

5. ACCOUNTING FOR DEPENDENT BRANCHES

ASSIGNMENT SOLUTIONS

PROBLEM NO: 1

Books of Harrison

Dr.		Cr.	
Branch Stock Account			
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.		Cr.	
Branch Debtors Account			
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.		Cr.	
Branch Cash Account			
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	1,71,000	By Balance c/d	2,500
	<u>2,47,000</u>		<u>2,47,000</u>

Dr.		Cr.	
Branch Adjustment Account			
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
		By Branch Stock A/c	2,000
	<u>47,000</u>		<u>47,000</u>

Dr.		Cr.	
Branch Profit and Loss Account			
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	16,250		
	<u>39,000</u>		<u>39,000</u>

Dr.		Cr.	
Goods Sent to Branch Account			
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	2,00,000		
	<u>2,40,000</u>		<u>2,40,000</u>

PROBLEM NO: 2

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
	21,07,170		21,07,170

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: 3

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	20,000	By Branch Stock A/c	1,20,000
1,00,000 × $\frac{20}{100}$			
To Purchases / Trading A/c	1,00,000		

	<u>1,20,000</u>		<u>1,20,000</u>
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: 4**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 = $(1,65,000 - 4,200) \times 1/11 = \text{Rs.}14,618$
2. Stock Reserve = $\text{Rs.}53,400 \times 1/11 = \text{Rs.}4,855$

PROBLEM NO: 5

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 = $360,000 \times 20/120 = \text{Rs.}60,000/-$

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 $(12,00,000 \times 120/150)$	(9,60,000)
Closing Stock	3,60,000

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THE END