

11. ACCOUNTING FOR DEPENDENT BRANCHES**ASSIGNMENT SOLUTIONS****PROBLEM NO: 1**

Computation of Branch manager commission

Particulars	Shyam Bazar (Rs.)	Tolly gunge (Rs.)
1. Net Profit before charging commission (W.N.1)	10,060	5,540
2. Branch manager commission @ 10% on above	(1,006)	(554)
3. 25% of ascertained deficiency i.e. abnormal loss	(60)	(20)
4. Branch managers commission after adjustment of abnormal loss	946	534
5. Drawing already made	(600)	(300)
Balance commission due	<u>346</u>	<u>234</u>

WORKING NOTE -1

Dr. Branch Stock A/c Cr.

Particulars	Shyam bazaar (Rs.)	Tolly gunge (Rs.)	Particulars	Shyam bazaar (Rs.)	Tolly gunge (Rs.)
To Balance b/d	18,684	12,484	By Bank A/c	90,320	58,560
To goods sent to Branch A/c	72,420	43,480	By Branch A/c (abnormal loss)	240	80
To Branch P&L A/c (25% On Sales)	<u>22,580</u>	<u>14,640</u>	By Balance c/d	<u>23,124</u>	<u>11,964</u>
	<u>1,13,684</u>	<u>70,604</u>		<u>1,13,684</u>	<u>70,604</u>

Dr. Branch Profit & Loss A/c Cr.

Particulars	Shyam bazaar (Rs.)	Tolly gunge (Rs.)	Particulars	Shyam bazaar (Rs.)	Tolly gunge (Rs.)
To Branch Expenses A/c	12,280	9,020	By Branch Stock A/c	22,580	14,640
To Branch A/c (abnormal loss)	240	80			
To Net Profit	10,060	5,540			
	<u>22,580</u>	<u>14,640</u>		<u>22,580</u>	<u>14,640</u>

PROBLEM NO: 2

In the books of Head Office

Dr. Branch Stock Account Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	3,60,000	By Bank A/c (cash Sales)	21,60,000
To Goods Sent to Branch A/c	24,00,000	By Branch Debtors A/c (Credit Sales)	1,20,000
To Branch Adjustment A/c (Balancing fig. (Surplus)***)	36,000	By Goods sent to Branch A/c (Returns to H.O.)	1,20,000
		By Branch Adjustment A/c* (Rs. 24,000 x 25/100)	6,000
		By Branch P&L A/c * (Cost of Abnormal Loss)	18,000

		By Branch Adjustment A/c** (Invoice price of normal loss)	36,000
		By Balance c/d:	
		In hand	2,88,000
		In transit	48,000
	27,96,000		27,96,000

*Alternatively, combined posting for the amount of Rs. 24,000 may be passed through Goods pilfered account

** Alternatively, it may first be transferred to normal Loss account which may ultimately be closed by transfer to Branch Adjustment account. The final amount of net profit will however remain same.

*** It has been considered that the surplus may be due to sale of goods by branch at price higher than invoice price.

Dr. **Branch Adjustment Account** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Branch Stock A/c (Loading on Abnormal Loss)	6,000	By Stock Reserve A/c (Rs. 3,60,000 x 25/100)	90,000
To Branch Stock A/c (Normal Loss)	36,000	By Goods Sent to Branch A/c (Rs. 24,00,000 - 1,20,000) x 25/100	5,70,000
To Stock Reserve A/c (Rs. 3,36,000 x 25/100)	84,000	By Branch Stock A/c (Surplus)	36,000
To Gross Profit t/f to P & L A/c	5,70,000		
	6,96,000		6,96,000

Dr. **Branch Profit and Loss Account** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Branch Stock A/c (Cost of Abnormal Loss)	18,000	By Branch Adjustment A/c (Gross Profit)	5,70,000
To Net Profit t/f to General P & L A/c	5,52,000		
	5,70,000		5,70,000

PROBLEM NO: 3

Books of Harrison

Dr. **Branch Stock Account** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	30,000	By Branch Debtors	1,65,000
To Goods Sent to Branch A/c	2,40,000	By Branch Bank	59,000
To Branch Adjustment A/c (Excess of sale over invoice price)	2,000	By Balance c/d (Goods in Transit) (Rs. 2,40,000 - Rs. 2,20,000)	20,000
		Stock at Branch	28,000
	<u>2,72,000</u>		<u>2,72,000</u>

Dr. **Branch Debtors Account** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	32,750	By Bad debts written off	750
To Branch Stock	1,65,000	By Branch Cash-collection (bal.fig.)	1,71,000
		By Balance c/d	26,000
	<u>1,97,750</u>		<u>1,97,750</u>

Dr.		Branch Cash Account		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Balance b/d	5,000	By Bank Remit to H.O.	2,22,500		
To Branch Stock	59,000	By Branch profit & loss A/c (exp. paid by H.O.)	12,000		
To Bank (as per contra)	12,000	By Branch profit & loss A/c [Bal. fig. (exp. paid by Branch)]	10,000		
To Branch Debtors	<u>1,71,000</u>	By Balance c/d	<u>2,500</u>		
	<u>2,47,000</u>		<u>2,47,000</u>		

Dr.		Branch Adjustment Account		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Stock Reserve (on closing stock (48,000 × 1/6)	8,000	By Stock Reserve opening (25,000 × 20%)	5,000		
To Gross Profit c/d	39,000	By Goods sent to Branch A/c	40,000		
	<u>47,000</u>	By Branch Stock A/c	<u>2,000</u>		
			<u>47,000</u>		

Dr.		Branch Profit and Loss Account		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Branch Expenses (paid by H.O: Rs. 12,000 and paid by Branch Rs. 10,000)	22,000	By Gross Profit b/d	39,000		
To Branch Debtors-Bad debts	750				
To Net Profit	<u>16,250</u>				
	<u>39,000</u>		<u>39,000</u>		

Dr.		Goods Sent to Branch Account		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Branch Adjustment A/c	40,000	By Branch to Stock A/c	2,40,000		
To Purchase A/c - Transfer	<u>2,00,000</u>				
	<u>2,40,000</u>		<u>2,40,000</u>		

PROBLEM NO: 4

In the Books of Pawan Delhi (Head Office)

Dr.		Jaipur Branch Account		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Opening balances:		By Branch stock reserve	32,800		
Branch stock A/c	1,64,000	By Bank A/c (W.N.4)	15,00,000		
Branch debtors A/c	63,400	By Goods sent to branch A/c (Loading)	2,51,200		
Branch furniture A/c	46,800				
To Goods sent to branch	12,56,000	By Closing Balances:			
To Bank A/c (branch expenses)	2,64,000	Branch stock A/c	1,92,000		
To Branch stock reserve A/c	38,400	Branch debtors A/c	84,300		
To Profit and loss A/c (Bal. Fig.)	2,74,570	Branch furniture A/c (W.N.2)	46,870		
	<u>21,07,170</u>		<u>21,07,170</u>		

Working Notes:**1. Depreciation on furniture**

Particulars	Amount (Rs.)
10% p.a. on Rs. 46,800	4,680
10% p.a. for 6 months on Rs. 5,000	250
	4,930

2. Closing balance of branch furniture as on 31.03.2013

Particulars	Amount (Rs.)
Branch furniture as on 1.4.2012	46,800
Add: Acquired during the year	5,000
	51,800
Less: Depreciation (W.N.1)	(4,930)
Branch furniture as on 31.03.2013	46,870

3. Collection from branch debtors

Dr.		Branch Debtors Account		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Balance b/d	63,400	By Bank A/c (Bal. Fig.)	7,23,300		
To Sales	7,44,200	By Balance c/d	84,300		
	8,07,600		8,07,600		

4. Cash remitted by the branch to head office:

Cash sales + Collection from debtors - Petty expenses - Furniture acquired by branch Rs. 8,02,600 + Rs. 7,23,300 (W.N. 3) - Rs. 20,900 - Rs. 5,000 = Rs. 15,00,000

PROBLEM NO: 5

Dr.		Branch Debtors A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Branch Stock A/c	1,16,000	By Branch cash A/c (bal. fig)	74,000		
		By Bad Debts (written off)	400		
		By Balance c/d	41,600		
	1,16,000		1,16,000		

Dr.		Goods Sent to Branch A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Branch Adjustment A/c $1,00,000 \times \frac{20}{100}$	20,000	By Branch Stock A/c	1,20,000		
To Purchases / Trading A/c	1,00,000				
	1,20,000		1,20,000		

Dr.		Branch Cash A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Branch Debtors A/c	74,000	By Branch Expenses A/c	24,000		
To H.O A/c (cash remittance)	6,000	By H.O. (cash remittance)	86,000		
To Branch Stock A/c		By Balance c/d			

- Cash Sales (balancing figure)	<u>34,000</u>		<u>4,000</u>
	<u>1,14,000</u>		<u>1,14,000</u>

Dr. Branch Stock A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Goods sent to Branch A/c	1,20,000	By Branch Debtors A/c	1,16,000
To Branch Adjustment A/c (Excess profit over normal loading - balancing figure)	54,000	By Branch cash A/c (Sales)	34,000
		By Goods in Transit (1,20,000 - 1,08,000)	12,000
		By Balance c/d	<u>12,000</u>
	<u>1,74,000</u>		<u>1,74,000</u>

Dr. Branch Expenses A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Branch Cash A/c	<u>24,000</u>	By Branch P & L A/c	<u>24,000</u>

Dr. Branch Stock Adjustment A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Stock Reserve A/c	2,000	By Goods sent to Branch A/c	20,000
To Goods in transit Reserve A/c	2,000	By Branch Stock A/c	54,000
To Branch P & L A/c (Bal. fig.)	<u>70,000</u>		
	<u>74,000</u>		<u>74,000</u>

Dr. Branch P & L A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Branch Expenses A/c	24,000	By Branch Adjustment A/c	70,000
To Bad Debts	400		
To Net Profit (transferred to General P & L A/c)	<u>45,600</u>		
	<u>70,000</u>		<u>70,000</u>

Working Notes:

- Loading is 20% of cost i.e 16.67% ($1/6^{\text{th}}$) of invoice value.
Loading on closing stock = $1/6^{\text{th}}$ of Rs.12,000 = Rs.2,000
- Loading on goods sent to branch = $1/6^{\text{th}}$ of Rs,1,20,000 = Rs.20,000
- Loading on goods in transit = $1/6^{\text{th}}$ of Rs. 12,000 = Rs.2,000

PROBLEM NO: 6

Dr. Branch Stock A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	2,250	By Branch cash A/c	1,21,050
To Goods sent to Branch A/c	1,50,000	By Branch Debtors A/c	27,600
To Branch Debtors A/c	300	By Goods sent to Branch A/c	780
To Stock Discrepancy A/c	840	By abnormal loss A/c	1,260
		By Balance c/d	2,700
	<u>1,53,390</u>		<u>1,53,390</u>

Dr.		Goods Sent to Branch A/c		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)		
To Branch Stock Adjustment A/c (1,50,000 x 33.33%)	50,000	By Branch stock	1,50,000		
To Branch Stock A/c	780	By Branch stock adjustment A/c	260		
To Purchases	99,480				
	1,50,260				1,50,260

Dr.		Stock Discrepancy A/c		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)		
To Branch Stock Adjustment A/c	280	By Branch stock A/c	840		
To Branch P&L A/c	560				
	840				840

Dr.		Abnormal loss A/c		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)		
To Branch stock A/c	1,260	By Insurance co A/c	730		
		By Branch stock adjustment A/c	176		
		By Branch P&L A/c	353		
	1,260				1,260

Dr.		Branch Debtors A/c		Cr.	
Particulars	Amount (Rs)	particulars	Amount (Rs)		
To Balance b/d	1,320	By Branch stock A/c	300		
To Branch stock A/c	27,600	By Bank A/c	26,390		
		By Balance c/d	2,230		
	28,920				28,920

Dr.		Branch Stock Adjustment A/c		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)		
To Goods sent to Branch A/c	260	By Balance b/d (2,250 x 33.33%)	750		
To abnormal loss A/c	176	By Goods sent to Branch A/c	50,000		
To Branch P&L A/c	49,694	By Stock Discrepancy A/c	280		
To Balance c/d (2,700x33.33%)	900				
	51,030				51,030

Dr.		Branch P & L A/c		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)		
To abnormal loss A/c	353	By Stock Discrepancy A/c	560		
To Branch Expenses A/c	36,780	By Branch Stock Adjustment A/c	49,693		
To General P&L A/c	13,120				
	50,253				50,253

Dr.		Branch Cash A/c		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)		
To Branch Stock A/c	1,21,050	By Branch Expenses A/c	36,780		
		By Balance c/d	84,270		
	1,21,050				1,21,050

PROBLEM NO: 7

Books of sell well

Dr.		Branch account		Cr	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Goods Sent to Branch A/c (150,000 x 110/100)	1,65,000	By Cash A/c	1,06,000		
To Stock Reserve [W.N - 2]	4,855	By Goods Sent to Branch - returns A/c	4,200		
To Profit (transferred to General P&L A/c)	37,363	By Goods Sent to Branch [W.N - 1]	14,618		
		By Balance c/d			
		Stock	53,400		
		Debtors	29,000		
	2,07,218				2,07,218

Dr.		Memorandum Branch Debtors A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To balance b/d	-	By Cash/Bank A/c	1,06,000		
To Sales A/c	1,35,000	By balance c/d	29,000		
	1,35,000				1,35,000

Dr.		Goods Sent to Branch A/c		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Branch A/c (Returns)	4,200	By Branch A/c	1,65,000		
To Branch A/c (Loading)	14,618				
To Purchases	1,46,182				
	1,65,000				1,65,000

WORKING NOTES:

1. Loading on goods sent to Branch = $(1,65,000 - 4,200) \times \frac{1}{11} = \text{Rs.}14,618$
2. Stock Reserve = $\text{Rs.}53,400 \times \frac{1}{11} = \text{Rs.}4,855$

PROBLEM NO: 8

In the books of Head office - XYZ

Dr.		Kolkata Branch Account (at invoice)		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)		
To Balance b/d		By Stock Reserve A/c (30,000 x 20%)	6,000		
Stock	30,000	By Remittances A/c			
Debtors	18,000	Cash sales	100,000		
Cash in hand	800	Cash from debtors	<u>60,000</u>		1,60,000
Furniture	3000	By Goods Sent to Branch A/c (Loading) $(1,60,000 \times \frac{20}{100})$	32,000		
To Goods Sent to Branch A/c	1,60,000	By Goods returned by Branch (Returned to H.O)	2,000		
To Goods returned by Branch (Loading) A/c	400	By Balance c/d			
To Bank (Expenses paid by H.O)		Stock	28,000		
- Rent	1,800	Debtors	16,880		

- Salary	3,200	Cash (800 - 600)	200
- Stationary & Printing	800	Furniture (3,000 - 300)	2,700
To Stock Reserve A/c (28,000 x 20%)	5,600		
To Profit (transferred to General P&L A/c)	24,180		
	2,47,780		2,47,780

Dr. Branch Debtors A/c Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	18,000	By Cash A/c	60,000
To Sales A/c	60,000	By Sales Returns A/c	960
		By Discount allowed	160
		By Balance c/d	16,880
	78,000		78,000

Note: It is assumed that goods returned by branch are at invoice price

PROBLEM NO: 9

i) Calculation of Profit earned by the branch:

In the books of Jammu branch

Dr. Trading A/c and Profit & Loss A/c Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening Stock	2,20,000	By Sales A/c	12,00,000
To Goods Sent to Branch A/c	11,00,000	By Closing Stock (W.N)	3,60,000
To Expenses A/c	45,000		
To Net Profit	1,95,000		
	15,60,000		15,60,000

ii) Stock Reserve in respect of Unrealised Profit = $360,000 \times \frac{20}{120} = \text{Rs.}60,000/-$

WORKING NOTE:

Cost Price = 100

Invoice Price = Cost + 20% = $100 + 20\% = 120/-$

Sale Price = Cost + 50% = $100 + 50\% = 150/-$

Calculation of Closing Stock at Invoice Price:

Particulars	Amount (Rs.)
Opening Stock at invoice Price	2,20,000
Goods received during the year	11,00,000
	13,20,000
Less: COGS at Invoice Price ($12,00,000 \times \frac{120}{150}$)	(9,60,000)
Closing Stock	3,60,000

PROBLEM NO: 10

Computation of Catalogue Price and Invoice Price:

Particulars	Amount (Rs.)
Cost to Head Office	100
Add: Profit @ 50%	50
Catalogue Price	150
Less: 20% discount	(30)
Invoice Price	120

Loading by Head office = 20% on Cost = 1/5 on Cost (or) = 1/6 on the Invoice Price to Branch

Computation of Provision for Discount on Debtors:

Particulars		Amount (Rs.)
Discount allowed to Debtors	13,365	
Cash realized from Debtors	85,635	
(a) Prompt payments debtors during the year		99,000
(b) Total debtors during the year (Opening balance + Credit sales) (10,000 + 1,00,000)		1,10,000
Ratio of Prompt Payment debtors to total debtors (a/b)		90%

*∴ Provision for Discount = Closing Debtors x 90% x 15% = 11,000 x 90% x 15% = 1485

Computation of Abnormal Loss:

Particulars	Amount (Rs.)
Opening Stock at invoice Price	12,000
(+) Goods received from Head office (at Invoice)	132,000
Total Cost of Goods	144,000
(-) Invoice Price of goods Sold	
- Cash Sales (46,000 x 120/120)	(46,000)
- Credit Sales (100,000 x 120/150)	(80,000)
	18,000
(-) Closing Stock (Invoice Price)	(15,000)
Abnormal Loss (Invoice Price)	3000

Cost of Abnormal Loss to Head Office: $3,000 \times \frac{100}{120} = \text{Rs.} 2,500$

Dr. Branch Trading and Profit & Loss A/c for the year ended 31st march 2002 Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening Stock	12,000	By sales	
To Goods from Head office A/c	1,32,000	- Cash	46,000
To Gross Profit c/d	19,500	- Credit	100,000
		By Abnormal Loss (W.N) A/c	2,500
		By Closing Stock A/c	15,000
	1,63,500		163,500
To Discount A/c	13,365	By Gross Profit b/d	19,500
To Expenses A/c	6,000		
To Provision for Discount On Debtors A/c	1485*		
To Abnormal Loss A/c	2,500	By Net Loss c/d	3850
	23,350		23,350

Dr. General Profit & Loss A/c (extract) Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Net Loss b/d	3,850	By Stock Reserve on Opening Stock (12000 x 1/6)	2,000
To Stock Reserve on Closing stock A/c (15,000 x 1/6)	2,500	By Loading on Goods Sent to Branch (132000 x 1/6)	22,000
To Net Profit	17,650		
	24,000		24,000

THE END