raw Material)	70,000	1,88,500	2,58,500
Manufacturing Wages	40,000	50,000	90,000
Stock (Raw Material) 1 st Jan.	20,000	25,000	45,000
Stock (Finished) 1 st Jan.	5,000	7,500	12,500
Purchases Returns (Raw Materials)	3,000	2,000	5,000
Sales Returns Finished Goods	600	900	1,500
Work overhead			54,000
Sundry Debtors			75,000
Sundry Creditors			45,000
Plant & Machinery			22,000
Furniture and Fittings			4,500
Salaries			30,000
Office Expenses			18,000
Capital – Ratanlal			1,06,000
Cash at Bank			35,000
Cash in hand			3,500
Drawings			6,000

Plant & Machinery is to be depreciated at 10%, Furniture and Fittings at 5%. Debts standing in the books at ₹ 500 are to be written off as bad and a Reserve at 2% is to be made for doubtful debts.

Work overhead (including Depreciation on Plant Machinery) is to be allocated in the ratio of manufacturing wages. Depreciation on Furniture and other debits to P. and L. A/c are to be allocated in the ratio of turnover of the two departments. The stocks on 31st December were.

Particulars	Hosiery ₹	Boo ₹
Raw Materials	28,000	30,000
Finished Goods	5,000	

Prepare Manufacturing A/c Trading Profit and Loss A/c for the year ended 31st December, 2012 for the two departments separately as well as for the entire business in columnar form and a Balance Sheet as on that date.

(C.I.M.A, London Modified)

(Ans.	GP.	75,520	28,780
	N.P.	55,430	-1,355
	B/S	1,99,075).	

Problem 11

From the following Trial Balance prepare Departmental Trading and Profit and Loss Accounts for the year ended 31st Dec. 2012 and Balance Sheet as at that date.

Trial Balance as at 31st December 2012

		Dr. `	Cr. `
Stock at 1 st Jan. 1999	P Dept.	27,000	
	T Dept.	24,500	
Purchases	P Dept.	45,400	
	T Dept.	40,200	
Sales	P Dept.		80,800
	T Dept.		71,250
Wages	P Dept.	6,700	
	T Dept.	1,200	
Rent, Rates, Taxes and Insurance		9,390	
Sundry Expenses		3,600	
Salaries		3,000	
Lighting & Heating		2,100	
Discount Allowed		2,220	
Discount Received		600	
Advertising		3,680	
Carriage Inward		2,340	
Furniture & Fitting		3,000	
Plant & Machinery		21,000	
Sundry Debtors		9,060	
Sundry Creditors		18,600	
Capital		47,660	
Drawings		4,500	

Capital	—	—	1,20,000
Debtors Ledger Control A/c	—	—	54,000
Creditors Ledger Control A/c	—	—	8,000
Machinery	—	12,000	12,000
Drawing	—	—	1,00,000
Cash in hand at Bank -	—	—	47,400

Depreciate Machinery by 20%. The entire stock of the Tailoring Department represents

Those issued from the piece goods department. The general expenses are to be apportioned in the ratio of piece goods 3 Tailoring 2.

(ICWA Inter)

(Ans.	G.P.	Piece Goods	₹ 97,400;
		Tailoring	₹ 71,600;
	N.P.	Piece goods	₹ 74,800;
		Tailoring	₹ 56,200;

N.P. of the firm ₹ 1,27,130;

B/S Total ₹ 1,55,130)

Problem 13

The following is the trial balance of Automatic Motors and Garage on 31.3.2012.

Capital Account		76,250
Drawings	8,500	
Opening Stocks:		
Petrol And Oil	1,675	
Spare parts and Tyres	5,500	
Tools	2,200	
Hire Cars	72,000	
Purchases:		
Tools	4,000	
Spare parts and Tyres	32,000	
Petrol and Oil	41,250	
Advertising Expenses	4,500	
Rent, Rates and Taxes	1,200	
Insurance Premia:		

- (f) Depreciation on hire cars to be provided at 30% per annum.
- (g) Licences and taxes amounting to ₹ 200 on owner's car have been paid and included in Rent, Rates and Taxes.
- (h) Rent, Rates and Taxes to be distributed as under :
- | | |
|------------------------|---------|
| (i) Repairs Department | 1/2 |
| (ii) Spare Part | 1/4 |
| (iii) Garage | 1/8 and |
| (iv) Office | 1/8 |

You are required to prepare a departmental Trading Account, a Profit and Loss Account for the year ended 31st March 2012 and a Balance Sheet as at that date.

(C S Modified)

(Ans. GP	Garage	₹	1,525
	Petrol	₹	4,775
	Spare Parts	₹	11,300
GL	Repairs	₹	7,300
GP	Hire Cars	₹	5,550
NP	General	₹	2,830
B/S	Total	₹	72,100)

Problem 14

Messrs G.B.T. carried on business as Drapers and Tailors in Jaipur. The partners, G.B and T were incharge of the Departments X, Y and Z respectively. The partners are entitled to a remuneration equal to 50% of the profits (without taking the partners remuneration into consideration) of the respective Departments of which they are incharge and the balance of the profits are to be divided among G.B and T in ratio if 5 : 3 : 2. The following are the balance of the revenue items in the books for the year 31st march, 2012

	₹		₹
Opening Stock: Departments		Salaries and Wages	96,000
X	75,780	Advertising	4,500
Y	48,000	Rent	21,600
Z	40,000	Discount Allowed	2,700
Purchases: Departments		Discount Received	1,600
X	2,81,000	Sundry Expenses	24,300
Y	1,61,200	Depreciation of Furniture	1,500
Z	88,800	and Fittings	

Sales: Departments			
X	3,60,000		
Y	2,70,000		
Z	1,80,000		
Closing Stock: Departments			
X	90,160		
Y	34,960		
Z	43,180		

- (i) Prepare the Departmental accounts for each of the three Departments in a columnar form and
- (ii) Show the distribution of Profits amongst the partners after taking into account the following:
- Goods having a transfer price of ₹ 21,400 and ₹ 1,200 were transferred from Departments X and Y respectively to Department Z. The interdepartmental transfers are made at 125% of the cost.
 - The various items shall be apportioned amongst the three Departments in the following proportion:

Sr. No.	Item	Dept. X	Dept. Y	Dept. Z
1.	Rent	2	2	5
2.	Salaries	1	1	1
3.	Depreciation	1	1	1
4.	Discount received	8	5	3
5.	All the other expenses:	On the basis of the sales (excluding inter-Departmental transfer) of each department		

- (c) The Opening Stock of Department Z does not include any goods transferred from other departments, but the Closing Stock includes ₹ 17,100 valued at the inter – Departmental transfer price.

(C.A. Inter, adapted)

(Ans. GP	Dept. X	₹ 1,14,380
	Dept. Y	₹ 96,960
	Dept. Z	₹ 71,780
NP	Dept. X	₹ 63,880
	Dept. Y	₹ 49,660
	Dept. Z	₹ 20,580

Prov. For unrealized profit ₹ 3,420

Problem 15

Complex Ltd. Has three departments A, B & C. The following information is provided:

Particulars	A. ₹	B. ₹	C. ₹
Opening Stock	3,000	4,000	6,000
Consumption of Direct Materials	8,000	12,000	-
Wages	5,000	10,000	-
Closing Stock	4,000	14,000	8,000
Sales	-	-	34,000

Stocks of each department are valued at cost to the department concerned. Stock of A department are transferred to B at a margin of 50% above departmental cost. Stock of B department are transferred to C department at margin of 10% above departmental cost.

Other expenses were:

Salaries	2,000
Printing & Stationery	1,000
Rent	6,000
Interest paid	4,000
Depreciation	3,000

Allocate expenses in the ratio of departmental gross profits. Opening figures of reserves for unrealized profits on Departmental Stock wear :

Department B -	₹ 1,000
Department C -	₹ 2,000

Prepare Departmental Trading and Profit and Loss Account.

(C.A. Inter)

(Ans.	GP	A	₹ 6,000
		B	₹ 3,000
		C	₹ 3,000
	NL	A	₹ 2,000
		B	₹ 1,000
		C	₹ 1,000

(Hints :

Cost of Dept. A	₹ 12,000
Cost of Dept. B	₹ 30,000

$$\frac{\text{Unrealised Profit}}{\text{Stock of Dept B}} = \frac{18,000}{40,000} \times 14,000 = 6,300$$

$$\begin{aligned}\text{Unrealised Profit} &= 33\frac{1}{3}\% \text{ of } 6,300 \\ &= ₹ 2,100\end{aligned}$$

Stock of Dept.C

Dept C has received material from Dept. B and Dept.B has received material from Dept.A:

$$\begin{aligned}\text{Profit of Dept B} &: \frac{1}{11} \times 8,000 &= & 727 \\ \text{Profit of Dept A} &: 8,000 - 727 \times \frac{18,000}{40,000} \times \frac{1}{3} &= & \underline{1,091} \\ &&& \mathbf{1,818}\end{aligned}$$

$$\text{Total Stock Reserve} = 2,100 + 1,818 = 3,918$$

Objective Question

- State whether the following statements are true or false
 - Unrealised profit is which is not realised.
 - Bad debt are charged to General Profit & Loss A/c.
 - Management expenses are charged to P/L A/c.
 - Discount received is allocated on basis of sales.
 - Inter-departmental transaction include transaction at selling price.

(Ans: (i) True, (ii) False, (iii) False, (iv) False, (v) True)

- Match the Column

Group A	Group B
(i) Advertising	(a) Purchase
(ii) Discount	(b) General P/C A/c
(iii) Establishment charges	(c) Sales
(iv) Carriage inward	(d) P/L A/c
(v) Profit & Loss	(e) Gross Profit
	(f) Net Profit

(Ans: (i). d, (ii). c, (iii).b, (iv). a, (v). f)

- Multiple Choice Question

- Sales Ratio of A, B and C for sales 90,000, 67,500 and 45,000 respectively will be _____.
- | | |
|-----------------------|---------------|
| (a) 9 : 6 : 4 | (b) 4 : 3 : 2 |
| (c) 9 : 6 : 7 : 4 : 5 | (d) 3 : 2 : 4 |

- (2) Following is not an item of General P/L A/c.
- (a) Advertising
 - (b) Management Expenses
 - (c) Audit Fees
 - (d) Legal Fees
- (3) Discount received is credited to _____.
- (a) P/L A/c
 - (b) Gen P/L
 - (c) Trading A/c
 - (d) Balance Sheet
- (4) Power is allocated on following basis
- (a) Purchase
 - (b) Sales
 - (c) Area
 - (d) H.P. of machines
- (5) Well fare expenses depend on _____.
- (a) Turnover
 - (b) No. of Employees
 - (c) Expenses
 - (d) Assets

Test your understanding by selecting the most appropriate alternative:

- (6) Items of expenses not connected with any department are:
- (a) Charged to departments on the basis of total sales
 - (b) Charged to the General P & L A/c
 - (c) Charged to departments on the basis of fixed assets employed.
- (7) Repairs and maintenance charges relating to Plant and Machinery are apportioned over different departments according to:
- (a) The number of machines in each department
 - (b) Book value of machine
 - (c) Area occupied by each machine
- (8) Lighting charges are apportioned over the departments on the basis of:
- (a) No. of light points
 - (b) Cost of machines
 - (c) Sales
- (9) Cost of electric power should be apportioned over different departments according To:
- (a) H.P. of motors
 - (b) No. of light points
 - (c) Cost of machines
- (10) Supervision charges should be apportioned over the different departments on the Basis of:
- (a) Time devoted for supervision
 - (b) Area occupied by each department
 - (c) Sales of each department

2. State whether the following statement are true or false:
- (i) Departmental accounts are necessary for evaluating departmental efficiency.
 - (ii) Depreciation on plant is divided equally over the different departments.
 - (iv) Bad debts are charged to general P & L A/c
 - (v) Welfare expenses should be charged to departments on the basis of no. of workers in each department.
 - (vi) Stock Reserve for unrealized Profit for interdepartmental transfer of goods is charged to General P & L A/c

