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Departmental Accounts

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Q-1: From the following figures prepare accounts to disclose total profit and the profit of the two departments A and B :

Particulars		Rs.	Particulars		Rs.
Opening Stock :			Sales :		
A	15,200		A	1,00,000	
B	10,800	26,000	B	80,000	1,80,000
Purchases :			Purchase Rutums:		
A	75,100		A	1,100	
B	69,800	1,44,900	B	800	1,900
Carriage inwards		2,860	Discount Received		1,430
Salaries :					
A	9,000				
B	8,500	17,500			
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			
		1,83,330			**1,83,330**

The following further information is supplied:

(a) Goods transferred from department A to B were Rs.5,000. This has not yet been recorded.

(b) General salaries are to be allocated equally.

(c) Allocate carriage inward and discount received on suitable basis

(d) The area occupied is in the ratio of 3 : 2.

(e) Insurance premium is for a comprehensive policy, allocation being inconvenient.

(f) The closing stocks of the two departments were : A, Rs.17,800 and B, Rs.15,600.

(g) Allocate Advertising, General Expenses and Discount Allowed in the ratio of Sales.

*[Gross Profit - A: Rs.32,120; B: 9,420; Net Profit - A: Rs.5,960
Net Loss of B: Rs.13,390; Total Net Loss: Rs.8,930]*

Q-2. From the following, prepare Departmental Trading and Profit and Loss Account for the year ended 31st December, 2017:

	Department A Rs.	Department B Rs.
Stock (January)	40,000	—
Purchase from Outside	2,00,000	20,000
Wages	10,000	1,000
Transfer of goods from Department A	—	50,000
Stock (December) at cost to the Department	30,000	10,000
Sales to Outsiders	2,00,000	71,000

B's entire represents goods from Department A which transfers them at 25% above its cost. Administrative and selling expenses amount to Rs.15,000, which are to be allocated between departments A and B in the ratio of 4 : 1 respectively.

*[Gross Profit - A: Rs.30,000; B: 10,000; Net Profit - A: Rs.18,000; B: Rs.7,000
Stock Reserve: Rs.2,000; Total Net Profit: Rs.23,000]*

Q-3. The firm Apex Industries have two Departments Cloth and Tailoring. Tailoring Department gets all its requirements of cloth from the Cloth Department at the usual selling price. From the following particulars, prepare Departmental Trading and Profit and loss Account for the year ended 31st March, 2017:

AoA

	Cloth Dept. Rs.	Tailoring Dept. Rs.
Stock on 01.04.2016	60,000	8,000
Purchases	3,40,000	5,000
Sales	4,00,000	80,000
Transfer of cloth to Tailoring Department	50,000	50,000
Manufacturing Expenses	-	12,000
Selling Expenses	5,000	2,000
Stock on 31.03.2017	1,00,000	15,000

The Stock in Tailoring Department may be assumed to consist 80% cloth and 20% other expenses. General Expenses of the business for the year comes to Rs.23,000. In 2015-16 the Cloth Department earned a gross profit of 30% on sales.

*[Gross Profit - A: Rs.1,50,000; B: 20,000; Net Profit - A: Rs.1,45,000; B: Rs.18,000
Net Stock Reserve: Rs.2,080; Total Net Profit: Rs.1,37,920]*

Q-4: A firm had two departments, Timber and Furniture. Furniture was made by the firm itself out of timber supplied by the Timber department at its usual selling price. From the following figures, prepare Department Trading and Profit and loss Accounts for the year 2017:

	Timber Rs.	Furniture Rs.
Opening Stock (01.01.2017)	3,00,000	50,000
Purchases	20,00,000	15,000

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Sales	22,00,000	4,50,000
Transfer to Furniture Department	300000	
Manufacturing Expenses	—	60,000
Selling Expenses	20,000	6,000
Stock on 31.12.2017	2,00,000	60,000

The stocks in the Furniture Department may be considered as consisting of 75 per cent of timber and 25 per cent other expenses. Timber Department earn gross rofit at the rate of 20 per cent in 2016. General expenses of the business as a whole came to Rs.1,10,000.

[Gross Profit : Rs.4,00,000 and Rs.85,000; Net Profit : Rs.3,80,000 and Rs.79,000 Total Stock Reserve: Rs.1,575; Total Net Profit: Rs.3,47,425]

Q-5: The following balances were exctracted from the books of Vijay. You are required to prepare departmental trading and Profit and Loss Account for the year ended 31st December, 2017, after adjusting the unrealised department profits if any.

	Dept. A Rs.	**Dept. B Rs.**
Opening Stock	50,000	40,000
Purchases	6,50,000	9,10,000
Sales	10,00,000	15,00,000

General expenses incurred for both the departments were Rs.1,25,000 which is to be divided in the ratio of sales.

You are also supplied with the following additional information:

(a) Closing stock of Department A Rs.1,00,000 including goods from Department B for Rs.20,000 at cost to Department A.

(b) Closing stock of Department B Rs.2,00,000 including goods from Department A for Rs.30,000 at cost to Department B.

(c) Opening stock of Department A and Department B include goods of the value of Rs.10,000 and Rs.15,000 taken from Department B and Department A respectively at cost to transferee departments.

(d) The gross profit is uniform from year to year.

[Gross Profit - A: Rs.4,00,000; B: 7,50,000; Net Profit - A: Rs.3,50,000; B: Rs.6,75,000 Stock Reserve - A: Rs.5,000; B: Rs.6,000; Total Net Profit: Rs.10,14,000]

Q-6: X Ltd. has two departments A and B. From the following particulars prepare the consolidated Trading Account and Departmental Trading Accounts for the year ending 31st December, 2017:

	Dept. A (Rs.)	**Dept. B (Rs.)**
Opening Stock (at cost)	20,000	12,000
Purchases	92,000	68,000
Sales	1,40,000	1,12 000
Wages	12,000	8,000
Carriage	2,000	2 000
Closing Stock:		
(i) Purchased goods	4,500	6,000
(ii) Finished goods	24,000	14,000
Purchased goods transferred:		
by B to A	10,000	
by A to B		8,000
Finished goods transferred:		
by A to B	35,000	
by B to A		40,000
Return of finished goods:		
by A to B	10,000	
by B to A		7,000

You are informed that purchased goods have been transferred mutually at their respective departmental purchase cost and finished goods at departmental market price and that 25% of the finished stock (closing) at each department represented finished goods received from the other departments.

[Gross Profit - A: Rs.35,500; B: Rs.49,000; Stock Reserve - A: Rs.2,071; B: Rs.753 Total Gross Profit: Rs.81,676]

Q-7: Mr. Gopal of Mumbai purchased goods for his three departments as under:

Department Purchases

A : 400 pieces
B : 1,600 pieces
C : 1,000 pieces

All goods purchased at a total cost of Rs.43,000

Sales for three departments were:

A : 200 pieces at Rs.150 per piece
B : 1,800 pieces at Rs.200 per piece
C : 1,200 pieces at Rs.50 per piece

Other information about stock at the beginning was:

A : 200 pieces
B : 500 pieces
C : 300 pieces

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Mr. Gopal inform you that the rate of gross profit is the same for all departments. Prepare Department Trading Account.

[Cost Per Unit - A: Rs.15; B: Rs.20; Rs.5
Gross Profit - A: Rs.27,000; B: Rs.3,24,000; C: Rs.54,000]

Q-8: The Directors of Departmental Stores Ltd. wish to ascertain approximately, the net profits of the A, B and C departments separately for the quarter ended March 2017. It is found impracticable actually to take stock on the date but adequate system of department account is in use and the normal rates of gross profit, for the departments concerned are 40%, 30% and 20% on turnover, respectively. Indirect expenses are charged in proportion to departmental turnover.
Following are the figures for each departments:

	Dept. A	Dept. B	Dept. C
	Rs.	Rs.	Rs.
Stock on 01.01.2017	30,000	35,000	15,000
Purchase to 31.3.2017	35,000	37,500	23,500
Sales to 31.3.2017	60,000	50,000	30,000
Direct Expenses	10,100	7,250	3,550

Total indirect expenses for the period (including those relating to other departments) were Rs.21,000 on total sales of Rs.4,20,000.
Prepare a statement showing gross profit and net profit after making reserve for stock at 10% in respect of each department's closing stock.

[Closing Stock - A: Rs.39,100; B: Rs.44,750; C: Rs.18,050
Net Profit - A: Rs.21,000; B: Rs.12,500; C: Rs.4,500; Total Profit: Rs.27,810]

Q-9: A businessman wishes to ascertain the separate net profits of two departments X and Y for the six months ended 30th June, 2017. It is not practicable to take stock on that date. However, the rates of gross profits (calculated without reference to direct expenses) are determined at 40 per cent and 30 per cent on sales at the two departments respectively. There are in all six departments. Indirect expenses are to be charged in proportion to departmental sales except as to one-third, which is to be divided equally. The following figures are extracted from the books for the period ending 30th June, 2017:

	X (Rs.)	(Y) Rs.
Stock on 1st January 2017	30,000	28,000
Sales	1,40,000	1,20,000

Purchases	90,000	72,000
Direct Expenses	18,300	28,400

Indirect Expenses of all six departments were Rs.36,000. The sales of other departments were Rs.1,40,000. Prepare Columnar Trading and Profit and Loss Account for the period ending 30th June, 2017, making a stock reserve for each department at 7 per cent on estimated value of stock at 30th June, 2017.

[Closing Stock - X: Rs.36,000; Y: Rs.16,000;
Net Profit - X: Rs.24,780; Y: Rs.2,720 (Loss); Total Profit: Rs.22,060]

Q-10: ABC Limited has three departments A, B and C. The following information is provided:

	A	B	C
	Rs.	Rs.	Rs.
Opening Stock	3,000	4,000	6,000
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. Stocks 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 a margin of 10% above departmental cost.
Other expenses were:

Salaries	Rs.2,000
Printing and Stationery	Rs.1,000
Rent	Rs.6,000
Interest paid	Rs.4,000
Depreciation	Rs.3,000

Allocate expenses in the ratio of departmental gross profits.
Opening figures of reserves for unrealised profits and departmental stocks were:

Department B	Rs.1,000
Department C	Rs.2,000

Prepare Departmental Trading and Profit and Loss Account.

[Gross Profit - A: Rs.6,000; B: Rs.3,000; C: Rs.3,000
Net Loss - A: Rs.2,000; B: Rs.1,000; C: Rs.1,000; Total Loss after Stock Reserve: Rs.4,918]

Q-11: The Trading and Profit and Loss Account of a Company for the six months ended 31st March 2017 is presented to you in the following form:

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	Rs.		Rs.
To Purchases:		By Sales:	
Television (A)	1,40,700	Televisions (A)	1,50,000
Radio (B)	90,600	Radios (B)	1,00,000
Spare parts for Service (C)	64,200	Receipts from Servicing and Repairs (C)	25,000
To Salaries and Wages	48,000	By Stock on 31.3.2017	
To Rent	10,800	Televisions (A)	60,100
To Sundry Expenses	11,000	Radios (B)	20,300
To Profit	34,700	Spare parts for Servicing (C)	44,600
	4,00,000		**4,00,000**

Prepare Departmental Accounts for each of three departments A, B and C mentioned above after taking into consideration the following information:

1. Televisions and radios are sold at the showroom. Servicing and repairs are carried out at the workshop.
2. Salaries and wages comprise as follows:
   Showroom 3/4 and Workshop 1/4. It was decided to allocate the showroom salaries and wages in the ratio 1 : 2 between the Departments A and B.
3. The workshop rent is Rs.1,000 p.m. The rent of the showroom is to be divided equally between the Department A and B.
4. Sundry Expenses are to be allocated on the basis of the turnover of each department.

[Gross Profit - A: Rs.69,400; B: Rs.29,700; C: Rs.5,400
Net Profit - A: Rs.49,000; B: Rs.700 (Loss); C: Rs.13,600 (Loss)]

Q-12: From the following Trial Balance, prepare Departmental Trading and Profit and Loss Accounts for the year ended 31st December, 2017, and Balance Sheet at that date:

		Dr. (Rs.)	Cr. (Rs.)
Stock at 1.1.2017	A Dept.	54,000	
	B Dept.	49,000	
Purchases	A Dept.	98,000	
	B Dept.	73,500	
Sales	A Dept.		1,69,000
	B Dept.		1,35,200
Wages	A Dept.	13,400	
	B Dept.	2,400	
Rent		18,700	
Salaries		13,200	
Lighting and Heating		4,200	
Discount allowed		4,410	
Discount received		1,330	
Advertising		7,380	
Carriage Inward		4,690	
Furniture and Fittings		6,000	
Plant and Machinery		42,000	
Sundry Debtors		18,200	
Sundry Creditors			37,370
Capital			95,300
Drawings		9,000	
Cash in Hand		320	
Cash at Bank		19,800	
		4,38,200	**4,38,200**

The following information is also provided:

(a) Rent, Lighting and Heating, Salaries and Depreciation are to be apportioned to A and B Departments as 2 : 1.

b) Other expenses and income are to be apportioned to A and B Depts. on suitable basis.

(c) The following adjustments are to be made:
Rentpre-paid Rs.3,700, Lighting and Heating outstanding Rs.1,800, and depreciation on Furniture and Fittings and Plant & Machinery 10% p.a.

(d) The Stock at 31st December, 2017: A Dept. Rs.27,480, B Dept. Rs.24,010.

[Gross Profit - A: Rs.28,400; B: Rs.32,300
Net Loss of A: Rs.3,390; Net Profit of B: Rs.14,630; Balance Sheet Total: Rs.1,36,710]

Q-13. Tailors Ltd. have two departments, Cloth and Tailoring. The latter department gets all its requirements of cloth from the cloth department at the usual selling price. On 31st December, 2017 the following was the Trial Balance:

	Dr. Rs.	Cr. Rs.
Share Capital		2,00,000
Stock:		
Cloth Department	80,000	
Tailoring Department (Cloth at cost to the company)	4,500	
Purchases:		
Cloth	11,00,000	
Tailoring	10,000	

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Sales :		
Cloth Department		12,50,000
Tailoring Department		1,50,000
Transfer of Cloth to Tailoring Dept. (at Selling Price)	50,000	50,000
Director's Fees and Remuneration	30,000	
Wages and Salaries Cloth	20,000	
Wages and Salaries Tailoring	40,000	
Rent & Rates and Lighting (3/4 to Cloth Department)	10,000	
Departmental Depreciation :		
Cloth Department	1,000	
Tailoring Department	5,000	
Office Salaries	16,000	
Furniture and Fittings	20,000	
Office Expenses	3,000	
Equipment	50,000	
Carriage inwards on Cloth	66,000	
Investments	1,00,000	
Income from Investments		9,500
Cash at Bank	54,000	
	16,59,500	**16,59,500**

Closing stock of cloth on hand in the Cloth Department was Rs.96,000 and that in Tailoring amounted to Rs.7,500 (at cost to the respective departments). It is desired to ascertain profit or loss on strict accountancy principles. Trading conditions and accounting methods in 2017 were the same as in 2016.

[Gross Profit - Cloth: Rs.1,30,000; Tailoring: Rs.52,500
Net Profit - Cloth: Rs.1,21,500; Tailoring: Rs.45,000
Total Net Profit: Rs.1,26,750; Total of Balance Sheet: Rs.3,26,750]

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