

Problem No. 2

Illustration 2 : Given below is Profit & Loss Account of a manufacturing company for the year ending 31st March, 2000.

Dr.		Profit & Loss A/c		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Opening Stock of Raw Materials	10,000	By Sales	4,45,800		
To Purchases of Raw Material	1,50,000	By Closing Stock of Raw Materials	12,000		
To Wages	1,24,000				
To Power	36,000				
To Establishment Expenses					
Factory	8,000				
Office	15,000				
	23,000				
To Rent					
Factory	2,000				
Office	3,000				
	5,000				
To Advertising	6,000				
To Traveller's Commission		4,000			
To Maintenance of Delivery - Vans	5,000				
To Rent of Warehouse	2,500				
To Telephone					
Factory	300				
Office	500				
	800				

To Electricity Charges			
Factory	200		
Office	400	600	
To Depreciation of Furniture			
Factory	100		
Office	700	800	
To Depreciation of Factory Machinery			3,000
To Interest on Loan			1,000
To Bad Debts			600
To Miscellaneous Expenses			
Factory	2,000		
Office	9,000	11,000	
To Net Profit			74,500
		4,57,800	4,57,800

The following analysis of office expenditure is given to you.

Analysis

Office Expenditure	Administration	Selling	Distribution
(a) Office Establishment	50%	40%	10%
(b) Office Telephone	30%	50%	20%
(c) Office Rent	40%	60%	Nil
(d) Office Electricity Charges	20%	70%	10%
(e) Office Miscellaneous Expenses	65%	20%	15%
(f) Use of Office Furniture	60%	30%	10%

From the above Profit & Loss Account, prepare a statement showing different elements of cost, bringing out figures for Administration, selling and distribution separately.

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Solution :**Statement of Cost**

Particulars	Rs.	Rs.
Opening Stock of Raw Materials	10,000	
Add : Purchase of Raw Material	1,50,000	
	1,60,000	
Less : Closing Stock of Raw Materials	12,000	
Material Consumed	1,48,000	
Wages	1,24,000	
Prime Cost		2,72,000

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8 B. Com. Part III ■ Advanced Accountancy • Semester VI

Factory Overhead		
Power	36,000	
Establishment	8,000	
Rent	2,000	
Telephone	300	
Electricity Charges	200	
Depreciation of Furniture	100	
Depreciation of Machinery	3,000	
Miscellaneous Expenses	2,000	51,600
Factory Cost		3,23,600

Office Overhead**(A) Administration Overhead**

Establishment (50% 15,000)	7,500	
Rent (40% 3000)	1,200	
Telephone (30% of 500)	150	
Electricity Charges (20% 400)	80	
Depreciation of Furniture (60% 700)	420	
Miscellaneous Expenses (65% 9000)	5,850	15,200

3,38,800

(B) Selling Overhead

Establishment (40% 15000)	6,000	
Rent (60% 3000)	1,800	
Advertisement	6,000	
Traveller's Commission	4,000	
Telephone (50% 500)	250	
Electricity Charges (70% 400)	280	
Bad Debts	600	
Depreciation of Furniture (30% 700)	210	
Miscellaneous Expenses	1,800	20,940

3,59,740

(C) Distribution Overhead

Establishment (10% 15,000)	1,500	
Telephone (20% 500)	100	
Electricity Charges (10% 400)	40	
Maintenance of Delivery-Van	5,000	
Rent of Warehouse	2,500	
Depreciation of Furniture (10% 700)	70	
Miscellaneous Expenses (15% 9000)	1,350	10,560

Total Cost

3,70,300

Add - Net profit (Bal. Fig)

Sales price

75,500

445,800

Thank u