

8. ACCOUNTING FOR DEPENDENT BRANCHES

SOLUTIONS TO ASSIGNMENT PROBLEMS

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)	(400)
Balance commission due	346	134

Working Note: 1

Dr. Cr.

Branch Stock A/c

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	46,480	By Branch A/c (abnormal loss)	240	80
To Branch P&L A/c (25% On Sales)	22,580	14,640	By Balance c/d	23,124	11,964
	1,13,684	70,604		1,13,684	70,604

Dr. Cr.

Branch Profit & Loss A/c

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			
	22,580	14,640		22,580	14,640

PROBLEM NO: 2

In the books of Head Office

Dr. Cr.

Branch Stock Account

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)	6,000

		x 25/100)	
		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 Stock 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

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
	<u>1,16,000</u>		<u>1,16,000</u>

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	<u>1,00,000</u>		
	<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 - Cash Sales (balancing figure)	<u>34,000</u>	By Balance c/d			<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	20,000	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 (B/f)(G.P)	<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 (G.P)	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

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		
	1,53,390		1,53,390		

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	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: 5

Pune Branch Account

Particulars	Amount	Amount	Particulars	Amount	Amount
To Opening Balance			By Opening Balance:		
Stock		10,000	Salaries outstanding		100
Debtors		4,000	By Remittance :		
Petty cash		5,000	Cash sales	1,30,000	
Furniture		2,000	Cash Received from debtors	35,000	
Prepaid insurance		150	Cash paid by debtors directly to H.O	2,000	
TO Goods sent to Branch Account		83,000	Received from insurance Company	1,000	1,68,000
To Bank (expenses)			By Goods sent to branch (return of goods by the branch to H.O)		1,000
Rent	2,000		By Closing Balances:		
Salaries	2,400		Stock		5,000
Petty cash	1,000		Petty cash		650
insurance	600	6,000	Debtors		4,900
To Net profit		78,950	Furniture(2,000 - 10% Depreciation)		18,00
			Prepaid insurance (1/4 x 600)		150
		1,81,600			1,81,600

Working Note:

Calculation of petty cash balance at the end:	
Opening balance	500
Add: Cash received from the Head office	<u>1,000</u>
Total Cash with branch	1,500
Less: Spent by the branch	<u>850</u>
Closing balance	<u>650</u>

PROBLEM NO: 6

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: 7**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	<u>28,000</u>
	<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	71,000	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
		By Branch Stock A/c	<u>2,000</u>
	<u>47,000</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, paid by Branch Rs. 10,000 and bad debts Rs.750)	22,750	By Gross Profit b/d	39,000
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>

Working Note:

Stock reserve account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Branch adjustment A/c	5,000	By balance b/d (30K x 20/120)	5,000
To Balance c/d	8,000	By Branch adjustment A/c	8,000
(20,000 + 2,8000) x 20/120		(20,000 x 20/120) + (28,000 x 20/120)	
	13,000		13,000

PROBLEM NO: 8

Trading and Profit & Loss A/c for year ended 31st March

Particulars	HO	Branch	Particulars	HO	Branch
To Opening stock	2,81,250	-	BY Sales	34,76,250	11,87,500
To Purchases	31,87,500	-	By Goods Sent to Branch	11,92,500	-
To Goods Received from HO	-	11,92,500	By Closing Stock (b/f)	8,75,000	1,23,750
To Gross Profit (WN1)	20,75,000	1,18,750			
	55,43,750	13,11,250		55,43,750	13,11,250
To Staff Salary	81,250	15,000	To Gross profit	20,75,000	1,18,750
To Office Expenses	1,12,500	10,625			
To Selling Expenses	90,000	7,875			
To Stock reserve (1,23,750 x 80/180)	55,000				
To Net Profit	17,36,250	85,750			
	20,75,000	1,18,750		20,75,000	1,18,750

Assume Cost

Add: Whole sale price profit @ 80%

Whole Sale price

Retail profit (200-180)

Retail price (100+100% of 100)

Rs. 100

RS.80

Rs. 180

RS.20

Rs.200

Working Note: Gross profit:

Head office:

1. From sales $34,76,250 \times 80/180$ = 15,45,000
 2. From goods sent to branch $11,92,500 \times 80/180$ = 5,30,000
- 20,75,000

Branch office:

1. From sales $11,87,500 \times 20/200$ = 1,18,750

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SOLUTIONS FOR ADDITIONAL PROBLEMS FOR SELF PRACTICE

PROBLEM NO: 1

In the Books of Bengal Trading company

Dr. 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 x 100/120)	10,000	By sales	
To Goods from Head office A/c (1,32,000 x 100/120)	1,10,000	- Cash	46,000
To Gross Profit c/d	41,000	- Credit	100,000
		By Abnormal Loss A/c (b/f)	2,500
		By Closing Stock A/c (15,000 x 100/120)	12,500
	1,61,000		1,61,000
To Discount A/c	13,365	By Gross Profit b/d	41,000
To Expenses A/c	6,000		
To Provision for Discount On Debtors A/c (WN 3d)	1,337		
To Abnormal Loss A/c	2,500		
To Net profit (b/f)	17,798		
	41,000		41,000

Working Note:

1) 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

2) Computation of Gross profit of the Branch:

From cash sales $46,000 \times 20/120 = 7,667$
 From credit sales $1,00,000 \times 50/150 = 33,333$
 $= 41,000$

3) Computation of provision for bad debts:

a. **Computation prompt payment:** $13,365 \times 100/15 = 89,100$

b. **Computation of % of prompt payment:** Total amount to be collected from debtors = opening balance + credit sales = $10,000 + 1,00,000 = 1,10,000$

Prompt payment /total debtors $\times 100 = 89,100/1,10,000 \times 100 = 81\%$

c. **Computation of estimated prompt payment in future:** $11,000 \times 81\% = 8,910$

d. **Computation of provision for bad debts:** Prompt payment $\times 15\% = 8,910 \times 15\% = 1,337$

PROBLEM NO: 2

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 (B/f)	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: 3

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

THE END

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