

**Dr.SNS RAJALAKSHMI COLLEGE OF ARTS AND SCIENCE  
(Autonomous)**

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Coimbatore- 49**

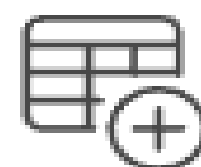
**DEPARTMENT OF COMMERCE WITH INFORMATION  
TECHNOLOGY**

**21UCR402 – FUNCTIONAL ACCOUNTING**

**Unit-3: Departmental Accounting (Need, Advantages and  
Disadvantages)**

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# Departmental Accounting Overview



## Separate Accounts

Maintains distinct financial records for each department



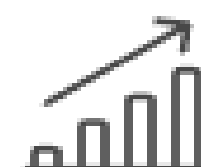
## Revenue Recording

Tracks income generated by each department



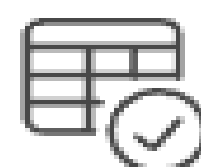
## Expense Tracking

Monitors costs incurred by each department



## Profitability Analysis

Evaluates the financial success of each department



## Performance Evaluation

Assesses the overall effectiveness of each department

## Need for Departmental Accounting

- To ascertain department-wise profitability
- To control expenses
- To aid managerial decision-making
- To evaluate performance of managers
- To calculate correct commission or incentives
- To assist in pricing decisions

# Three Bases for Allocation of Departmental Expenses

The common bases include:

## 1. Floor Area (Square Meters / Square Feet)

Used to allocate rent, lighting, repairs, depreciation of buildings, etc.

## 2. Sales Turnover

Used to apportion selling and distribution expenses such as advertising, sales salaries, commission.

## 3. Number of Employees or Labour Hours

Used for wages, staff welfare, canteen expenses, supervision, etc.

### Number of Employees

Used for wages, staff welfare, canteen expenses, and supervision.



### Floor Area

Used to allocate rent, lighting, repairs, and depreciation of buildings.

### Sales Turnover

Used to apportion selling and distribution expenses such as advertising and sales salaries.

# Advantages of Departmental Accounting

- ❖ **Accurate Measurement of Performance** – Shows strengths and weaknesses of each department.
- ❖ **Improved Cost Control** – Helps trace cost overruns and reduce waste.
- ❖ **Better Decision Making** – Provides data for expansion, discontinuation, or improvement.
- ❖ **Facilitates Budgeting** – Each department can prepare realistic budgets based on past performance.
- ❖ **Responsibility Accounting** – Helps assess managerial performance of each department.

# Disadvantages of Departmental Accounting



**THANK YOU**