

5. DEPARTMENTAL ACCOUNTS

SOLUTIONS TO ASSIGNMENT PROBLEMS

PROBLEM NO: 1

In the Books of M/s Delta
 Departmental Trading and Profit and Loss Account
 for the year ended 31st March, 2018

Particulars		Deptt.X	Deptt. Y	Deptt. Z	Total	Particulars	Deptt.X	Deptt. Y	Deptt. Z	Total
		Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
To	Stock (opening)	18,000	12,000	10,000	40,000	By Sales	90,000	67,500	45,000	2,02,500
To	Purchases	66,000	44,000	22,000	1,32,000	By Stock (closing)	22,500	8,750	10,500	41,750
To	Carriage Inwards	750	500	250	1,500					
To	Gross Profit c/d (b.f.)	27,750	19,750	23,250	70,750					
		1,12,500	76,250	55,500	2,44,250		1,12,500	76,250	55,500	2,44,250
To	Carriage Outwards	1,200	900	600	2,700	By Gross Profit b/d	27,750	19,750	23,250	70,750
To	Electricity	1,500	1,000	500	3,000	By Discount received	900	600	300	1,800
To	Salaries	10,000	8,000	6,000	24,000					
To	Advertisement	1,200	900	600	2,700					
To	Discount allowed	1,000	750	500	2,250					
To	Rent, Rates and Taxes	3,000	2,500	2,000	7,500					
To	Depreciation	400	400	200	1,000					
To	Provision for Bad Debts @ 5% of debtors	375	250	250	875					
To	Labour welfare expenses	1,000	800	600	2,400					
To	Net Profit (b.f.)	8,975	4,850	12,300	26,125					
		28,650	20,350	23,550	72,550		28,650	20,350	23,550	72,550

NOTE: Carriage inward, Discount received -----

Carriage outward, Advertisement, Discount allowed -----

Salaries, labour welfare expenses -----

Rent, Rates and Taxes,-----

Depreciation on furniture -----

Purchase Ratio – 3:2:1

Sales Ratio - 4:3:2

No. of employees Ratio. 5:4:3

Floor space Ratio 6:5:4

Furniture Ratio 2:2:1

PROBLEM NO: 2

Dr.

Departmental profit and loss A/c

Cr.

Particulars	A (Rs.)	B (Rs.)	C (Rs.)	Particulars	A (Rs.)	B (Rs.)	C (Rs.)
To Opening stock	8,500	5,700	1,200	By sales less returns	50,000	30,000	20,000
To Purchases	22,000	17,000	8,000	By closing stock	3500	2,000	1,500
To Freight	1,400	800	200				
To wages	800	700	200				
To gross profit	20,800	7,800	11,900		53,500	32,000	21,500
	53,500	32,000	21,500	By Gross profit	20,800	7,800	11,900
To Salaries	2250	1350	900	By Net loss	-	465	-
To Power & water	600	360	240				
To Telephone	1050	630	420				
To Bad Debts	375	225	150				
To Rent	3,000	1,800	1,200				
To Insurance	750	450	300				
To Printing	1,000	600	400				
To Advertisement	1750	1050	700				
To Depreciation (2000 + 4000)	3,000	1800	1,200				
To Net profit	7025	-	6390				
	20,800	8,265	11,900		20,800	8265	11,900

Balance sheet 31.3.2015

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	15,000	Furniture's & fixtures	4,600
Bank O.D	12,000	Plant & machinery	20,000
Outstanding wages	200	Less: Depreciation	(2000)
Capital	40,000	Motor vehicles	40,000
		Less: Depreciation	(4,000)
Add: Profit (7,025 + 6,390)	13,415	Debtors	12,200
Less: Loss	(465)	Cash in hand	850
	52,950	Stock	7,000
Less: Drawings	(1500)		
	78,650		78,650

PROBLEM NO: 3

Valuation of closing stock

a) Departmental Trading Accounts

Particulars	P (Rs.)	Q (Rs.)	R (Rs.)	Particulars	P (Rs.)	Q (Rs.)	R (Rs.)
To op stock	30,000	45,000	15,000	By sales	1,88,000	1,66,000	93,000
To Purchases	1,60,00	1,30,000	60,000	By closing stock	46,000	63,000	18,000
To Gross profit	44,000	54,000	36,000				
	2,34,000	2,29,000	1,11,000		2,34,000	2,29,000	1,11,000

Calculation of discount

Particulars	P (Rs.)	Q (Rs.)	R (Rs.)
Normal sales	15,000	8,000	6,000
Less: Actual sales	11,000	6,000	4,000
	4,000	2,000	2,000

Computation of Gross Profit from actual Sales:

Particulars	P	Q	R
Actual Sales(Total)	1,88,000	1,66,000	93,000
(+) Discount	4,000	2,000	2,000
	1,92,000	1,68,000	95,000
G.P% on normal sales	25%	33.33%	40%
Gross profit (Normal sales*G.P%)	48,000	56,000	38,000
(-) Discount	(4,000)	(2,000)	(2,000)
	44,000	54,000	36,000

PROBLEM NO: 4

Dr.

Departmental Trading A/c

Cr.

Particulars	A (Rs.)	B (Rs.)	C (Rs.)	Particulars	A (Rs.)	B (Rs.)	C (Rs.)
To opening stock	1,920	1,440	3,040	By Sales	20,400	43,200	62,400
To Purchases [W.N:1]	16,000	36,000	48,000	By closing stock [W.N:2]	1,600	2,880	1,120
To Gross profit [Bal. fig]	4,080	8,640	12,480				
	22,000	46,080	63,520		22,000	46,080	63,520

Working Notes:

Sale value of purchase units:

Dept – A (1000 x 20)	=	20,000
Dept – B (2000 x 22.5)	=	45,000
Dept – C (2400 x 25)	=	60,000
Total Sales	=	1,25,000

Less: cost of Sales (1,00,000)

Total profit 25,000

Gross profit Margin = $25000/125000 \times 100 = 20\%$

WORKING NOTE: 1 Purchase cost of unit: -

Particulars	A (Rs.)	B (Rs.)	C (Rs.)
Selling Price	20	22.50	25
(-) GP @ 20%	(4)	(4.5)	(5)
Cost per unit	16	18	20

WORKING NOTE: 2 Calculation of opening stock

Opening stock units+ purchases units – sales units = closing stock units

Dept A = $120+1000-1020=100$

$$\text{Dept B} = 80 + 2000 - 1920 = 160$$

$$\text{Dept C} = 152 + 2400 - 2496 = 56$$

Computation of Value of opening stock, purchases and closing stock units:

Department	Opening Stock	Purchases	Closing Stock
A	120 x 16 = 1920	1000 x 16 = 16,000	100 x 16 = 1,600
B	80 x 18 = 1,440	2,000 x 18 = 36,000	160 x 18 = 2,880
C	152 x 20 = 3,040	2,400 x 20 = 48,000	56 x 20 = 1,120

Notes:

⇒ It is assumed that there is no change in cost per unit in current year and previous year

PROBLEM NO: 5**Calculation of Correct departmental Profits:**

	Dept – P (Rs.)	Dept – S (Rs.)	Dept – Q (Rs.)
Profits after charging manager's commission	90,000	60,000	45,000
Add: Managers commission @ 10% Net profit	10,000 $\left(90,000 \times \frac{10}{90}\right)$	6667 $\left(60,000 \times \frac{10}{90}\right)$	5000 $\left(45,000 \times \frac{10}{90}\right)$
	1,00,000	66,667	50,000
Less: Unrealised profit on stock (W.N - 1)	(5426)	(21,000)	(2,727)
Profits before managers commission	94,574	45,667	47,273
Less: Managers commission @ 10%	(9,457)	(4,567)	(4,727)
Correct profit after manager's commission	85,117	41,100	42,546

WORKING NOTES:

Unrealised Profit in

$$\text{Dept – P} \Rightarrow \text{Dept S} = \text{Rs. } 18,000 \times \frac{25}{125} = \text{Rs. } 3,600$$

$$\begin{aligned} \text{Dept Q} &= \text{Rs. } 14,000 \times \frac{15}{115} = \text{Rs. } 1,826 \\ &= \text{Rs. } \underline{5,426} \end{aligned}$$

$$\text{Dept – S} \Rightarrow \text{Dept P} = \text{Rs. } 48,000 \times \frac{20}{100} = \text{Rs. } 9,600$$

$$\begin{aligned} \text{Dept Q} &= \text{Rs. } 38,000 \times \frac{30}{100} = \text{Rs. } 11,400 \\ &= \text{Rs. } \underline{21,000} \end{aligned}$$

$$\text{Dept – Q} \Rightarrow \text{Dept P} = \text{Rs. } 12,000 \times \frac{20}{100} = \text{Rs. } 2,000$$

$$\begin{aligned} \text{Dept S} &= \text{Rs. } 8,000 \times \frac{10}{100} = \text{Rs. } 727 \\ &= \text{Rs. } \underline{2,727} \end{aligned}$$

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PROBLEM NO: 6

Statement showing the computation of department profit or loss:

	Particulars	A (Rs.)	B (Rs.)	C (Rs.)	D (Rs.)
a)	Final profit / Loss computed earlier	(38,000)	50,400	72,000	1,08,000
b)	Add: Department manager's commission @ 10% of Dept. Profit Subject to a minimum of Rs. 6,000 [Working Note1]	6,000	6,000	8,000	12,000
c)	Profit before Dept manager's Commission (A+B)	(32,000)	56,400	80,000	1,20,000
d)	Less: Profit earned through transfer of goods at Loaded price remaining in stock at transfer department (W.N-2)	(2,200)	-	8,600	-
e)	Correct Departmental profit (before manager's commission (C-D))	(34,200)	56,400	71,400	1,20,000
f)	Less: manager's commission @ 10% of profit subject to a minimum of Rs. 6,000	(6,000)	(6,000)	(7,140)	(12,000)
g)	Departmental Profit after manager's Commission (E-F)	(40,200)	50,400	64,260	1,08,000

WORKING NOTE:

1. Manager's commission:

	Dept profit / Loss (Rs.)	Commission (Rs.)	(Rs.)
A	(-) 38,000	6,000	
B	50,400	6,000	i.e. $50,400 \times 1/9 = \text{Rs. } 5,600$ less than 6000
C	72,000	8,000	i.e. $(72,000 \times 1/9 = 8000)$
D	1,08,000	12,000	i.e. $(1,08,000 \times 1/9 = 12,000)$

2. Unrealised profit on Stock transfer:

	Particulars	Amount (Rs.)
Dept A	Rs. 22,000 to Dept B @ 110% Profit there on 22,000 x 10/110	2,000
	Rs. 1,200 to Dept D @ 120% Profit there on 1,200 x 20/120	<u>200</u>
		2,200
Dept C	Rs. 48,000 to Dept B @120% Profit there on 48,000 x 20/120	8,000
	Rs. 3,600 to Dept D @ 120% Profit There on 3,600 x 20/120	<u>600</u>
		8,600

PROBLEM NO: 7

In the books of Mega Ltd

Departmental Trading A/c for the year ended 31/12/2012

Dr.

Cr.

Particulars	Dept. A Rs.	Dept. B Rs.	Particulars	Dept. A Rs.	Dept. B Rs.
To Opening Stock	70,000	54,000	By Sales	5,72,000	4,60,000
To Purchases	3,92,000	2,98,000	By Purchased Goods transferred	36,000	50,000
To Wages	54,000	36,000	**By Finished goods transferred (Net)	1,30,000	1,18,000

To Carriage	6,000	9,000	By Closing Stock:		
To Purchased Goods transferred	50,000	36,000	Purchased Goods	24,000	30,000
To F.G. transferred	1,18,000	1,30,000	Finished Goods	1,02,000	62,000
To Gross profit c/d	1,74,000	1,57,000			
	8,64,000	7,20,000		8,64,000	7,20,000

**** Net transfer of Finished Goods by**

Department A to B = Rs. (1,75,000 – 45,000) = Rs.1,30,000

Department B to A = Rs. (1,50,000 – 32,000) = Rs.1,18,000

General Profit and Loss A/c

For the year ended 31st March, 2014

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Provision for Unrealised profit. included in closing stock:		By Gross Profit b/d:	
Department A (W.N.2)	8,311	Department A	1,74,000
Department B (W.N.2)	4,611	Department B	1,57,000
To Net Profit	3,18,078		
	3,31,000		3,31,000

WORKING NOTE:**1) Calculation of ratio of gross profit margin on sales**

Particulars	Dept. A (Rs.)	Dept. B (Rs.)
Sales (To customers)	5,72,000	4,60,000
Add: Transfer of Finished Goods	1,75,000	1,50,000
	7,47,000	6,10,000
Less: Return of Finished Goods	(45,000)	(32,000)
	7,02,000	5,78,000
Gross Profit	1,74,000	1,57,000
Gross Profit margin =	1,74,000/ 7,02,000*100=24.79%	1,57,000/ 5,78,000*100=27.16%

Dr.

Cr.

Particulars	Department A (Rs)	Department B (Rs)
Stock of Finished Goods	1,02,000	62,000
Stock related to other department. (30% of Finished Goods)	30,600	18,600

2) Unrealised profit included in the closing stock

Department A = 27.16% of Rs. 30,600 (30% of Stock of Finished Goods Rs. 1,02,000) =8311.00

Department B = 24.79% of Rs.18,600 (30% of Stock of Finished Goods Rs. 62,000) =4611.00

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PROBLEM NO. 8

M/s D, B and R

Departmental Trading and Profit & Loss Account for the six months ended 31-3-2013

	A	B	C	Total		A	B	C	Total
To Opening Stock	37,890	24,000	20,000	81,890	By Sales	1,80,000	1,30,000	90,000	4,00,000
To Purchases	1,40,700	80,600	44,400	2,65,700	By Transfer	10,700	600	-	11,300
To Transfer		-	11,300	11,300	By Closing Stock	45,100	22,300	21,600	89,000
To Wages	.	-	12,000	12,000					
To Gross profit c/d	57,210	48,300	23,900	1,29,410					
	2,35,800	1,52,900	1,11,600	5,00,300		2,35,800	1,52,900	1,11,600	5,00,300
To Salaries & Wages:					By Gross profit b/d	57,210	48,300	23,900	1,29,410
General Office	12,000	8,000	4,000	24,000	By Discount Received	400	250	150	800
Showroom	4,000	8,000	.	12,000					
Advertising	1,080	780	540	2,400					
To Rent	2,400	2,400	6,000	10,800					
To Discount Allowed	540	390	270	1,200					
To Sundry Expenses	5,400	3,900	2,700	12,000					
To Depreciation	250	250	250	750					
To Net Profit c/d	31,940	24,830	10,290	67,060					
	57,610	48,550	24,050	1,30,210		57,610	48,550	24,050	1,30,210

Working Note:

Particulars	Dept. A(Rs.)
Sales to customers	1,80,000
Transfer to Dept. C	10,700
Less: Returns	Nil
Sales including transfer	1,90,700
Gross profit	57,210
G.P %	30%

Profit and Loss Appropriation Account

Particulars	Rs.	Particulars	Rs.
To Stock Reserve (See Note)	1,710	By Net Profit transferred from Profit & Loss A/c	67,060
To D: 75% of Profit of Deptt. A	23,955		
50% of 15,054	<u>7,527</u>		
	31,482		
To B : 75% of Profit of Deptt. B	18,623		
25% of 15,054	<u>3,763</u>		
	22,386		
To R: 75% of Profit of			

Deptt. C 25% of 15,054	7,718 <u>3,764</u>			
		11,482		
		67,060		67,060

Note: Balance of Combined profits = 67,060-1,710-23,955-18,623-7,718=15,054

PROBLEM NO: 9

Dr. Department Trading & P&L A/c the year ended 31/3/2012 Cr.

Particulars	Cloth (Rs.)	Readymade (Rs.)	Total (Rs.)	Particulars	Cloth (Rs.)	Readymade (Rs.)	Total (Rs.)
To opening stock	31,50,000	5,32,000	36,82,000	By sales	2,31,00,000	47,25,000	2,78,25,000
To purchases	2,10,00,000	1,68,000	2,11,68,000	By inter dept trans			
To manufacturing expenses	-	6,30,000	6,30,000	Cloth to readymade	31,50,000	-	-
To inter dept trans				By closing stock	21,00,000	6,72,000	27,72,000
Cloth to ready made	-	31,50,000	-				
To Gross profit c/d	42,00,000	9,17,000	51,17,000				
	2,83,50,000	53,97,000	3,05,97,000		2,83,50,000	53,97,000	3,05,97,000
To selling expenses	2,10,000	73,500	2,83,500	By gross profit b/d	42,00,000	9,17,000	51,17,000
To rent & warehousing	8,40,000	5,60,000	14,00,000				
To Net profit	31,50,000	2,83,500	34,33,500				
	42,00,000	9,17,000	51,17,000		42,00,000	9,17,000	51,17,000

Dr. General Profit & Loss A/c Cr.

Particulars	Amount Rs.	Particulars	Amount Rs.
To General expenses	10,85,000	By Net Profit	34,33,500
To Unrealised profit (W.N)	20,790		
To General net profit (b/f)	23,27,710		
	34,33,500		34,33,500

WORKING NOTES:

Rate of Gross profit of cloth department 2011-12

$$= \frac{42,00,000}{(2,31,00,000 + 31,50,000)} \times 100 = 16\%$$

Closing stock reserve: -

$$\text{Cloth in Readymade} = 6,72,000 \times 75\% \times 16\% = 80,640$$

Opening stock Reserve: (2010-11)

$$\text{Ready made cloths} - 5,32,000 \times 75\% \times 15\% = 59,850$$

$$\text{Additional stock reserve} = 80,640 - 59,850 = 20,790$$

PROBLEM NO: 10

Departmental trading and Loss Account of M/s division for the year ended 31st December 2014,
Dr. Cr.

Particulars	Dept. A	Dept. B	Particulars	Dept. A	Dept. B
	Rs.	Rs.		Rs.	Rs.
To opening stock	50,000	40,000	By Sales	10,00,000	15,00,000
To Purchases	6,50,000	9,10,000	By Closing Stock	1,00,000	2,00,000
To Gross Profit	4,00,000	7,50,000			
	11,00,000	17,00,000		11,00,000	17,00,000
To general Expenses (in ratio of sales)	50,000	75,000	By Gross Profit	4,00,000	7,50,000
To Profit t/r to general profit and loss account	3,50,000	6,75,000			
	4,00,000	7,50,000		4,00,000	7,50,000

Dr. Cr.
General Profit and loss Account

	Rs.		Rs.
To Stock reserve required (additional: Stock in Dept, A 50% of (Rs. 20,000 – Rs. 10,000) (W.N-1)	5,000	By Profit from: Dept. A Dept. B	3,50,000 6,75,000
Stock in Dept B 40% of (Rs. 30,000 – Rs. 15000) (W.N-2)	6,000		
To Net Profit	10,14,000		
	10,35,000		10,25,000

WORKING NOTES: 1 Calculation of Gross Profit = $\frac{\text{G.P.}}{\text{Sales}} \times 100$

Dept – A = $\frac{400000}{1000000} \times 100 = 40\%$

Dept - B = $\frac{750000}{1500000} \times 100 = 50\%$

WORKING NOTES: 2 Calculation of stock reserve

Dept – A = (20,000-10,000) x 50% = Rs.5000

Dept - B = (30,000-15,000) x 40% = Rs. 6000

Alternatively

Dr. Cr.
General Profit and loss Account

	Rs.		Rs.
To Stock reserve (W.N.2)	22,000	By Profit from: Dept. A Dept. B	3,50,000 6,75,000
To Net Profit	10,14,000	By Stock Reserve (W.N.1)	11,000
	10,36,000		10,36,000

Computation of unrealized profit:

1) In opening stock of

Dept-A = 10,000*50% = 5,000

Dept-B = 15,000*40% = 6,000

11,000 → Stock Reserve A/c Dr.
To General P&L A/c

2) In Closing Stock of

Dept-A = 20,000*50% =10,000

Dept-B = 30,000*40% =12,000

22,000 → General P&L A/c Dr.
To Stock Reserve A/c

PROBLEM NO: 11

1) In the books of Head office

Dr.

Trading A/c for the year ended 31/3/2013

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening stock	65,000	By sales	3,00,000
To purchases	2,00,000	By shortage	1,000
To Gross profit c/d (WN)	58,880	By closing stock (bal.fig)	22,880
	3,23,880		3,23,880

WORKING NOTES:

Computation of Profit from actual sales:

Sales (Actual) = Rs.3,00,000

(+) Discount of sold Inventory

$\left[600 + 1200 \times \frac{10,000}{15,000} \right]$ = Rs. 1,400

Total Normal sales Rs. 3,01,400

GP% on normal sales = 20% [25% on cost = 20% on normal sales]

Gross profit [Normal Sales x GP%] = Rs. 60,280

(-) Discount = Rs. (1,400)

Rs. 58,880

2) Memorandum stock A/c (dept-A) (at selling price)

Dr.

Cr.

Particulars	Amount Rs.	Particulars	Amount Rs.
To bal b/d (opening) (65000+25% of 65000)	81250	By Sales	3,00,000
To purchases (2,00,000+25% of 2,00,000)	2,50,000	By Memorandum dept markup (Markdown on current purchase)	1200
		By Memorandum dept markup (markdown on opening stock)	600
		By mem dept mark up A/c (load on shortage 1000 x 25%)	250
		By P & L A/c (shortage)	1000
		By balance c/d (Bal. fig)	28,200
	3,31,250		3,31,250

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3) Memorandum Departmental mark up A/c

Dr.

Cr.

Particulars	Amount Rs.	Particulars	Amount Rs.
To Memorandum dept stock (1000 x 25%)	250	By Balance b/d (opening) $(51250 \times \frac{25}{125})$	1625
To Memorandum dept stock (Markdown current purchase)	1200	By Memorandum dept stock A/c (purchases) $(2,50000 \times \frac{25}{125})$	50,000
To Memorandum dept stock (Mark down opening)	600		
To Gross profit to p & L A/c	58,880		
To bal c/d	5,320		
	66,250		66,250

SOLUTIONS FOR SELF PRACTICE

PROBLEM NO: 1

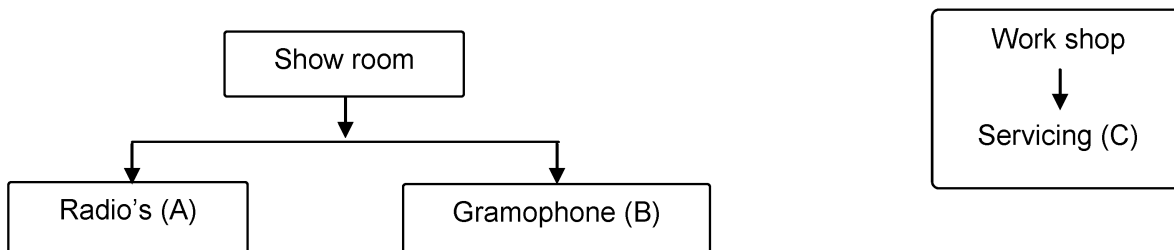
Dr.

Department Trading & P & L A/c of Radio & gramophone Equipment Co.

Cr.

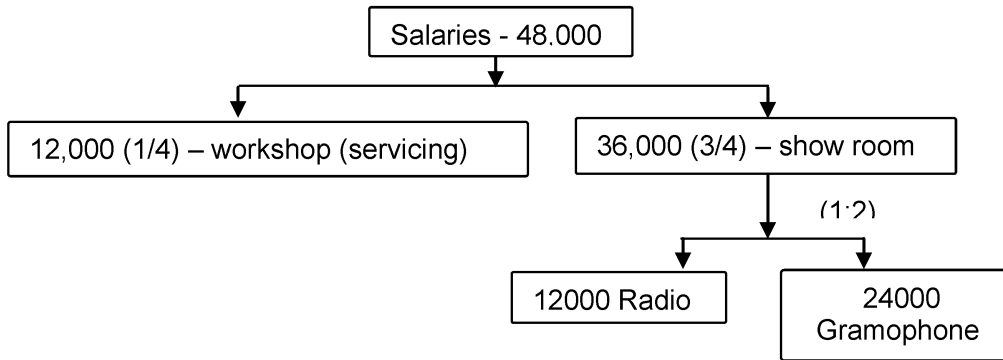
Particulars	Radio Rs.	Gramophone Rs.	Service Rs.	Particular	Radio Rs.	Gramophone Rs.	Service Rs.
To Opening Stock	-	-	-				
To purchases	1,40,700	90,600	64,400	By sales	1,50,000	1,00,000	25,000
To Gross profit	69,400	29,700	5,200	By closing stock	60,100	20,300	44,600
	2,10,100	1,20,300	69,600		2,10,100	1,20,300	69,600
To Salaries (WN-1)	12,000	24,000	12,000	By Gross profit	69,400	29,700	5,200
To Rent (WN-2)	3,900	3,900	3,000	By Net loss		2,200	10,800
To Sundry Expenses (WN-3)	6,000	4000	1000				
To Net Profit / (Loss)	47,500						
	69,400	31,900	16,000		69,400	31,900	16,000

WORKING NOTE:



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(W.N - 1)

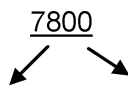


(W.N-2)

Rent of workshop = 500 p.m. x 6m = 3000

Actual Rent = 10,800

(-) work shop = (3000)



Radio Gramophone
3900 3900

Turnover →	A	B	C
	1,50,000	1,00,000	25,000
	6	4	1

(W.N - 3) Sundry Expresses → $11,000 \times \frac{6}{11}$, $11,000 \times \frac{4}{11}$, $11,000 \times \frac{1}{11}$

- Radio = Rs. $11,000 \times \frac{6}{11}$ = Rs. 6,000
- Gramophone = Rs. $11,000 \times \frac{4}{11}$ = Rs. 4,000
- Service = Rs. $11,000 \times \frac{1}{11}$ = Rs. 1,000

PROBLEM NO. 2

Departmental Trading Account in the books of

M/s. Bombay Cotton for the year ended 31st March, 2019

Particulars	Department Y (Rs.)	Department Z (Rs.)	Particulars	Department Y (Rs.)	Department Z (Rs.)
To Opening Stock	60,000	40,000	By Sales	3,10,300	3,72,700
To Purchase	1,20,000	3,05,400	By Transfers	40,000	50,000
To Wages	70,000	32,000	By Closing Stock:	23,700	40,700
To Transfers	50,000	40,000			
To Gross Profit c/d	<u>74,000</u>	<u>46,000</u>			
	<u>3,74,000</u>	<u>4,63,400</u>		<u>3,74,000</u>	<u>4,63,400</u>
To Salaries	18,500	11,500	By Gross Profit b/d	74,000	46,000
To Rent	5,550	3,450			
To Advertisement	14,800	9,200			
To General Expenses	1,850	1,150			

To Depreciation (all expenses divided in ratio of 37: 23)	11,100	6,900			
To Net profit c/d	<u>22,200</u>	<u>13,800</u>			
	<u>74,000</u>	<u>46,000</u>		<u>74,000</u>	<u>46,000</u>

Computation of Department Manager’s Commission

Particulars	Dept. Y	Dept. Z
Net Profit	22,200	13,800
Less: Unrealized Profit (W.N-1)	3,000	4,638
Net Profit after adjustment of unrealized profit	19,200	9,162
Less : manager’s Commission @ 10%	1,920	916
Net Profit after charging manager’s Commission’s	17,280	8,246

Working notes:

1. Unrealized profit included in the closing stock

$$\text{Department Y} = 21,200 \times \frac{28}{128} \times 4,637.50 \text{ (rounded off as Rs.4,638)}$$

$$\text{Department Z} = 12,000 \times 25\% = 3,000$$

PROBLEM NO. 3

FGH Ltd.

**Departmental Trading and Profit and Loss Account
for the year ended 31st March, 2012**

	I	J	K	Total		I	J	K	Total
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
To Opening Stock	5,000	8,000	19,000	32,000	By Sales			80,000	80,000
To Material consumed	16,000	20,000		36,000	By Transfer	30,000	60,000		90,000
To Direct labour	9,000	10,000		19,000	By Closing Stock	5,000	20,000	5,000	30,000
To Transfer		30,000	60,000	90,000					
To Gross profit	5,000	12,000	6,000	23,000					
	35,000	80,000	85,000	2,00,000		35,000	80,000	85,000	2,00,000
To Salaries and staff welfare	9,000	6,000	3,000	18,000	By Gross Profit b/d	5,000	12,000	6,000	23,000
To Rent	3,000	1,800	1,200	6,000	By Net Loss	7,000			7,000
To Net Profit		4,200	1,800	6,000					
	12,000	12,000	6,000	30,000		12,000	12,000	6,000	30,000
To Net loss(l)				7,000	By Stock reserve b/d (J + K)				5,000
To Stock Reserve (J + K) (Refer W.N.)				3,000	By Net profit (J + K)				6,000
To Balance transferred to profit and loss account				1,000					
				11,000					11,000

Working Note: Calculation of Inter Department Transfer

Particulars	Dept.I	Dept.J
Opening Stock	5,000	8,000
Material Consumed	16,000	20,000
Direct labour	9,000	10,000
Transfer from other Dept.	-	30,000
Less: Closing Stock	(5,000)	(20,000)
Cost of goods transferred	25,000	48,000
Add: Profit	5,000 (25,000*20%)	12,000 (48,000*25%)
	30,000	60,000

Working Note:

Calculation of unrealized profit on closing stock

Particulars	Rs.
Stock reserve of J department	
Cost - Material consumed + Direct labour cost	30,000
Transfer from I department	30,000
	60,000
Closing Stock of J department	20,000

$$\text{Proportion of stock of I department} = \text{Rs.}20,000 \times \frac{\text{Rs.}30,000}{\text{Rs.}60,000} = \text{Rs.}10,000$$

$$\text{Stock reserve} = \text{Rs.}10,000 \times \frac{20}{120} = \text{Rs.}1,667(\text{approx.})$$

Stock reserve of K department

	Rs.
Closing Stock (being stock transferred from J department)	5,000
Less: Profit (stock reserve) 5,000 x 20%	(1,000)
Cost to J department	4,000

$$\text{Proportion of stock of I department} = \text{Rs.}4,000 \times \frac{\text{Rs.}30,000}{\text{Rs.}60,000} = \text{Rs.}2,000$$

$$\text{Stock reserve} = \text{Rs.}2,000 \times \frac{20}{120} = \text{Rs.}333(\text{approx.})$$

$$\text{Total stock reserve} = \text{Rs.}1,000 + \text{Rs.}333 = \text{Rs.}1,333$$

THE END

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