

Preparation of Departmental Trading and Profit & Loss A/c

Illustration 1

The following balances as at 31st Dec., 2012 have been extracted from the books of Elite & Sons which has two departments :

| Particulars | Deptt. X | Deptt. Y |
|------------------------------|----------|----------|
| | ₹ | ₹ |
| Opening Stock as on 1.1.2012 | 50,000 | 40,000 |

| | | |
|-----------------------|-----------|----------|
| Purchases | 4,60,000 | 3,80,000 |
| Purchases Returns | 4,000 | 2,000 |
| Sales | 12,66,000 | 9,84,000 |
| Sales Returns | 6,000 | 4,000 |
| Wages | 9,60,000 | 3,20,000 |
| Miscellaneous Charges | 70,000 | 64,000 |

Additional Information :

(i) Office and Selling Expenses ₹ 2,56,000;

(ii) Depreciation on Assets ₹ 72,800;

(iii) The stock in hand as on 31st Dec., 2012 : Deptt. X ₹ 52,000; Deptt. Y ₹ 48,000.

Unallocated expenses to be apportioned in the ratio of the net sales of each department.
Prepare in columnar form, the Trading and Profit & Loss Account of the two departments.

Solution

Departmental Trading and Profit & Loss Account

Dr. (for the year ended 31st December, 2012)

| Particulars | Deptt. X | Deptt. Y | Particulars | Deptt. X | Deptt. Y |
|--|------------------|------------------|-----------------------|------------------|------------------|
| | ₹ | ₹ | | ₹ | ₹ |
| To Opening Stock | 50,000 | 40,000 | By Sales less Returns | 12,60,000 | 9,80,000 |
| To Purchases less Returns | 4,56,000 | 3,78,000 | By Closing Stock | 52,000 | 48,000 |
| To Wages | 3,60,000 | 3,20,000 | | | |
| To Gross Profit c/d | 4,46,000 | 2,90,000 | | | |
| | <u>13,12,000</u> | <u>10,28,000</u> | | <u>13,12,000</u> | <u>10,28,000</u> |
| To Miscellaneous Charges | 70,000 | 64,000 | By Gross Profit b/d | 4,46,000 | 2,90,000 |
| To Office and Selling Expenses (1) | 1,44,000 | 1,12,000 | | | |
| To Depreciation (2) | 40,950 | 31,850 | | | |
| To Net Profit transferred to Capital A/c | 1,91,050 | 82,150 | | | |
| | <u>4,46,000</u> | <u>2,90,000</u> | | <u>4,46,000</u> | <u>2,90,000</u> |

Working Notes :

1. Net Sales Ratio :

| | | | |
|-----------|-------------|---|----------|
| | Deptt. X | | Deptt. Y |
| Net Sales | ₹ 12,60,000 | : | 9,80,000 |
| | = 126 | : | 98 |
| | = 63 | : | 49 |

2.

Apportionment of Unallocated Expenses

| Items | Deptt. X | Deptt. Y |
|---------------------------------|---|---|
| (1) Office and Selling Expenses | $\frac{2,56,000 \times 63}{112} = ₹ 1,44,000$ | $\frac{2,56,000 \times 49}{112} = ₹ 1,12,000$ |
| (2) Depreciation | $\frac{72,800 \times 63}{112} = ₹ 40,950$ | $\frac{72,800 \times 49}{112} = ₹ 31,850$ |