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E- CONTENT FOR M.COM – SEMESTER 3

SUBJECT: ADVANCE ACCOUNTING

PAPER CODE: COMCC-13

UNIT: VOYAGE ACCOUNTING

TOPIC: INCOMPLETE VOYAGE (THEORY)- PART 3

Calculation of Voyage- in- Progress

1. If voyage is incomplete at the closing of accounts then the income and expenditure related to the incomplete voyage should be carried forward to the next period.
2. The income credited to voyage account, the portion of incomplete voyage should be debited and following journal entry is passed for adjustment:
Voyage A/c -----Dr.
 To Voyage-in-Progress (Income)
(Being income of incomplete voyage is adjusted)
3. The expense debited to voyage, the portion of incomplete voyage should be credited and following entry is passed for adjustment:
Voyage-in-Progress (Expense)-----Dr.
 To Voyage A/c
(Being expenses of incomplete voyage is adjusted)

4.

Freight-

Generally, freight is calculated at rates per ton between two points or destination. Thus, the total freight received for incomplete journey should be carry forward to the next period since it is not earned at the time of preparing the voyage a/c.

5. Primage –

Since, it is related to freight, it will be calculated on the same basis as the freight is calculated.

6. Passage Money –

Generally, information related to passage money of each trip is given in the question.

7. Address Commission-

Since, address commission is related to freight, it will be calculated on the basis of freight.

Address commission of incomplete voyage will be transfer to voyage- in- progress account.

8. Stevedoring Charges-

Since, stevedoring charges are related to loading and unloading of goods, in case separate rates of stevedoring are given for difference goods the same should be carry forward in respect of goods related to incomplete voyage.

If a lumpsum amount of stevedoring charges are given without rate, then same should be carry forward according to other expenses.

9. Port Charges-

At different ports, the charges levied are different.

Hence, if the port charges are given separate for different ports then the same should be carried forward according to the information.

Further it is assumed that charges or time for using any port for loading and unloading are equal.

A) If the port charges are given separate for different port.

Example,

During the given period, a ship completed its outward and return journey from Cochin to Kolkata and was on the half way from Cochin to Kolkata in second trip of outward journey. Total port charges paid were ₹ 500000.

Out of which ₹300000 were paid at Cochin and balance on Kolkata. Calculate the port charges related to incomplete journey.

Solu.

Cochin-----→Kolkata # Trip1

Cochin←-----Kolkata # Trip1

Cochin-----→ |----- Kolkata # Trip 2 Incomplete

Total service taken at Cochin Port is 3 times and at Kolkata at 2 times.

Total Port Charge = ₹ 500000

Cochin = ₹ 300000 = $300000/3 = ₹100000$ (For incomplete Journey)

Balance = ₹ 200000.

B) Port charges are given in lumpsum for all different ports.

Example, During the given period, a ship completed its outward and return journey from Cochin to Kolkata and was on the half way from Cochin to Kolkata in second trip of outward journey.

Total port charges paid were ₹ 500000.

Solu.

Cochin-----→Kolkata # Trip1

Cochin←-----Kolkata # Trip1

Cochin-----→ |----- Kolkata # Trip 2 Incomplete

Total service taken at Cochin Port is 3 times and at Kolkata at 2 times. Total 5 number of times port is used.

Total Port Charge = ₹ 500000

Therefore, port charges of incomplete journey would be
 $500000 / 5 = ₹100000$

10. Other expenses-

Other expenses like insurance premium, coal, storage, depreciation, stores consumed etc. (not specified above) will be carried forward using the given formula of voyage ratio :

$$\frac{\text{Completed portion of incomplete trip}}{\text{Total Journey}} \times \text{Total Other Expense}$$

Illustrations related to calculation of voyage ratio:

- a. During given period, a ship completed its outward and return journey from Vishakhapatnam to Kolkata and was on half the way from Vishakhapatnam to Kolkata in second trip. Find out the ratio in which other expenses are to be carried forward.

Solu.

V-----→K 1 # trip1
V ←-----K 2 # trip1
V-----→K ½ or 0.5 #trip2 ~ Complete

portion of incomplete journey

Total Journey = 2.5

$$\text{Voyage Ratio} = \frac{\text{Completed portion of incomplete journey}}{\text{Total Journey}} \\ = 0.5 / 2.5 = 1/5$$

- b. During given period, a ship completed its outward and was on half the way from Vishakhapatnam to Kolkata. Find out the ratio in which other expenses are to be carried forward.

Solu.

V-----→K 1 # trip1

V <-----→ |-----K 1/ 2 or 0.5 # trip1 ~ Complete portion
of incomplete journey

Total Journey = 1.5

$$\text{Voyage Ratio} = \frac{\text{Completed portion of incomplete journey}}{\text{Total Journey}}$$

$$= 0.5 / 1.5 = 1/3$$

- c. During given period, a ship completed its outward and was on 1/3rd the way from Vishakhapatnam to Kolkata. Find out the ratio.

Solu.

V -----→K 1 # trip1

V <----- |-----K 1/3rd #trip1 ~ Complete
portion of incomplete journey

Total Journey = 1 and 1/3 = 4/3

$$\text{Voyage Ratio} = \frac{\text{Completed portion of incomplete journey}}{\text{Total Journey}}$$

$$= \frac{1/3}{4/3} = \frac{1}{4}$$
