

## 9. ACCOUNTING FOR INDEPENDENT AND FOREIGN BRANCHES

### SOLUTIONS TO ASSIGNMENT PROBLEMS

#### **PROBLEM NO: 1**

##### Books of Branch A Journal Entries

	Particulars		Rs.	Rs.
i)	Expenses account	Dr.	3,500	
	To Head office account			3,500
	(Being the allocated expenditure by the head office recorded in branch books)			
ii)	Depreciation account	Dr.	1,500	
	To Head office account			1,500
	(Being the depreciation provided)			
iii)	Head office account	Dr.	2,000	
	To Salaries account			2,000
	(Being the rectification of salary paid on behalf of H.O.)			
iv)	Head office account	Dr.	10,000	
	To Debtors account			10,000
	(Being the adjustment of collection from branch debtors)			
v)	No entry in branch books			
vi)	Head Office account	Dr.	3,000	
	To Cash account			3,000
	(Being the expenditure on account of Branch B, recorded in books)			

**Note:** Entry (vi) Inter branch transactions are routed through Head Office.

#### **PROBLEM NO: 2**

##### Journal Entry in the books of Head Office

Particulars		Debit (Rs.)	Credit (Rs.)
Chennai Branch A/c	Dr.	6,000	
Cochin Branch A/c	Dr.	16,000	
To Mumbai Branch A/c			6,000
To Delhi Branch A/c			16,000
(Being the adjustment entry passed by head office in respect of inter-branch transactions)			

##### Statement of Inter Branch Transaction Effects:

Particulars	Bombay (Rs.)	Madras (Rs.)	Calcutta (Rs.)	Patna (Rs.)
→ <b><u>Bombay:</u></b>				
Received goods	10,000 (Dr)	-	6,000 (Cr)	4,000 (Cr)
Sent Goods	18,000 (Cr)	-	8,000 (Dr)	10,000 (Dr)
Received Bills Receivable	6,000 (Dr)	-	-	6,000 (Cr)
Sent Acceptance	6,000 (Cr)	-	4,000 (Dr)	2,000 (Dr)
→ <b><u>Madras:</u></b>				

Received goods	4,000 (Cr)	14,000 (Dr)	10,000 (Cr)	-
Cash Sent	6,000 (Dr)	8,000 (Cr)	2,000 (Dr)	-
→ <b>Calcutta:</b>				
Sent goods	-	-	6,000 (Cr)	6,000 (Dr)
Paid bills payable and cash	-	-	8,000 (Cr)	8,000 (Dr)
	<b>6,000 (Cr)</b>	<b>6,000 (Dr)</b>	<b>16,000 (Cr)</b>	<b>16,000 (Dr)</b>

**PROBLEM NO: 3****Books of Branch****Journal Entries**

a)

Particulars	(Rs. in lacs)	
	Dr.	Cr.
Goods in Transit A/c Dr.	10	
To Head Office A/c		10
(Goods dispatched by head office but not received by branch before 1 <sup>st</sup> April, 2013)		
Expenses A/c Dr.	1	
To Head Office A/c		1
(Amount charged by head office for centralised services)		

b) **Trading and Profit & Loss Account of the Branch for the year ended 31st March, 2013**

Particulars	Rs. in lacs	Particulars	Rs. in lacs
To Opening Stock	60	By Sales	360
To Goods received from		By Closing Stock	62
Head Office 288			
<b>Less: Returns (5)</b>	<b>28</b>		
To Carriage Inwards	7		
To Gross Profit c/d	<u>72</u>		
	<b>422</b>		<b>422</b>
To Salaries	25	By Gross Profit b/d	72
To Depreciation on Furniture	2		
To Rent	10		
To Advertising	6		
To Telephone, Postage & Stationery	3		
To Sundry Office Expenses	1		
To Head Office Expenses	1		
To Net Profit Transferred to Head Office A/c	<u>24</u>		
	<b>72</b>		<b>72</b>

**Balance Sheet as on 31st March, 2013**

Liabilities	Rs. in lacs	Assets	Rs. in lacs
Head Office	80	Furniture & Equipment	20
<b>Add: Goods in transit</b>	<b>10</b>	<b>Less: Depreciation</b>	<b>(2)</b>
Head Office Expenses	1	Stock in hand	62
Net Profit	<u>24</u>	Goods in Transit	10
	115	Debtors	20
Outstanding Expenses	<u>3</u>	Cash at bank and in hand	<u>8</u>
	<b>118</b>		<b>118</b>

c) **Books of Head Office**  
**Journal Entries**

Particulars		Rs.	Rs.
		Dr. (Rs.)	Cr. (Rs.)
Branch Trading Account	Dr.	355	
To Branch Account			355
(The total of the following items in branch trial balance debited to branch trading account Rs. in lacs			
Opening Stock		60	
Goods received from Head Office		288	
Carriage Inwards		7)	
Branch Account	Dr.	427	
To Branch Trading Account			427
(Total sales, closing stock and goods returned to Head Office credited to branch trading account, individual amount being as follows:      Rs. in lacs			
Sales		360	
Closing Stock		62	
Goods returned to Head Office		5)	
Branch Trading Account	Dr.	72	
To Branch Profit and Loss Account			72
(Gross profit earned by branch credited to Branch Profit and Loss Account)			
Branch Profit and Loss Account	Dr.	48	
To Branch Account			48
(Total of the following branch expenses debited to Branch Profit & Loss A/c) Rs. in lacs			
Salaries		25	
Rent		10	
Advertising		6	
Telephone, Postage & Stationery		3	
Sundry Office Expenses		1	
Head Office Expenses		1	
Depreciation on furniture & Equipment		2	
Branch Profit & Loss Account	Dr.	24	
To Profit and Loss Account			24
(Net profit at branch credited to (general) Profit & Loss A/c)			
Branch Furniture & Equipment	Dr.	18	
Branch Stock	Dr.	62	
Branch Debtors	Dr.	20	
Branch Cash at Bank and in Hand	Dr.	8	
Goods in Transit	Dr.	10	
To Branch			118
(Incorporation of different assets at the branch in H.O. books)			
Branch	Dr.	3	
To Branch Outstanding Expenses			3
(Incorporation of Branch Outstanding Expenses in H.O. books)			

**PROBLEM NO: 4**Delhi Branch Trading and Profit & Loss Account for the year ended 31<sup>st</sup> Dec 2012

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening Stock A/c		By Sales A/c	1,00,000
- Head office (4000 x 80%)	3,200	By Goods from Branch A/c	3,000
- Others	500	By Closing Stock A/c	
To Goods to Branch A/c	40,000	- H.O	2,400
To Purchases A/c	20,000	- Others	1,000
To Gross Profit c/d	42,700		
	<b>1,06,400</b>		<b>1,06,400</b>
To Salaries A/c	7,000	By Gross Profit b/d	42,700
To Rent A/c	3,000		
To Office expenses A/c	2,000		
To Depreciation on furniture @ 10%	500		
To Net Profit (Bal. fig)	30,200		
	<b>42,700</b>		<b>42,700</b>

Dr. **Branch Fixed Asset A/c (in Head office books)** Cr.

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
01.01.12	To balance b/d	5,000	31.12.12	By Delhi Branch A/c (depreciation)	500
				By balance c/d	4,500
		<b>5,000</b>			<b>5,000</b>
01.01.13	To balance b/d	4,500			

**Working Notes:**Dr. **Cash/Bank A/c (Branch Books)** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d		By salaries	7,000
To Sale Proceeds		By Rent	3,000
Sales	1,00,000	By Office Expenses	2,000
<b>Add:</b> Opening balance of Debtors	9,500	By Creditors	47,000
	1,09,500	By Head office	32,000
<b>Less:</b> C/o. balance	(15,000)	By Cash balance	500
Cash received		By Bank balance	4,000
	<b>95,500</b>		<b>95,500</b>

Opening balance + Purchases - Closing balance = payment

30,000 + 20,000 - 3,000 = Rs.47,000 /-

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Trial balance of Delhi Branch as on 1-1-2012

Particulars	Debit (Rs.)	Credit (Rs.)
Debtors	9,500	
Cash	1,000	
Stock H.O - 4,000		
Others - 500	4,500	
Creditors		30,000
Head Office A/c	15,000	
	<b>30,000</b>	<b>30,000</b>

Dr.		Head Office A/c		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)		
To Balance (transfer)	15,000	By Goods from H.O	50,000		
To Cash	32,000				
To Goods Sent to branch A/c	3,000				
	<b>50,000</b>				<b>50,000</b>

- a) Credit balance in Head office A/c before this transfer will be Rs. 15,000
- b) Furniture A/c is maintained in Head office books it is not part of either opening or closing balance

**PROBLEM NO. 5**

In the Books of Shah

Trading and Profit and Loss Account for the year ended 31st March, 2013

Particulars	H.O	Branch	Total	Particulars	H.O	Branch	Total
To Purchases	19,69,500	-	19,69,500	By Sales	12,80,000	8,20,000	21,00,000
To Cost of processing	50,500	-	50,500	By Goods sent to Branch	9,24,000	-	-
To Goods Received From H.O	-	8,80,000		By Stock shortage	-	16,000	14,545
To G.P C/d	3,40,000	1,64,000	5,02,545	By Goods in transit			44,000
				By Closing Stock:			
				Processed goods	56,000	2,08,000	2,64,000
				Unprocessed goods	1,00,000	-	1,00,000
	<b>23,60,000</b>	<b>10,44,000</b>	<b>25,22,545</b>		<b>23,60,000</b>	<b>10,44,000</b>	<b>25,22,545</b>
To Admin Exp.	1,39,000	15,000	1,54,000	By G.P b/d	3,40,000	1,64,000	5,02,545
To Selling Exp.	50,000	6,200	56,200				
To Stock shortage	-	16,000	14,545				
To Stock reserve	22,909	-	22,909				
To Net profit	1,28,091	1,26,800	2,54,891				
	<b>3,40,000</b>	<b>1,64,000</b>	<b>5,02,545</b>		<b>3,40,000</b>	<b>1,64,000</b>	<b>5,02,545</b>

## Balance Sheet as at 31st March, 2013

Liabilities	Amount	Amount	Liabilities	Amount	Amount
Capital	3,10,000		Debtors		
Add: Net profit	2,54,891		H.O		3,09,600
	5,64,891		Branch		1,13,600
Less: Drawings	(55,000)	5,09,891	Closing Stock:		
Creditors:			Processed goods		
H.O	6,01,400		H.O	56,000	
Branch	10,800	6,12,200	Branch	2,08,000	
				2,64,000	
			Less: Stock reserve	(18,909)	2,45,091
			Unprocessed goods		1,00,000
			Bank Balance		
			H.O		1,52,000
			Branch		77,500
			Goods in transit	44,000	
			Less: Stock reserve	4,000	40,000
			Cash in transit		84,300
		<b>11,22,091</b>			<b>11,22,091</b>

**Working note:****1) Calculation of closing stock:****Stock at Head Office:**

Particulars	Amount	Amount
Cost of goods processed (19,69,500 + 50,500 - 1,00,000)		19,20,000
<b>Less:</b> Cost of goods sent to Branch (9,24,000 × 100/110)	8,40,000	
Cost of goods sold (12,80,000 × 100/125)	<u>10,24,000</u>	(18,64,000)
Stock of processed goods with H.O.		<b>56,000</b>

**Stock at Branch:**

Particulars	Amount	Amount
Goods received from H.O. (at invoice price)		8,80,000
<b>Less:</b> Invoice value of goods sold (8,20,000 × 100/125)	<u>6,56,000</u>	
Invoice value of stock shortage (20,000 × 100/125)	<u>16,000</u>	6,72,000
Stock at Branch at invoice price		2,08,000
<b>Less:</b> Stock Reserve (2,08,000 × 10/110)		<u>(18,909)</u>
Stock of processed goods with Branch (at cost)		<b>1,89,091</b>

**2) Stock Reserve:**

Particulars	Amount
Unrealised profit on Branch stock (2,08,000 × 10/110)	18,909
Unrealised profit on goods in transit (44,000 × 10/110)	4,000

**PROBLEM NO: 6**

a) Calculation of Profit earned by Branch:

In the books of Nagpur Branch

Dr.		Cr.	
Trading Account			
Particulars	Amount	Particulars	Amount
To Opening Stock	3,20,000	By Sales	14,70,000
To Goods Received from H.O.	13,50,000	By Closing Stock	3,57,500
To Expenses	55,000		
To Gross Profit	1,02,500		
	<b>18,27,500</b>		<b>18,27,500</b>

b) Stock reserve in respect unrealized profit:  $3,57,500 \times 25/125 = 71,500$

**Working Note:**

Cost Price	100
Invoice Price (100 + 25)	125
Sale Price (100 + 40)	140
<b>Calculation of closing stock at invoice price</b>	
Opening Stock at invoice price	3,20,000
Goods received during the year at invoice price	13,50,000
	16,70,000
<b>Less: Cost of goods sold at invoice price (14,70,000 x 125/140)</b>	13,12,500
Closing stock	3,57,500

**PROBLEM NO: 7**

In the books of Head Office

Dr. Branch Trading and profit & Loss A/c (in dollars) for the year ended 31<sup>st</sup> Dec 2012 Cr.

Particulars	Amount (\$)	Particulars	Amount (\$)
To Opening stock	11,200	By Sales A/c	84,000
To Goods form Head Office A/c	64,000	By Closing Stock (WN-1)	8,000
To Gross Profit c/d	16,800		
	<b>92,000</b>		<b>92,000</b>
To Expenses A/c	5,000	By Gross Profit b/d	16,800
To Depreciation A/c	2,400		
To Manager's Commission [WN – 2]	470		
To Net Profit c/d	8,930		
	<b>16,800</b>		<b>16,800</b>

**WORKING NOTE: 1** Calculation of closing stock

Particulars	Amount (\$)
Opening stock	11,200
<b>Less: Goods from Head office</b>	64,000
	75,200
<b>Less: cost of Goods sold (at invoice price) 84,000 x 100/125</b>	(67,200)
Closing stock	8,000

Closing stock in rupees \$8000 x Rs. 48 ⇒ Rs. 3,84,000

**Working Note: 2** Calculation of manager's commission @ 5% on profit = \$ [16,800 – (5,000+2,400)] x 5% = \$9,400 x 5% = \$ 470

∴ Managers Commission in Rupees \$ 470 X Rs. 48 = Rs. 22,560/-

## a) Converted Branch Trial Balance Into Indian Currency:

Particulars	Rate Per \$	Debit (Rs.)	Credit (Rs.)
Machinery	40	9,60,000	-
Stock Jan 1, 2012	46	5,15,200	-
Goods from Head office	Actual	29,26,000	-
Sales	47	-	39,48,000
Expenses	47	2,35,000	-
Debtors	48	2,30,400	-
Creditors	48	-	1,63,200
Cash at Bank	48	57,600	-
Head office	Actual	-	8,60,000
Difference		47,000	-
		<b>49,71,200</b>	<b>49,71,200</b>

## b) Dr. Branch Trading and Profit &amp; Loss A/c for the year ended 31-12-2012 Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To opening stock	5,15,200	By Sales A/c	39,48,000
To Goods From H.O A/c	29,26,000	By Closing Stock	3,84,000
To Gross Profit c/d	890,800		
	<b>43,32,000</b>		<b>43,32,000</b>
To Expenses	2,35,000	By Gross Profit b/d	8,90,800
To Depreciation A/c (9,60,000 x 10%)	96,000		
To Exchange diff A/c	47,000		
To Managers commission A/c (W.N.2)	22,560		
To Net profit c/d	4,90,240		
	<b>8,90,800</b>		<b>8,90,800</b>

## c) Dr. Branch Account Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Balance b/d	8,60,000	By Machinery (960,000-96000)	8,64,000
To Net Profit	4,90,240	By Closing stock	3,84,000
To Creditors	1,63,200	By Debtors	2,30,400
To o/s commission	22,560	By Cash at bank	57,600
	<b>15,36,000</b>		<b>15,36,000</b>

**PROBLEM NO: 8**

In the books of English Firm (Head Office in New York)

Dr. Chennai Branch Profit and Loss Account for the year ended 31<sup>st</sup> December, 2012 Cr.

Particulars	\$	Particulars	\$
To Opening stock	4,500	By Sales	46,875
To Purchases	31,250	By Closing stock (6,37,500 / 51)	12,500
To Gross profit c/d	23,625		
	<b>59,375</b>		<b>59,375</b>
To Salaries	2,000	By Gross profit b/d	23,625
To Rent, rates and taxes	2,125		



To Exchange translation loss	2,000		
To Net Profit c/d	17,500		
	<b>23,625</b>		<b>23,625</b>

**Balance Sheet of Chennai Branch as on 31<sup>st</sup> December, 2012**

Liabilities		\$	Assets		\$
Head Office A/c	13,400		Furniture		1,750
<b>Add:</b> Net profit	17,500	30,900	Closing Stock		12,500
Trade creditors		10,000	Trade Debtors		15,000
Bills Payable		3,500	Bills Receivable		4,000
			Cash at bank		11,150
		<b>44,400</b>			<b>44,400</b>

**Working Note:**

**Calculation of Exchange Translation Loss**

**Chennai Branch Trial Balance (converted in \$) as on 31<sup>st</sup> December, 2012**

Particulars	Dr. (Rs.)	Cr. (Rs.)	Conversion Rate	Dr. (\$)	Cr. (\$)
Stock on 1st Jan., 2012	2,34,000		52	4,500	
Purchases & Sales	15,62,500	23,43,750	50	31,250	46,875
Debtors & creditors	7,65,000	5,10,000	51	15,000	10,000
Bills Receivable and Bills Payable	2,04,000	1,28,500	51	4,000	3,500
Salaries and wages	1,00,000		50	2,000	
Rent, Rates and Taxes	1,06,250		50	2,125	
Furniture	91,000			1,750	
Bank A/c	5,99,650		51	11,150	
New York Account		5,99,150			13,400
Exchange translation loss (bal. fig.)				2,000	
	<b>36,31,400</b>	<b>36,31,400</b>		<b>73,775</b>	<b>73,775</b>

**PROBLEM NO: 9**

**M/s Carlin Mumbai branch Trial Balance in (US \$) As on 31<sup>st</sup> march, 2013**

Particulars	Conversion Rate	Dr. US\$	Cr. US\$
Stock on 1.4.2012	40	7,500.00	-
Purchases	41	19,512.20	-
Sales	41	-	29,268.29
Sunday debtors	42	9,523.81	-
Sunday creditors	42	-	7,142.86
Bills of exchange	42	2,857.14	5,714.29
Wages & salaries	41	13,658.54	-
Rent, rates & Taxes	41	8,780.49	-
Sunday charges	41	3,902.44	-
Computers-	-	6,000.00	-
Bank balance	42	10,000.00	-
New york office A/c	-	-	39,609.18
		<b>81,734.62</b>	<b>81,734.62</b>

Dr. **Trading and Profit & Loss account for the year ended 31<sup>st</sup> march 2013** Cr.

Particulars	US \$	Particulars	US \$
To Opening stock	7,500.00	By sales	29,268.20
To Purchases	19,512.200	By Closing stock	10,000.00
To Wages & salaries	13,658.54	By Gross Loss c/d	1,402.45
	<b>40,670.74</b>		<b>40,670.74</b>
To Gross Loss b/d	1,402.45	By Net Loss	17,685.3
To Rent, rates & Taxes	8,780.49		
To Sunday Charges	3,902.44		
To Depreciation on computers (US\$ 6,000 x 0.6)	3,600.00		
	<b>17,685.38</b>		<b>17,685.38</b>

**Balance sheet of Mumbai branch as on 31<sup>st</sup> March 2013**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
New York office A/c	39,609.18	Computers	6,000.00
<b>Less: Net Loss</b>	<b>(17,685.38)</b>	<b>Less: Depreciation</b>	<b>(3,600)</b>
Sunday creditors	7,142.86	<b>Less: Closing stock</b>	<b>10,000.00</b>
Bills payable	5,714.29	Sundry debtors	9,523.81
		Bank balance	10,000.00
		Bills Receivable	2,857.14
	<b>34,780.95</b>		<b>34,780.95</b>

**PROBLEM NO. 10**

In the books of moon star

a) **Trial Balance (in Rupees) of Virginia (USA) Branch as on 31<sup>st</sup> March 2012**

Particulars	Dr (\$)	Cr (\$)	Conversion rate	Dr (Rs.)	Cr (Rs.)
Office Equipment	43,200	-	50	21,60,000	-
Dep. On office equipment	4,800	-	50	2,40,000	-
Furniture & Fixtures	2,880	-	50	1,44,000	-
Dep on furniture & Fixtures	320	-	50	16,000	-
Stock (1 <sup>st</sup> April 2011)	22,400	-	47	10,52,800	-
Purchases	96,000	-	45	43,20,000	-
Sales	-	1,66,400	45	-	74,88,000
Goods Sent form H.O	32,000	-	-	15,80,000	-
Carriage Inward	400	-	45	18,000	-
Salaries (3,200 + 400)	3,600	-	45	1,62,000	-
o/s salaries	-	400	50	-	20,000
Rent, rates & Taxes	800	-	45	36,000	-
Insurance	400	-	45	18,000	-
Trade expenses	400	-	45	18,000	-
Head office A/c	-	45,600	-	-	20,50,000
Trade debtors	9,600	-	50	4,80,000	-
Trade Creditors	-	6,800	50	-	3,40,000
Cash at bank	2,000	-	50	1,00,000	-
Cash in hand	400	-	50	20,000	-
Exchange gain (b/f)					4,66,800
	<b>2,19,200</b>	<b>2,19,200</b>		<b>1,03,64,800</b>	<b>1,03,64,800</b>

b) Dr. Trading and Profit & Loss A/c of Virginia Branch for the year ended 31<sup>st</sup> March 2012 Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening stock	10,52,800	By sales	74,88,000
To purchases	43,20,000	By closing stock (\$ 21,500 x 50)	10,75,000
To Goods from H.O	15,80,000		
To Carriage Inward	18,000		
To Gross profit c/d	15,92,200		
	85,63,000		85,63,000
To Salaries	1,62,000	By Gross profit b/d	15,92,200
To Rent, rates & Taxes	36,000		
To Insurance	18,000		
To Trade Expenses	18,000		
To Depreciation on office equipment	2,40,000		
To Depreciation on furniture & Fixtures	16,000		
To Net Profit c/d	11,02,200		
	<b>15,92,200</b>		<b>15,92,200</b>

c) Balance sheet of Virginia branch as on 31<sup>st</sup> March 2012

Liabilities		Amt (Rs.)	Assets		Amt (Rs.)
Head office A/c	20,50,000		Office Equipment	24,00,000	
<b>Add: Net Profit</b>	<u>11,02,200</u>	31,52,200	<b>Less: Depreciation @ 10%</b>	<u>(2,40,000)</u>	21,60,000
Foreign Currency Translation Reserve		4,66,800	Furniture & Fixtures	1,60,000	
Trade creditors		3,40,000	<b>Less: Depreciation@10%</b>	<u>(16,000)</u>	1,44,000
o/s salaries		20,000	Clasping stock		10,75,000
			Trade debtors		4,80,000
			Cash in hand		20,000
			Cash at Bank		1,00,000
		<b>39,79,000</b>			<b>39,79,000</b>

**SOLUTIONS FOR ADDITIONAL PROBLEMS FOR SELF PRACTICE**

**PROBLEM NO: 1**

Sydney Branch Trial balance as on 31<sup>st</sup> March 2011

(Rs. 000's)

Particulars	Dr (\$)	Cr (\$)	Conversion rate	Dr (Rs.)	Cr (Rs.)
Plant & Machinery (at cost)	200	-	18	3,600	--
Plant & machinery Dep reserve	-	130	18	-	2,340
Debtors / Creditors	60	30	24	1,440	720
Stock as on 1 <sup>st</sup> April	20	-	20	400	-
Cash & bank balances	10	-	24	240	-
Purchases / sales	20	123	22	440	2,706
Goods received from Head Office	5	-	-	100	-

Wages & salaries	45	-	22	990	-
Rent	12	-	22	264	-
Office expenses	18	-	22	396	-
Commission receipts	-	100	22	-	2,200
H.O current A/c	-	7	-	-	120
Exchange Loss (b/f)				216	-
	<b>390</b>	<b>390</b>		<b>8,086</b>	<b>8,086</b>

Dr. **Trading and Profit & Loss A/c to the year ended 31<sup>st</sup> March 2011** Cr.

Particulars	H.O	Branch	Total	Particulars	H.O	Branch	Total
To Opening stock	100	400	500	By sales	520	2,706	3,226
To Purchases	240	440	680	By Good send to Branch	100	-	100
To Goods received from H.O	-	100	100	By closing stock	150	75	225
To Gross Profit c/d	430	1,841	2,271				
	<b>770</b>	<b>2,781</b>	<b>3,551</b>		<b>770</b>	<b>2,781</b>	<b>3,551</b>
To Wages & Salaries	75	990	1,065	By Gross profit b/d	430	1,841	2,271
To Rent	-	264	264	By Commission Receipts	256	2,200	2,456
To Office Expenses	25	396	421				
To PBD @5%	14	72	86				
To Depreciation [WN-1]	460	252	712				
To Balance c/d	112	2,067	2,179				
	<b>686</b>	<b>4,041</b>	<b>4,727</b>		<b>686</b>	<b>4,041</b>	<b>4,727</b>
To Exchange loss			216	By Balance b/d			2,179
To Branch stock reserve (WN-2)							
To Managing Directors							
- Salary	30						
- Commission (WN-3)	40.16						
To Net profit before Tax	1,881.84						
			<b>2,179</b>				<b>2,179</b>
To Provision for Tax (1881.84 x 47.5%)	893.874			By Balance b/d			1881.84
To Net Profit after Tax	987.126						
			<b>1,881</b>				<b>1,881</b>

**WORKING NOTE 1: Calculation of Depreciation**

Particulars	Head office (Rs.)	Branch (Rs.)
Building-cost	100	
<b>Less: Depreciation Reserve</b>	(200)	
	800	
Depreciation@ 10% (A)	80	
Plant & Machinery at cost	2,500	3,600
<b>Less: Depreciation Reserve</b>	(600)	(2,340)
	1,900	1,260
Depreciation @ 20% (B)	380	252
∴ Total Depreciation (A)+(B)	460	252

**WORKING NOTE 2: Computation of Branch stock Reserve**

Particulars	Amount (Rs.)
Closing stock (\$ 3,125 x 24)	75
Reserve on closing stock $\left(75 \times \frac{25}{125}\right)$	15
<b>Less:</b> Branch stock Reserve on 01.04.2010	(4)
Reversal of stock reserve	11

**WORKING NOTE 3: Computation of Managing Director's Commission**

Particulars	Amount (Rs.)
Profit before adjustments	2,179
<b>Add:</b> Provision for Doubtful Debts	86
	<b>2,265</b>
<b>Less:</b> Branch stock reserve	11
<b>Less:</b> Exchange loss	216
<b>Less:</b> Salary to Manager	30
	(257)
	<b>2,038</b>
Commission @2% of profit	40.16

**THE END**

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