

Stocks and Debtors Method

- (A) On Cost basis (No use)
- (b) On Invoice price basis

When HO desires to have full control or desired to have full watch on all activities of the branch then HO follows stocks and debtors method.

HO's ultimate objective is to find out profit from branch and having full details of working of the branch.

(A) On Cost basis

In stocks and debtors method one has to prepare following ledgers to find out profit and have details:-

- ✓ (i) Branch Stock Account
- ✓ (ii) Branch Debtors Account
- ✓ (iii) Branch Exp Account
- ✓ (iv) Goods sent to Branch Acc
- (v) Branch Cash Account
- (vi) Branch P/L Account and any other ledger.

(B) Invoice Price Method [Imp]

- Under this method Ho sends goods to Branch at a price which is more than cost price called Invoice price.
- Under this method profit is calculated with the help of a ledger called Branch adjustment A/c.

Following ledgers are to be prepared :-

- (i) Branch Stocks Account
- (ii) Branch Adjustment
- (iii) Branch debtors Account
- (iv) Branch Exp Account
- (v) Goods sent to Branch A/c
- (vi) Branch Cash Account
- (vii) Branch P/L Account and any other ledger.

1. <u>Branch Stocks Account (IP)</u>			
To bal b/d		By AS & (Ret by Br to Ho)	IP
Stocks at Branch	IP	By Sales	Actual Sales Value
Goods in Transit	IP	Cash	
To Goods sent to Branch (Ho - Br)	IP	Credit Sales	or
To Branch debtors (Return by Br)	Actual value	By Branch debtors (Credit Sales)	
To Surplus in Stocks (Bal. fig)	IP	By Cash [Cash]	IP
		By Abnormal loss	
		By Shortage of Stocks (Bal. fig)	IP
		By bal c/d	IP
		Branch St	
		Goods in Transit	IP

✓ Sometimes students ask, Sir what is Surplus

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 Normal loss expected

Normal loss expected
 से कम होता है तो surplus
 हो जाता है

↓
 Adjustment value

2. Branch Adjustment Account

Branch Adjustment Account		Cr	
To Goods sent to Branch	loading	By <u>Stocks Reserve (opening)</u>	
To Abnormal loss	loading	Stocks at Branch	loading
To Shortage of St	loading	Goods in Transit	loading
To <u>Stocks Reserve (closing)</u>		By Goods sent to Branch	loading
Stocks at Branch	loading	By Surplus in Stocks	loading
Goods in Transit	"		
To Gross Profit	xx	By Gross loss if any	xx
	<u>xx</u>		<u>xx</u>

2. Branch Debtors Account

particular	₹	particular	₹
To bal b/d	xx	By Cash (Collection)	xx
To Sales	xx	By Bad debt	xx
		By Discount Allowed	xx
		By Sales Return	xx
		By BR	xx
		By bal c/d	xx
	<u>xx</u>		<u>xx</u>

4. Branch Expenses

Particulars	₹	Particulars	₹
To Salaries & wages	₹	By Branch P/L A/c	₹
To DIA	₹		
To Bad debt	₹		
To Dep ⁿ	₹		
To petty exp	₹		
To All other exp	₹		

5. Goods Sent to Branch A/c

To Branch Stock A/c (Br → Ho)	₹	By Branch Stock A/c (Ho → Br)	₹
To Trading A/c / purchase A/c	₹		

6. Branch Cash Account

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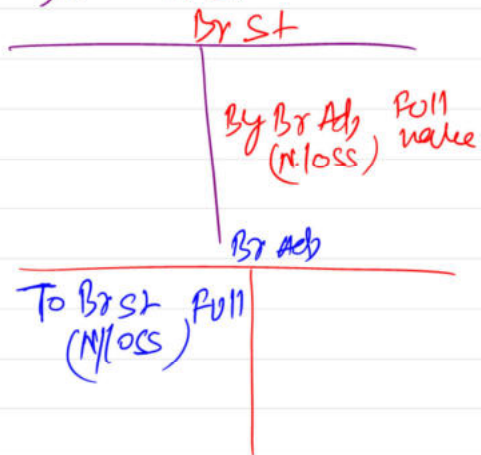
To bal b/d	₹	By Ho (Remittance to Ho)	₹
To Remittance from Ho	₹	By Trf to other Branch	₹
To petty cash	₹	By bal c/d	₹

Branch P/L A/c

To Gross loss b/d	xxx	By Gross profit b/d	xxx
To Shortage (loss)	xx	By Surplus of stocks (at cost)	xx
To Abnormal loss	xx		
To Abt			
To all exp of the Branch	xxx		
To General P/L			

points to remember → ① If Normal loss is given in the problem it will have no treatment.

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 However for the purpose of calculation of stocks value and others in Branch St we do -



Branch Debtors Account

To bal b/d	26000	By Br Stock (Return)	6000
To Sales	158000	By Bad debt	400
		By Br. Cash Acc	127600
		By bal c/d	6000
	<u>184000</u>		<u>184000</u>

Branch P/L A/c

To bad debt	400	By Br Adj (Gross profit)	70000
To Br. Exp	29600		
To General P/L (Net profit)	40000		
	<u>74000</u>		<u>74000</u>

