

Preparation of Departmental Trading and P/L Account with Stock Reserve

Q. → Mr Shivam wishes to ascertain approximately the separate net profits of two particular departments X and Y for the six months ended 30th September, 2013.

It is not practicable to take stock on that date. However the rates of gross profit (calculated without reference to direct expenses are determined at 40 percent and 30 percent 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 30 September, 2013

	dept X Rs	dept Y Rs
Stock on 1st April 2013	30,000	28,000
Sales	1,40,000	1,20,000
Purchase —	90,000	72,000
Salaries	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 a columnar Trading and Profit & Loss Accounts for the period ending 30th Sept. 2013 making a stock reserve for each department at 70 percent on estimated value of stock at 30th September 2013.

Solution Trading and Profit & Loss Account of Depth Xandy  
(for the half-year ended 30th Sep 2013)

Particulars	Depth X Rs	Depth Y Rs	Particulars	Depth X Rs	Depth Y Rs
To Stock A/c	30,000	28,000	By Sales	140,000	120,000
To Purchase	90,000	72,000	By closing stock (Balancing figure)	36,000	16,000
	56,000	36,000			
	176,000	136,000		176,000	136,000
To Salaries A/c	18,300	28,400	By GP b/d	56,000	36,000
To Indirect Exp A/c (1/3 chargeable equally)	2,000	2,000			
1/3 of 36,000 for 6 depths			By Net Loss c/d To G.P. & Loss A/c		2,720
To Indirect Exp A/c (2/3 in proportion of sales)	8,400	7,200			
To Stock Reserve (7% of stock)	2,520	1,120			
To Net Profit c/d to General P&L A/c	24,780				
	56,000	38,720		56,000	38,720

Working:

$$\frac{140,000 \times 40}{100} ; \frac{120,000 \times 30}{100} = 36,000$$

Total sales = 140,000 + 120,000 + 140,000 = 400,000

$$12,000 + 36,000 \times \frac{2}{3} = 24,000$$

$$24,000 \times 14 = 336,000$$

$$400,000 - 336,000 = 64,000$$

$$\frac{64,000 \times 140,000}{400,000} = 22,400$$

$$22,400 + 2,000 = 24,400$$

$$24,400 \times 120,000 = 2,928,000$$

$$\frac{2,928,000}{400,000} = 7,320$$

$$30,000 \times 7 = 210,000$$

$$\frac{210,000}{100} = 2,100$$

$$36,000 \times 7 = 252,000$$

$$\frac{252,000}{100} = 2,520$$

$$\frac{16,000 \times 7}{100} = 1,120$$

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