Departmental Accounts

Q:- Preparation of statement of Estimated Profit

The Owner of a departmental store wishes to ascertain approximately the net Profit of the A, B, and C departments separately for the three Months ended 31st March 2013. It is found impracticable actually to take stock on that date but an adequate system of departmental accounting is in use and the normal rates of gross Profit for the departments concerned are 40%, 30% and 20% on turnovers respectively. Indirect Expenses are charged in proportion of departmental turnover. The following are the figures for each department:-

	Dept A Rs	Dept B Rs	Dept C Rs
Stock 1-1-2013	6000	7000	3000
Purchases	7000	6500	4700
Sales	12000	16000	6000
Direct Expenses	2020	1450	710

The Total indirect expenses for the period (including those relating to other departments) were Rs 4200 on total Sales of Rs 34,000

Prepare a Statement for the directors, making a stock reserve of 10% for each department, on the estimated value on 31st March 2013.

Solution

Departmental Trading and P/L A/c
(For the year ending 31st March 2015)

Particulars	A Rs	B Rs	C Rs	Particulars	A Rs	B Rs	C Rs
To Opening Stock	6000	7000	3000	By Sales	12000	10000	6000
To Purchase	7000	6500	4700	By closing stock			
To Direct Exps	2020	1450	710				
To Gross Profit c/d	4800	3000	1200				
				closing stock	7820	7950	3610
	19820	17950	9610		19820	17950	9610
To Indirect Exp	600	500	300	By G/P b/d	4800	3000	1200
To Stock Reserve 10%	782	795	361				
To Net Profit	3418	1705	539				
	4800	3000	1200		4800	3000	1200

Working Notes:-

(1) $\frac{12000 \times 40}{100} = 4800$ (2) $\frac{10000 \times 30}{100} = 3000$ (3) $\frac{6000 \times 20}{100} = 1200$

Total sales = Rs 12,000 + 10000 + 6000 = 28,000.

84000 — 4200

28000 — $\frac{4200}{84000} \times 28000 = 1400$

1400 These indirect expenses are divided in the ratio of 12000 : 10000 : 6000 = 6 : 5 : 3 Indirect Exp

(A) $\frac{1400 \times 6}{14} = 600$ B $\frac{1400 \times 5}{14} = 500$ C $\frac{1400 \times 3}{14} = 300$

Stock Reserve = $\frac{7820 \times 10}{100} = 782$, $\frac{7950 \times 10}{100} = 795$,

$\frac{3610 \times 10}{100} = 361$

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