

Basis of difference → ① Goods ② Accounting ③ Trial Balance ④ Remittance of cash ⑤ Expenses ⑥ Reconciliation ⑦ Accounting system.

### Unit-III Departmental Accounts

When a business sells different types of goods or carries several activities under one roof, it is generally split into a number of departments.

It is not separated geographically from the other departments, though they are treated as a separate centre. When business is divided into several departments, internal information about the operating results of each department is required. This enables the mng to take decisions relating to pricing, closure etc after taking into consideration diff rates of growth, profitability & degree of risk of diff departments.

Objectives → ① To compare the results of each department with previous year.

- ② To evaluate the performance of ~~per~~ each department.
- ③ To assess the position of stock in each department.
- ④ To help identify the areas of weakness of control and the efficiency.
- ⑤ To help the proprietor in formulating policies.
- ⑥ To allow departmental managers commission.

Advantages → ① Evaluation of performance

- ② Judging efficiency
- ③ Suitable rewards
- ④ Planning & control
- ⑤ Expansion decision
- ⑥ Detailed information.



## Unit IV Methods of Branch Accounting - 4

① Debtor system - This system is adopted in case of small <sup>in terms of</sup> ~~or~~ branch size. Under this system, a branch account is opened separately for each branch in the books of head office. It is a nominal A/c & is prepared to calculate profit & loss of each branch.

② Stock & Debtors system - P/L of a branch can be found out by preparing branch account but there is another method for the same purpose. This method is known as stock & debtors method. If it is desired to exercise a more detailed account control over the working of a branch, the accounts of the branch are maintained under which is described as the stock & debtors method.

### Treatment of specific transactions in case of independent branch - 4

- ① Cash in transit
- ② Goods in transit
- ③ Purchase of fixed assets
- ④ Depreciation on fixed assets.
- ⑤ Inter-branch Transactions.

## Unit III

### Disadvantages of department account - 4

- ① Apportionment of exp b/w or amongst various departments is difficult due to which exact profit cannot be ascertained.
- ② There are certain expenses which cannot be allocated such as: debenture int, share transfer fee, general office exp etc & thus should be apportioned.
- ③ Separate A/c's are prepared for each department which will increase accounting charges.



① Dependent branch → These are those goods which transfer the goods from one department to the another for further department.

② Independent Branch → These are those departments which work independently of each other & have negligible inter departmental transfer.

③ Direct Expenses → These expenses are particularly related to a particular department. They are charged to the respective department.

④ Indirect exp → Expenses related to more than one department are called indirect exp.

They are further divided into.

- ① Expenses which are allocated
- ② Expenses which cannot be allocated.

### Allocation & Apportionment of Departmental Expenses:

① There are certain expenses which can be specially incurred by the department.

② There are certain expenses which are indirect in nature & incurred for the whole department. Such expenses are distributed among various departments on some suitable basis.

③ There are certain expenses which cannot be allocated on some equitable basis such as interest, debent interest, dividend, share transfer, income tax etc. & thus should not be apportioned.

Voyage in Progress → Suppose explain any situation

Receiving of Adv Income → We will deduct advance income of incomplete voyage from total income or show in the total income of voyage account.   
debit side

Laying of Adv expenses → We will also deduct adv exps of