

Name: _____

Class: _____

SECOND TERM E-LEARNING NOTE

SUBJECT: FINANCIAL ACCOUNTING

CLASS: SS 2

SCHEME OF WORK

| WEEK | TOPIC |
|--------|-------------------------------------|
| 1 – 2 | Departmental Accounts |
| 3 - 4 | Manufacturing Accounts |
| 5 | Capital and Revenue Expenditure |
| 6 - 7 | Disposal of Fixed Assets |
| 8 | Accounting Concepts and Conventions |
| 9 - 10 | Introduction to Accounting Ratios |

WEEK ONE AND TWO

DATE: _____

TOPIC: DEPARTMENTAL ACCOUNTS

CONTENT

Meaning of Departmental Accounts
Expenses and Apportionment
Final Accounts

MEANING OF DEPARTMENTAL ACCOUNTS

Usually in a large organizations, the operations is divided into separate departments. This is because such organizations have a large volume of transactions coupled with a wide range of lines of product and as such finds it convenient and for accounting purpose to separate or divide its operations into different departments. This affords the organization easy operations and accountability.

In departmentalized organizations, the accounting process entails keeping separate journal and ledger books for each of the departments such as separate cashbook separate purchases and sales books, separate stocks, separate returns and personal ledgers e.t.c.

At the end of the financial year, the accountants bring together the separate journal and ledger books to integrate, compare and determine the department that performs better than the other (see final accounts).

FINAL ACCOUNTS OF A DEPARTMENTALIZED ENTERPRISE

The trading, profit and loss accounts of each of the departments in a departmentalized organization are drawn separately but in a combined format called **DEPARTMENTAL, TRADING, PROFIT AND LOSS ACCOUNT**.

The aim of departmental, trading, profit and loss account is to compare trading result and to assist the owner of the business in formulating policies, having known the departments that perform better and those that perform worse.

NB: The Balance sheet follows normal procedure: not in a combined format.

Format

Departmental Trading, Profit and loss Account for the year ended 31st Dec. 19xx

Name: _____

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| | A | B | C | Total | | A | B | C | Total |
|-------------------|----------|----------|----------|----------|-------------|---|---|---|-------|
| | N | N | N | N | | N | N | N | N |
| Opening stock x | x | x | x | | Sales | x | x | x | x |
| Add purchases x | x | x | x | | Returns I.R | x | x | x | (x) |
| Inter dept. T/f x | x | x | - | | | | | | |
| | X | x | x | x | | | | | |
| Less clo. Stock | (x) | (x) | (x) | (x) | | | | | |
| Cost of sales | x | x | x | x | | | | | |
| Gross profit c/d | <u>x</u> | <u>x</u> | <u>x</u> | <u>x</u> | | | | | |
| | X | x | x | x | | x | x | x | x |
| Expenses | | | | | G/P b/d | x | x | x | x |
| Wages & Salaries | x | x | x | x | Dis. Rec. | x | x | x | x |
| Rent | x | x | x | x | | | | | |
| Commission | x | x | x | x | | | | | |
| Depreciation | x | x | x | x | | | | | |
| Motor expenses | x | x | x | x | | | | | |
| Net profit c/d | <u>x</u> | <u>x</u> | <u>x</u> | <u>x</u> | | | | | |
| | X | x | x | x | | x | x | x | x |

INTER DEPARTMENTAL TRANSFER AND APPORTIONMENT OF EXPENSES

Inter Departmental Transfer: Sometimes goods purchased by one department may be transferred to another department by reason of sales and such purchases transferred is deducted from the department giving it out and is added to the department receiving it.

Apportionment of Expenses: Expenses are usually not separated to reflect expenses incurred by each department. As a result of this, there is need for apportionment (i.e division). Expenses must therefore be adjusted and then apportioned for each of the departments.

Methods

- Turnover Basis:** This is the use of sales (i.e Turnover as a basis of sharing (i.e sharing ratio).
- Floor Space Basis:** This uses the area of floor space occupied as the basis of sharing i.e sharing ratio.
- Number of Articles Sold Basis:** Ratio used is the...