Branch Accounts

1) Types of Branches :—

a) Domestic Branch

b) Foreign Branch (Out of Country)
→ always Independent

2) Domestic Branch

- Dependent Branch → Which does not prepare its own Books of A/c
  - NO Journal entry
  - No Ledger A/c
  - No Trial Bal.
  - No B/s P&L
  - It Only maintain Rough Records.
- Independent Branch → Which maintains its own Books OF A/c
  - Journal entry ✓
  - Ledger ✓
  - TB ✓
  - B/s P&L ✓

HO has to maintain Branch Books of A/c.

3) Prices in HO & Branch Transaction

a) Cost price (Cost) = Cost From Head office point of View (Jis price pe HO ne Goods purchase kiye)

b) Invoice price (IP) = Price at which Goods are Sent by HO to Branch (Cost price + HO margin)

IP also known as Wholesale price

HO purchased goods at 100000 & Sent to Branch at 10% above Cost.

Cost to HO = 100000

IP = 100000 + 10%
= 110000

IP is Cost for Branch POV.

c) Sale price :- Price at which goods are sold to Customers.

Ex:- Cost = 100 HO Sends goods to Branch at Cost + 20%.

Branch Sells the goods at IP + 50%.

HO Sells goods to outside Customers at Cost + 50%.

Cost (For HO) = 100

IP = 120 (Goods sent to Branch at 120)

SP by Branch = 120 + 50% = 180/-

SP by HO = 100 + 50% = 150/-

Dependent Branch

Here, HO shall find out Branch profit or Loss for the year.

HO has 4 different methods to find out Branch profit / Loss :-

a) Final A/c System (Cost method)

b) Final A/c System (IP method)

c) Stock & Debtors method

d) Debtors method.

Class Ex:-1

Opening Stock = 100000

Purchases = 620000

Sales = 840000

Margin => 20% above Cost

Closing Stock = ?

Prepare Trading a/c

Solution:-

Open. Stock = 100000

(+) purchase = 620000

Cost of Total Stock = 720000

COGS ← (-) Cost of Goods Sold = (700000)

Sale 840000 / Sale 120 × To price Chahie 100

Cost of Closing Stock 20,000

Assuming Cost = 100
SP = 120

Trading a/c

Opst 100000	Sales 840000
purch. 620000	Closstock 20000
GP 140000	

(Or) GP = Sale - COGS = 840000 - 700000

140000

COGS ⇒ Op + Pur. − Closg.

Ex:-2

Op. Stock = 70000 (Cost)

Purchases = ₹60000 (Cost)

Sales = 862500 (Sale price)

Clos. stock = 50,000 (Cost)

Goods are sold at 50% margin above Cost.

Calculate GP

← Trading a/c

Op. 70000	Sale 862500
Purch ₹60000	Shortage ₹000
GP 287500	Clostock ₹0000

(Or) direct Calculation ⇒

Sale 862500

(-) COGS ₹75000

$\frac{862500}{150} \times 100$ = 287500

Cost = 100

SP = 150

Opng Stock = 70000 ✓

(+) purchase cost = 560000 ✓

Total Cost of Stock = 630000

(-) Cost of Goods Sold = (575000)

Balance Stock = 55000

(-) Closing Stock = (50000)

Goods Lost => 5000

(Shortage)

(Normal / Abnormal)

Shortage a/c Dr.
To Trading

Abnormal Loss

P&L a/c Dr.
To Shortage

$\frac{86250 \text{ Sale}}{150 \text{ Sale}} \times 100$

Summary Point 1 :-

When Closg Stock is missing & Shortage is also not given, in that Case assume Shortage is Zero.

However, When Closg Stock is already given along with Op. Stock, purchases, Sales then Calculation of Shortage (Goods Lost) is required.

Book Ex:-2

Total Sale = 840000

Heavy Discounted Sale 90,000

Normal Sale 750000

Cost = 100
SP = 125

COGS = 100000

COGS

750000 / 125 × 100

COGS = 600000

Total COGS = 700000

Op. Stock = 130000 ✓

Purchases = 890000 ✓

Total Stock = 1020000

(-) COGS = (700000) ✓
(100000 + 600000)

Clos. Stock = 320000

GP = Sale − COGS = 840000 − 700000

GP = 140000

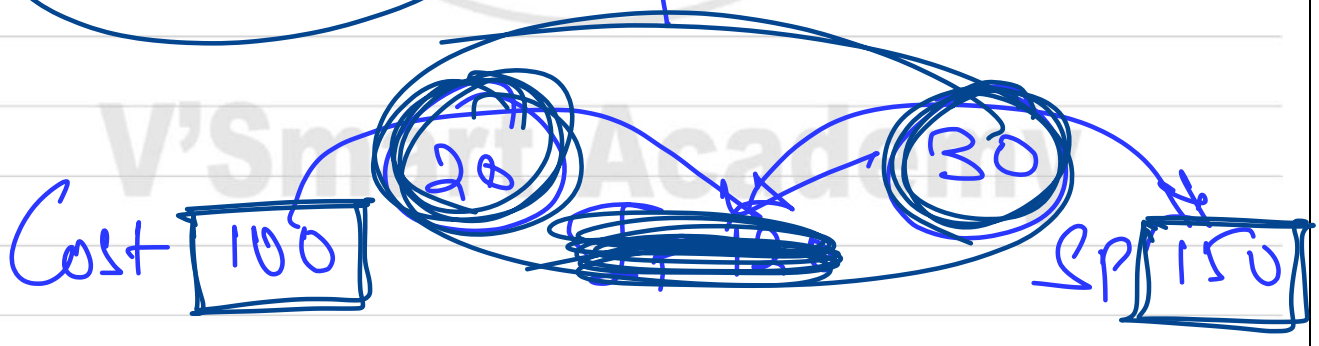
1) Final A/c System (Cost Basis)

Our Target = To Find Out Branch Profit

(HO's Target)

Memorandum Branch Trading P&L A/c
(Prepared by HO)

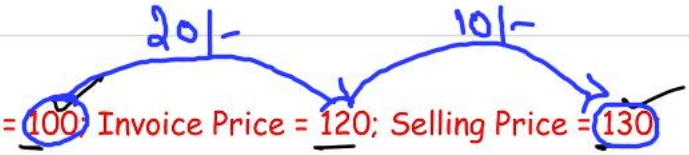
Op. Stock (Branch)	Cost	Sale (Branch)	SP (actual sale)
Total purchase for Branch: Local purchase	Cost	Shortage (at Branch)	Cost
Total purchase for Branch: Goods Sent to Branch	Cost	Clos. Stock (Branch)	Cost
GP			



← Trading

Good Sent to Br. 100	Sale 150
50	

EXAMPLE 3:



Cost of Goods = 100; Invoice Price = 120; Selling Price = 130

Opening Stock = 200; Goods Sent to Branch = 2500; Sales = 2860; Closing Stock = 400

Assume all figures are at Cost except Sales.

SOLUTION:

Op. Stock = 200

GSTB = 2500 (Branch k liye purchase)

2700

(-) CoGS 2200

$\frac{2860}{130} \times 100$

500

(-) Clo. Stock 400

Shortage = 100

Memorandum Branch Trading A/c

To Op. Stock	200	By Sales	2860
To GSTB	2500	By Shortage	100
To GP	660	By Clo. Stock	400

EXAMPLE 4:

From the following information prepare Memorandum Branch Trading A/c (at Cost)

Branch Opening Stock = 90,000 (IP); Goods Sent to Branch = 7,00,000 (IP); Sales By Branch = 9,00,000; SP

HO sent goods to Branch @25% above Cost. SP is 20% above Invoice Price.

SOLUTION:

Assuming Cost to HO = 100

IP = 125

SP = 125 + 20% = 150

Working Note:-

$\frac{90000\ (IP)}{125\ (IP)} \times 100$ Opng Stock (at Cost) = 72000

$\frac{700000\ (IP)}{125\ (IP)} \times 100$ (+) Goods Sent to Br. (Cost) = 560000

632000

(-) COGS (Cost from HO Por) (600000)

32000 Cost of Closg Stock

$100 \times \frac{900000\ (Sale)}{150\ (Sale)}$

Cost	SP
100	150
?	900000

$\frac{900000 \times 100}{150}$

(Cost)

Mem. Branch Trading A/c

Op. Stock	72000	Sales	900000
GSTB	560000	Cls Stock	32000
GP	300000		

Ye GP dono Ka Hai:
HO Ka margin Branch Se
Branch Ka margin Customers Se

EXAMPLE 5: -

Opening Stock @IP = 1,50,000; Goods Sent to Branch @ Cost = 7,50,000; HO Sends goods to Branch @25% above Cost; Branch Credit Sales = 6,00,000; Branch Cash Sales = 4,37,500; Closing Stock = 1,37,500 (IP); Branch Sells Goods on Cash @IP, SP is 20% above IP.

SOLUTION:

Assume Cost = 100
IP = 125
SP = 150

Branch Sales
- Cash Sales @ 125/-
- Credit Sales @ 150/-

Opening Stock (Cost) = 120000

(+) GSTB (Cost) = 750000

Total Cost of Stock = 870000

(-) COGS :-

Cost of Cash Sales

$\frac{437500\ (SP)}{125\ (SP)} \times 100$ (350000)

Cost of Credit Sales

$\frac{600000\ (SP)}{150\ (SP)} \times 100$ (400000)

Balance goods = 120000

(-) Closg Stock (Cost) = (110000)

$\frac{137500\ (SP)}{125\ (SP)} \times 100$

Shortage = 10,000

Mem. Trading & P&L

To Op. Stock	120000	By Sales	1037500
To GSTB	750000	By Shortage	10000
To GP	287500	By Clos. Stock	110000
To Ab. Loss (Shortage)	10000	By GP	287500
To NP	277500		

EXAMPLE 6:-

HO at Nagpur & Branch @ Patna HO invoiced goods to Branch @20% less than List price (Sale Price)

List Price is Cost Plus 100%

Branch makes Cash Sales @IP & Credit Sales @List Price.

Opening Stock at Branch (IP)	12,000
Debtors Opening	10,000
Goods Received from HO	1,32,000
Sales: Cash	46,000
Credit	1,00,000
Cash received from Debtors	85,000
Indirect Expenses of Branch	17,500
Closing Debtors	25,000
Closing Stock	17,600 (IP)
Remittance to HO	1,13,500

Find out Branch GP & NP by following 'Final A/c System Cost Basis'.

SOLUTION:

Assume. Cost = 100

SP = 100 + 100% = 200

IP = 200 - 20% = 160

Cash Sales at 160
Credit Sales at 200

Working :-

Opng Stock = 7500

Goods sent to Branches = 82500

Total Stock = 90,000

(-) COGS :-

Cash COGS

$\frac{46000}{160} \times 100$ (28750)

Credit COGS

$\frac{100000}{200} \times 100$ (50000)

11250

(-) Bal. of Closg. Stock 11000

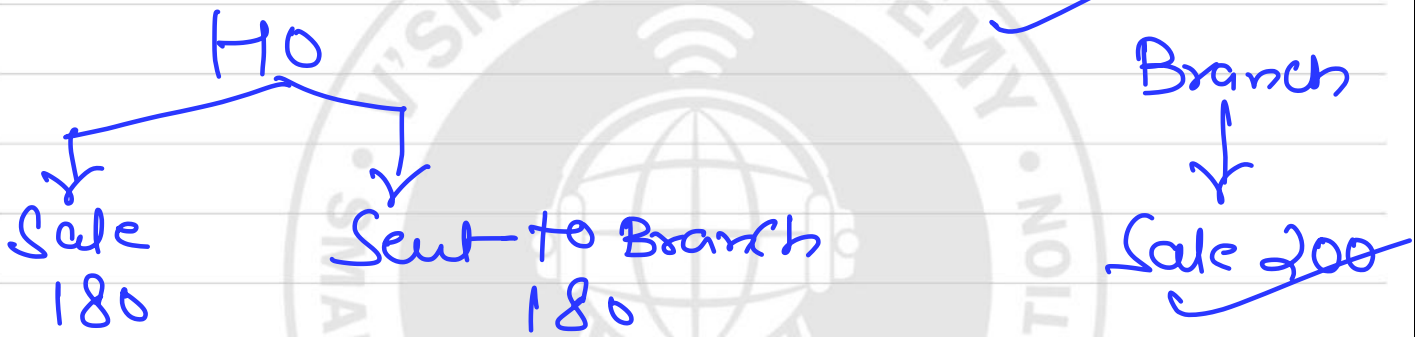
$\frac{17600}{160} \times 100$

250 Shortage

Q101

HO Sales goods to Customers & Sent goods to Customers at WP

Assuming Cost = 100
WP/IP = 180
SP = 200



WN-1 Closing Stock of HO :-

Opng Stock	225000
(+) Purchases	25,50,000
Total Stock	27,75,000 (inflow)
(-) COGS (to Customers) $\frac{2781000}{180} \times 100$	(1545000)
(-) Cost of Goods Sent to Branch $954000 \div 180 \times 100$	(530000)

Closing Stock of HO = 700000

WN-2 Closing Stock of Branch

Opng Stock (Cost)	0
(+) Goods Sent to Branch (Cost)	530000
Total Stock	530000
(-) Cost of Goods Sold = (475000)	
$\frac{950000}{200} \times 100$	
Closing Stock	55000

HO Trading P&L a/c

To Op. Stock	225000	By Sales	2781000
To purchase	2550000	By Goods Sent to Branch (at Cost)	530000
To GP	1236000	By Clos. Stock	700000

To Off Exp	90000	By GP	1236000
To S/Exp	72000		
To Salary	85000		
To NP	10,09,000		

Branch Trading P&L

To Op. Stock	0	By Sales	950000
To GST B	530000	By Cl. Stock	55000
To GP	475000		
To Off Exp	8500	By GP	475000
To S/E	6300		
To Salary	12000		
To NP	448200		

Q102 Final A/c System (Cost Basis)

Pune's profit margin = 1/3 on Cost (1/4 on Sale)

Goa's profit margin = 1/5 on Sales (1/4 on Cost)

Pune's Trading and P&L a/c

To Op. Stock (30000 + 8000)	38000	By Sales	260000
To Purchase (185000 + 12000)	197000	By Goods Sent to Goa	15000
To Chargeable Exp.	15000	By Shortage	11000
To GP	65000	By Closing Stock (25000 + 4000)	29000

Shortage :-

Opng. Stock	= 38000
(+) Purchases	= 197000
(+) Chargeable	= 15000
	250000
(-) COGS	(195000)
(-) COG Sent to Goa	(15000)
	40000

260000 − 65000

(-) Clos. stock 29000

Shortage = 11000

P&L

To A. Loss 11000	By GP 65000
To Off-Exp 13250	
To SExp 15000	
To NP 25750	

Ex:-7

Cost = 100

IP = 120

SP = 150 (For Credit Sale)

GIT = Goods Sent by HO − Goods received by Branch till year end

Working Note :- Calculation of Shortage

OP. Stock (Cost)	= 62,500
(+) Goods Sent to Branch 450000 − 40000	= 410000
	472500
(−) Cost of Goods Sold	
a) Credit Sale 310000 − 15000	(295000)
b) Cash Sale 90000 − 10000	(80000)
Balance Goods	97500 (Cost)
(−) Closing Stock (in Hand)	(60,000)
(−) GIT	(25000)
Shortage	12500 Cost

Method 2 :- Final A/c System (IP Basis)

Cost = 100 IP = 150 SP = 195

EXAMPLE 8: -

Opening stock at Branch (Cost) = 90,000; Goods Sent to Branch (IP) = 7,50,000; Head Office sends goods to Branch at Cost + 50%; Branch sells goods to Customer at IP + 30%; Sales = 8,19,000 at Sale Price & Closing Stock = 1,50,000 (Cost)

Find out Profit of Branch by Final A/c System IP method.

90000 + 50% → Cost for Branch; Cost as per Br.

Opng Stock (IP) = 135000

(+) Goods Sent to Branch (IP) = 750000

Total Stock at Branch (at IP) = 885000

(-) IP of Goods Sold = (630000)

819000 (SP) / 195 (SP) × 150

Balance Stock = 255000

(-) Clos. Stock (IP) = (225000)

Shortage (IP) 30,000 ✓

Mem. Branch Trading a/c (IP)

150	Op. Stock	135000	Sales	819000	195
150	GSTB	750000	Shortage	30000	150
(45)	GP	189000	Closg Stock	225000	150
	Ab. Loss	30000	GP	189000	

NP 159000

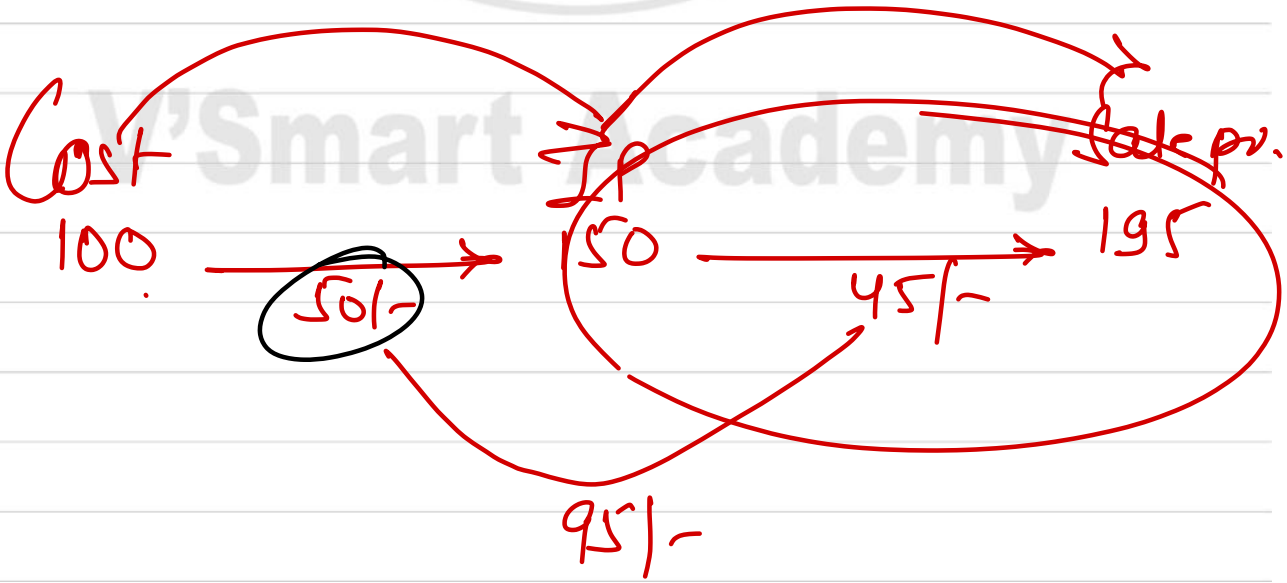
Same Ex:-8 With Cost Basis

Op. Stock = 90000
GSTB = 500000 (750000/150 x 100)
590000

819000/195 x 100 (-) Cogs = 420000
170000
(-) Clos. stock = (150000)
Shortage = 20000

Branch Trading A/c

100	Op. Stock	90000	Sales	819000	195
100	GSTB	500000	Shortage	20000	100
95	GP	399000	Clo. stock	150000	100



Only For Understanding (OFU)

GSTB = 750000 (IP)

Margin = $\frac{750000\ (IP)}{150\ (IP)} \times 50 = 250000$

- 75000

175000

+ 45000

220000

(-) 10000

Margin earned by HO from Branch = 210000

135
90

Working For Unrealised profits (Under IP Basis)

	Op. stock of Br.	Clos. stock of Branch	Shortage at Br.
Value	135000	225000	30000
Unrealised profit	$\frac{135000}{150} \times 50$	$\frac{225000}{150} \times 50$	$\frac{30000}{150} \times 50$
	45000	75000	10000

Profit to be Reversed by HO in CY

↓

Stock Reserve Dr.
To P&L a/c

$5000
Profit to be Reversed by HO in CY

↓

P&L a/c Dr.
To Stock Reserve a/c

HO

$8000 Branch
10000 Customers
18000

→ 20% = 1600

Q201 (Final A/c IP Basis)

Cost For HO = 100

WP/IP = 180

SP = 200

Working For Closing Stock :-

	HO (Cost)	Branch (IP)
Opng Stock	225000	-
purchases	25,50,000	-
Goods Sent From HO	-	954000
	2775000	954000
(-) COGS For HO $\frac{2781000}{180} \times 100$	(1545000)	-
(-) Cost of Goods Sent to Br. $\frac{954000}{180} \times 100$	(530000)	-
(-) IP of Goods Sold $\frac{950000}{200} \times 180$	-	(855000)
Closing Stock =	700000 (Cost)	99000 IP

WN. For Stock Reserve :-

On Closing stock of Branch :-

$$\frac{99000}{180} \times 80 = 44,000$$

OFU :-
44000 is Unrealised profit of HO in Closing Stock of Branch

HO Trading & P&L

To op. stock	225000	By Sales	2781000
To purchases	2556000	By GSTB	954000 (IP)
To GP	1660000	By Clo. stock	700000
		By GP	1660000
To SR	44000		
To SExp	72000		
To S. Salary	65000		
To Office	90000		
To NP	1389000		

Mem. Branch Trading & P/L a/c

To Op. Stock	0	By Sale	950000
To GSTB	954000	By Clos. Stock	99000
To GP	95000		
To Off Exp	8500	By GP	95000
To S/Exp	6300		
To Salary	12000		
To NP	68200		

Ex: 7

Cost

Br. Trading

Opng	62500	By Sales (net)	
GSTB	410000	Cash	96000
(-) return		Credit	442500
		By Shortage	12500
To GP		By Clos. stock in Hand	60000
		GIT	25000

Q102 SR Opng = 4250
Closg = 1000

GOG meaning = 1/5 on Sale (1/4 on Cost)

1) Pune op. stock = 40000

From GOG 10000 → SR 10000 × 1/5 = 2000

From outside 30000 → SR X

Pune Clos. Stock = 30000

from Goa
5000
× 1/5
SR 1000

Note:- Goa Branch shall pass following Entries For SR

1) P&L a/c Dr. 1000
To SR 1000
(SR on Clos. Stock of pune)

2) SR a/c Dr. 2000
To P&L a/c 2000
(SR on Op. Stock of Pune)

2) SR on Stock of Goa :-

Opng Stock = 30000

Pune's margin = 1/4 on Sales

Received from pune
17000 × 1/4
4250

Clos. Stock = 43500

↓

Received from Pune

4000 × 1/4

1000

Note:- Pune Branch shall pass following entries

1) P&L a/c Dr. 1000
To SR 1000
(SR on Closg Stock)

2) SR a/c Dr. 4250
To P&L a/c 4250
(SR on Op. Stock)

Shortage:-

Op. Stock = 40000 ← other cost 40a (IP)

(+) Purchases = 200000

(+) Chargeable Exp = 15000

255000

(-) COGS 210000 ← Cost

280000 − (280000 × 1/4)

45000

Clos. Stock 30000

OFV

To 15000

Note:- Since Stock includes some goods from Goa at IP & remaining goods at Cost, Hence not possible to work out Shortage due to Missing information (in IP Basis method)

IP Basis Trading & P&L (Pune)

To Op. St 40000	By Sales 280000
To Purch. 200000	By Clos. St. 30000
To Charg. Exp 15000	
To GP 55000	
To SR (on clos. stock) 1000	By GP 55000
To OFF Exp 13250	By SR (on op. stock) 4250
To S/Exp 15000	
To NP 30,000	

Stock and Debtors method

1) HO shall maintain Branch Books by recording all Branch Transactions through Journal Entry.

Examples

1) Branch incurred Expense in Cash :-

Br. Expense a/c Dr.
To Br. Cash a/c

2) Branch purchase furniture in Credit :-

Br. Furniture a/c Dr.
To Br. Creditors.

3) HO Sent Cash to Branch :-

Br. Cash a/c Dr.
To Cash

4) HO paid Salary to Branch Employee :-

Br. Salary exp a/c Dr.
To Cash a/c

2) HO shall maintain One Common A/c relating to Br. purchase, Br. Sales, & all Stock related transactions & Events.

"Branch Stock A/c"

i.e Branch Stock A/c for Br. Sales, purchases, Goods Sent to Branch, Return by Branch, Sale return & Goods lost.

a) Goods Sent by HO to Branch :-

Br. Stock a/c Dr.
To GSTB a/c

b) Branch makes Credit Sale :-

Br. Debtor a/c Dr.
To Br. Stock

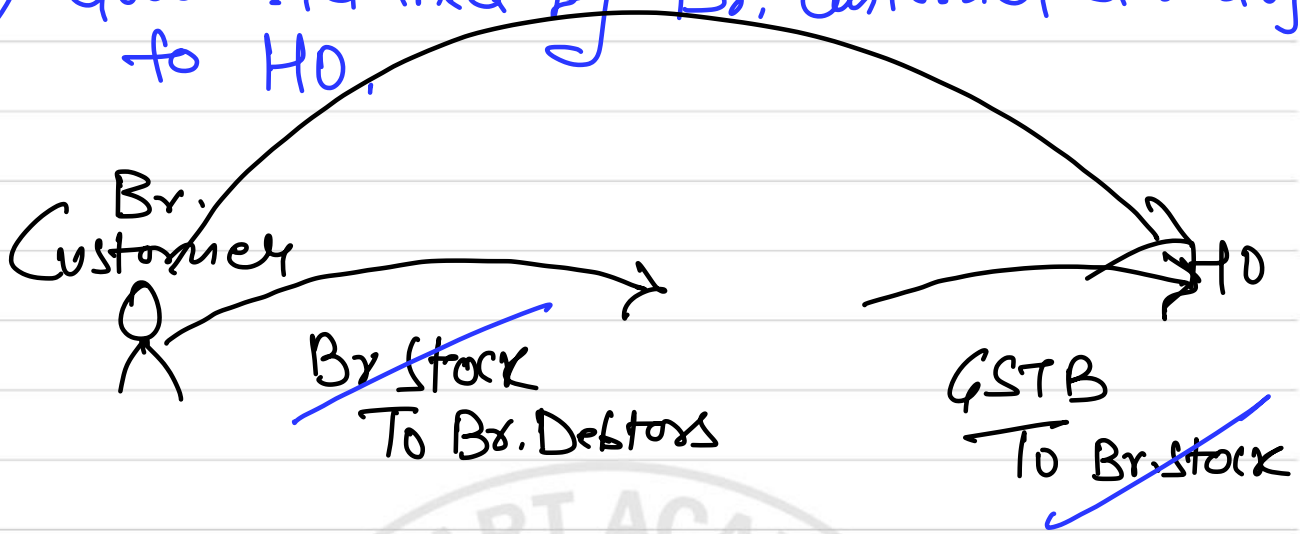
c) Goods Returned by Branch to HO :-

GSTB a/c Dr.
To Br. Stock a/c

d) Goods Returned by Br. Customer (Credit Sale)

Br. Stock a/c Dr.
To Br. Debtors a/c

e) Goods returned by Br. Customer directly to HO.



3) In this method, following Ledger A/c are required to be prepared :-
(in the Books of HO)

a) Br. Stock a/c (always at IP)
b) Br. Adjustment a/c (Amt of margin only) Loading
c) Goods Sent to Branch A/c (always at cost)
d) Br. P&L a/c
e) Br. Cash a/c
f) Br. Debtors a/c

} To find out missing figures such as Cash Sales Credit Sales.

Cost = 100
Ip = 100

EXAMPLE 12: -

Head Office sent goods to Branch @Cost Only.

Opening stock with Branch = 12,000; Goods sent to Branch = 1,08,000; Cash sales by Branch = 46,000; Credit sales by Branch = 60,000; Closing Stock at Branch = 30,000

Prepare Branch Stock A/c.

1) Br. Stock a/c Dr. 108000
To GSTB 108000

2) Br. Cash a/c Dr. 46000
To Br. Stock a/c 46000

3) Br. Debtors a/c Dr. 60000
To Br. Stock 60000

Br. Stock a/c

To Bal. b/d	12000	By Br. Cash	46000
To GSTB	108000	By Br. Debtors	60000
To Br. adjust (Surplus)	16000	By Bal c/d	30000

Br. adjust a/c

To Br. P&L	16000	By Br. Stock	16000

EXAMPLE 13: -

Opening stock with Branch = 50,000; Goods sent to Branch = 3,24,000; Goods returned by Branch = 25,000; Cash sales by Branch @IP = 87,500; Credit sales by Branch @SP = 2,70,000; Closing Stock at Branch = 36,500

Cost = 100; IP = 125 & SP = 150 (25, 25)

Br. Stock a/c (IP)

To Bal b/d	50000	By GSTB	25000
To GSTB	324000	By Br. Cash	87500 (IP)
To Br. adj.	45000	By Br. Debtors	270000 (SP)
		By Bal. c/d	36500 (IP)

Br. adjust. a/c (margin)

To GSTB	5000	By Bal b/d	10000 (25)
To P&L	107500	By GSTB	64800 (25)
To Bal c/d	7300	By Br. Stock	45000

Goods sent to Br. (Cost)

To Br. adj.	64800	By Br. Stock	324000 (IP)
To Br. Stock	25000	By Br. adjust.	5000
To Trading	239200		

Ex:-6

Br. Stock (IP)

To Bal.	12000	By Br. Cash	46000
To GSTB	132000	By Br. Debtors	100000 (SP)
To Br. adj (Surplus)	20000	By Br. P&L (Cost)	250
		By Br. adjust	150 (margin)
		By Bal c/d	17600

Br. adj

To Br Stock	150	By Bal. b/d	4500
		By GSTB	49500

Shortage

Br. P&L a/c Dr. Cost
Br. adj a/c Dr. Loading
To Br. Stock a/c IP

Actual Loss of Stock

its Reversal of HO's margin

$$\frac{400 \text{ IP}}{160 \text{ (IP)}} \times 100 = 250 \text{ Cost}$$

Q302 (Pg. 8.5)

Assuming Cost to HO = 100
IP = 120

Br. Stock A/c (IP)

To Bal b/d	30000	By Br. Debtors	165000
To GSTB	240000	By Br. Cash	59000
To Br. adjust (Surplus)	2000	By Bal. c/d in Hand	28000
		GIT	20000

Br. Adjustment A/c

		By Bal b/d (SR a opng)	5000
To Br. P&L (BIF)	39000	By GSTB	40000
		By Br Stock (Surplus)	2000
To Bal c/d in Hand	4667		
GIT	3333		

(Cost) Goods Sent to Branch A/c

To Br. adjust 40,000	By Br. Stock 240000
To Trading 200000 (B/F)	

Br. P&L a/c

To Br. Exp. 12000	By Br. adjust 19000
To Br. B. Debts 750	
To Br. Exp 10,000 (met by Br.)	
To NP 16250 (transfer to General P&L)	

Br. Cash A/c

To Bal b/d 5000	By Cash 222500 (Remittance)
To Br. Stock 19000	By Br. Exp 10000 (B/F)
To Br Debtors 171000	By Bal c/d 2500

Br. Debtors A/c

To Bal b/d 32750	By Br. Baddebts 750
To Br. Stock 165000	By Br. Cash 171000 (B/F)
	By Bal c/d 26000

Treatment of Shortage :-

(in Stock & Debtors method)

Refer Q304

Normal Loss

Br. adjust a/c Dr. (IP)
To Br. Stock (IP)

Abnormal Loss

Br. P&L Dr. (Cost)
Br. Adj Dr. (Loading)
To Br. Stock (IP)

Q304

Cost = 100
IP = 133.33 (1/3 of Cost = Loading
IP = SP 1/4 of IP

Br. Stock A/c

To Bal. b/d	360000	By GSTB	120000
To GSTB	240000	By Br Debtors	120000
		By Br. Cash	216000
To Br. adjust (Surplus)	36000	By Br. adjust (Normal Loss)	36000
		By Br. P&L	18000
		By Br adjust (Pilfered)	6000

		By Bal c/d	
		In Hand	288000
		GIT	48000

Br. Adjustment

To GITB (Loading on Return)	30000	By Bal c/d	90000
To Br Stock (Normal Loss)	36000	By GSTB	600000
To Br. Stock (Ab. Loss Loading)	6000	By Br. Stock (Surplus)	36000
To Br. P&L	570000		
To Bal c/d (SR on Closg Stock & GIT)	84000		

Br. P&L

To Ab. Loss	18000	By Br. adj.	570000
To NP (Transfer to General P&L)	552000		

306
307
302
303

I & D method

Situation 1		Situation 2	
Cost	100	Cost	100
IP	120	IP	120
SP	150		—

Br. Stock (IP)

Op St	IP	By Br. Cash	IP
GSTB	SP	By Br. Debtors	SP

Load.

To Br. Adj SP-IP

To Br. Debtors SP
(Sale Return)

By Br. Adj. SP-IP

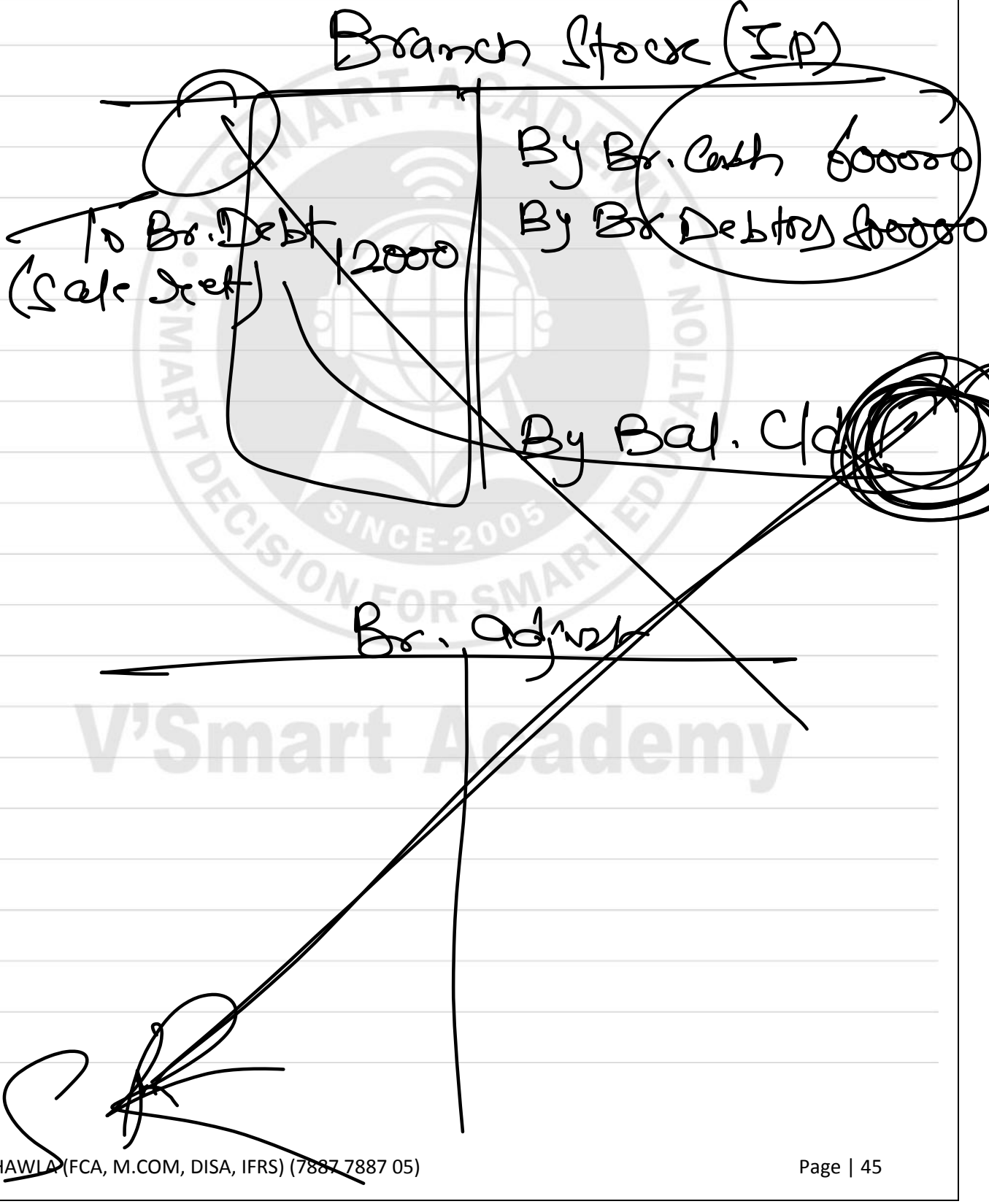
Br. Adjust (margin)

To Br. Stock SP-IP

SR
Loading
Loading

Situation-2

Cost 100
IP 120/SP



Br. Stock A/c (always at IP)

To Bal. b/d	IP	By GSTB (Return by Branch)	IP
To GSTB	IP	By Br. Cash (Cash Sale)	110 actual Sale (IP or SP) +10
To Br. adjust. (Loading only when Goods sold above IP & SP is known to us)	SP-IP	By Br. Debtors (Credit Sale)	actual (IP or SP)
To Br. Cash (or) Br. Debtors (Sales Return)	actual (SP or IP)	By Br. adjustment (Loading on Sale Return only when SP is Higher than IP)	(SP-IP)
To Br. adjust (Surplus)	B/F	By Br. adjustment (Normal Loss)	IP
		By Br. P&L a/c By Br. Adjust a/c Ab. Loss	Cost IP-Cost
		By Balance c/d in Hand GIT	IP IP

Br. Adjustment A/c (margin Amt)

To GSTB (Loading on return by Branch)	IP - Cost	By Bal b/d (Loading on Op. Stock)	IP - Cost
		By GSTB (Loading on Goods sent to Br.	IP - Cost
To Br. Stock (Loading when Sale Return Price is SP & Higher than IP)	SP - IP	By Br. Stock (Loading when SP is Higher than IP)	SP - IP
To Branch Stock (Normal Loss)	IP	By Br. Stock (Surplus)	Surplus
To Br. Stock (Loading on Ab. Loss or Shortage or Pilfered	IP - Cost		
To Br. P&L a/c B/F			
To Bal c/d (Loading on Closing Stock including GIT)	IP - Cost		

By. Exp. a/c

To Br. Cash	XXX	By Br. P&L (B/F)	XXX
To Cash (met by HO)	XXX		
To Br. all Exp (including BD Discount)			

Debtors method :-

Only Transactions between HO & Branch are to be recorded by HO.

1) HO Sent Cash to Branch

Branch A/c Dr.
To Cash.

2) Cash remitted by Branch

Cash
To Branch

3) Goods Sent to Branch

Branch
To GSTB

4) Goods returned by Branch to HO

GSTB A/c Dr.
To Branch

5) Branch makes Credit Sale

ignore

6) Sales Return by Br. Customer to Branch

ignore

7) Sales Return by Br. Customer to HO

GSTB a/c Dr.
To Branch a/c

8) Branch Paid Cash for Exp.

ignore

9) Branch Exp. paid by HO

Branch a/c Dr.
To Cash

10) Br. Shortage (Normal Loss / Abn. Loss)

ignore

Branch A/c

Ultimate Cost to HO

To Bal. b/d		By Bal b/d	
Opening Br. Assets		SR on Opng Stock (IP-Cost)	
Br. Stock	IP	Br. Creditors	
Br. Debtors		O/s Exp.	
Br. Cash		By Cash	XXX
Br. PPE		(Cash Remittance by Br.)	
To Cash	XXX	By GSTB	(IP-Cost)
(Cash Sent to Br.)		(Loading on Goods Sent)	
To GSTB	IP	By GSTB	IP
		(Return by Branch)	
To GSTB	(IP-Cost)		
Loading on Goods Return by Br.		By GSTB	SP/IP
To GSTB	SP-Cost (Or) IP-Cost	(Return by Customer directly to HO)	
Loading on Sales Return direct to HO			
To Cash	XXX		
(Exp met by HO)			
To NP	XXX	By Bal. c/d	
(Transfer to Gen. P&L)		Br. Stock	
		Br. Debtors	
		Br. Cash	
		Br. PPE	
		GIT	
To Bal c/d			
SR on Closg Stock & GIT	(IP-Cost)		
Br. Creditors			
Br. O/s Exp.			

Ex:-15

Books of HO

Branch A/c

To GSTB	10,00,000	By GSTB	10,000
To NP (Transfer to General P&L)	230000	By Cash (Remittance)	700,000
		By Bal. c/d	
		Br. Stock	250000
		Br. Cash	70000
		Br. Debtors	160000

1000000 − 10000 − 700000 Cogs = 250000

Working Note :-

Br. Cash A/c

To Sales	400000	By Cash	700000
To Br. Debtors	370000	By Bal c/d	70000

Br. Debtor A/c

To sales	550000	By Br. Cash	370000
		By B. Debts	20000
		By Bal. c/d	160000

Br. Stock (IP = Cost)

To GSTB	1000000	By GSTB	50000
		By Br. Cash	400000
To Br. adj (Surplus)	250000	By Br. Debtors	150000
		By Bal c/d	250000

Br. adj

To Br P&L	250000	By Br stock	250000

Br. P&L

To BD	20000	By Br. Adj	250000
To NP	230000		

Ex:-16

Op. Bal. :- Stock 250000
Cash 70000
Debtors 160000

Br. Stock (IP = Cost = 100)

To Bal 250000	By Br. Cash 630000 (SP)
To 4STB 120000	By Br. Debtors 900000 (SP)
To Br. adj 330000 (130000 + 200000)	By Ab. Loss 25000 (IP/Cost)
	By Bal C/d 225000 (B/F)

Br. Cash

To Bal 70000	By Cash 1450000
To Br. Stock 630000	By Exp 30000
To Br. Debtors 870000	By Bal 90000

Br. Debtors

To Bal. 160000	By Br. Cash 870000
To Br. Stock 900000	By Bal. 190000

Branch A/c

To Bal b/d		By Cash (remitt)	1450000
Stock	250000		
Debtors	160000		
Cash	70,000		
To GSTB	1200000	By Bal c/d	
To Cash (Ho met exp)	10000	Stock	225000
		Cash	90000
		Debtors	190000
To NP (bf)	45000		

Q402

Books of Head Office

Nagpur Branch A/c

To Bal b/d		By Cash (Remittance received by HO)	165000
Imp. Cash	2000		
Debtors	25000		
Stock (HO)	24000		
Stock (D.P)	16000		
To Cash (Purchase paid by HO)	45,000		
To GSTB	60,000	By Bal c/d	
To Cash	4000	Cash in Transit	5000
To Cash	30,000	Stock (HO)	15000
		Stock (DP)	10000

To NP (Transfer to General P&L)	15000	Debtors	24000
		Imp. Cash	2000

WN-1

Br. Debtors

To Bal.	25000	By Sales Returns	5000
To Sale	130000	By B. Debts	1000
		By Discount	2000
		By Br. Cash	125000
		By Bal c/d	24000

Imprest Cash

To Op. Bal	2000	By Petty Exp	4000
To Cash (Sent by HO)	4000	By Bal c/d	2000

Mem. Br. Cash a/c

To OP	0	By Cash	165000
To Cash Sales	45000	CIT	5000
To Br. Debtors	125000	By Bal.	0

Q403

Cost = 100
Ip = 120

HO Books

Branch A/c

To Bal Bd		By Bal Bd	
Cash	10000	SR	180000
Debtors	384000	By GSTB (Loading)	220,000
Stock	1080,00		
f&F	500000	By GSTB (Return)	7200
To GSTB	1,32,00,000	By Cash (Remittance)	1,17,00,000
To GSTB (Loading on return)	12000		
To Cash (Furniture Payment by HO)	100000		
To NP (B/F)	1096000	By Bal.	
		Cash	10000
		Fur&fur. (600000-84000)	516000
		Stock	1470000
		Debtors.	485000
To Bal Cd			
Ofs Exp	6000		
CR	245000		

Furniture Op 500000

× 16%

80000

Fur. Purchased 100000 1/Jan

× 16% × 3/12

4000

WN. 1

Br. Cash

To Opng	10000	By Exp	842000
To Sale	9700000	By Cash remittance	1,17,00,000
To Debtors	284200	By Closg	10000 (Given)

Br. Stock

To Bal	1080000	By Br. Cash	9700000
To Br Debtors	102000	By Br. Debtors	3140000
To GSTB	13,20,000	By GSTB	72000
		By Bal c/d	1470000

Br. Debtors

To Bal. 384000	By Br. Cash 2842000
To Sale 3140000	By Discount 58000
	By Br. Stock 102000
	By BDebts 37000
	By Bal. 485000

Q408

Br. Cash

To Br. Sales 130000	By Cash 166000 B/f
To Br. Debtors 35000	By Exp. 5000
To Insurance Claim 1000	
Rent To Cash 5000 (Exp.)	By Bal c/d 0
Salary	
Insurance	

Cash 2000 To Branch [alag aana Chahie]

Prepaid opng = 150

(+) Annual Ins. = 600 (12m) ending 3/3

Year end 31/12

X 3/12

Closg 150

Debtors

Op Bal	4000	Collection	35000
Credit Sale	40000	Discount	100
		Sales Return	2000
		Cash	2000 (direct paid to HO)
		Closing	4900

$IP = SP$

Q410

Alternate-1

20% on IP 1/5 on IP

1/4 on Cost

Alternate-2

Sale = 100 → 20% = (20)

Cost = 80

Q404

Cost = 100

IP = 110

HO Books

Branch A/c

To GSTB (IP)	165000	By GSTB (Loading)	15000
To GSTB (Loading 382 on return)		By Cash (Remittance)	106000
To NP (transfer to Gen. P&L)	37363	By GSTB (Return)	4200
To Bal c/d		By Bal. c/d	
SR	4855	By Debtors	29000
		Br. Stock	53400

Q406 GP % = 25% on Sale (1/4 on Sale)
1/3 on Cost

WN-1 Shortage :-

Opng Stock	= 74736
(+) GSTB	= 289680
	364416
(-) COGS (361280 - 25%)	270960
Balance	= 93456
(-) Closg Stock	= 92496
Shortage	= 960

WN-2 Net Profit earned by Branch before Commission

Alternate-1

GP % 25% on Sale

GP = 361280 × 25%	= 90320
(-) Chargeable Exp	= 49120
(-) Ab. Loss (Shortage)	= 960
NP before	= 40240

Commission

Alternate 2

Branch A/c Cost=Sp

To Bal Bd Stock 74736	By Cash (Remittance) 312160
To GSTB 289680	By Bal. Cld Stock 92496
To NP 40240	

Assuming entire Sale is in Cash & Chargeable Exp are in Cash Hence Net Cash remitted to Ho

Alternate 3

Br. Trading a/c Cost

Op Stock 74736	Sale 361280
GSTB 289680	Shortage 960
GP 90320	Clos. Stock 92496
Charg Exp 49120	GP 90320
AB. Loss 960	

NP 40240

Calculation of Commission

10% of Net profit	⇒	40240
		× 10%
		4024
25% of deficiency (-) (Shortage)		(240)
Final Commission	=	3784
(-) Paid already	=	(2400)
Commission payable	=	1384

Q405

Requirement

1) Debtors method = Lucknow Branch A/c

2) HO Trading and P&L a/c

Debtors method :- Cost = IP (No Loading)

Branch A/c

To Bal. b/d		By Cash (Remittance)	613250
Stock (Ghee)	17000		
Stock (Oil)	27000		
Debtors	75750		
Cash	7540		
Furniture	6250		
To GSTB			
Ghee	270000		
Oil	300000		
		By Bal. c/d	
To Cash (met by HO)	14250	Stock (Ghee)	13250
		Stock (Oil)	44750
To Br. manager Comm. Payable	5303	Debtors	86900
		Cash	12350
		Furniture	5625
To NP (transfer to General P&L)	53032		

WN-1

Br. Debtors

Op Bal	75750	Collection	647330
Sales	342750		
Sales	315730	Bal c/d	86900

Profit from above Branch before Commis.
= 58335

Commission ⇒ 10% of profit after Charging Commission

$58335 \times \frac{10}{110} = 5303$

HO Trading and P&L a/c

To Op. Stock		By Sales	
Ghee	150000	Ghee	1846350
Oil	350000	Oil	2741250
To purchases		By GSTB	
Ghee	1475000	Ghee	270000
Oil	2932000	Oil	300000
To D/Exp	383275	By Clos. Stock	
		Ghee	312500
To GP	597075	Oil	417250

To Depreciation		By GP	597075
plant	136500	By Branch (NP)	3032
F&F	2150		
To General Exp	24000		
To Salary of General Mang.	24000		
To General Mang Commiss.	42132		
To NP	421325		

General Manager Commission = 10% on Overall profit after Charging Comm.

Overall profit = 463457

Commission to General Mang. = $\frac{463457 \times 10}{110}$

= 42132

Q305

Cost = 100] 25 earned by HO
IP = WP = 125] 25/- earned by outlet
SP = RP = 150
1/6

25×6

$\frac{25}{150} \times 100$

Outlet Stock A/c (IP)

To Bal Bd	30000	By Sale	360000
To GST Outlet	324000	By Shortage	18000 (B/F)
To GP (Surplus)	60000	By Bal Cld	36000

GP = $\frac{60000}{16.667\%}$ = 360000 Sale

Outlet P&L

To Shortage	18000	By GP	60000
To Exp.	20000		
To NP	22000		

Stock Reserve A/c (By HO)

To P&L	6000	By Bal Bd	6000
To Bal	7200	By P&L	7200

Cld

Op. Stock of outlet = 30000

SR = $\frac{30000\ (SP)}{125\ (SP)} \times 25 =$ 6000

Clos. Stock of outlet (SR) = 7200

SR → To P&L

P&L → To SR

GSTB a/c

To Br. adj	64800	By Br stock	324000

Last year

Clos. stock (SR)

P&L → To SR

CY

SR

To P&L		By op Bal.	
To Bal.		By P&L	

Cy closg.
PBL
TOSR

Independent Branch

Inter Branch Transaction

Ex:- Cash sent by Bhopal Branch to Delhi Branch

Bhopal	Delhi	HO
HO a/c Dr.	Cash a/c Dr.	Delhi Br. Dr.
To Cash	To HO	To Bpl Br.

Ex:- Bhopal Branch incurred Adv. Exp. on behalf of Delhi Branch

Bhopal	Delhi	Ho
HO a/c Dr.	Adv. Exp Dr.	Delhi
To Cash a/c	To HO	To Bhopal

Ex:- Delhi Branch draw a Bill Receivable accepted by Bhopal Branch.

Bhopal	Delhi:	HO
HO a/c Dr.	B/R a/c Dr.	Delhi Dr.
To Bills payable	To HO	To Bhopal

FA A/c maintained by HO

Ex:-

FA Bv = 100000 Sold by Branch at 150000 (FA maintained by HO)

HO	Branch
Branch 100000	Cash 150000
To FA 100000	To HO 100000
Bv.	To Gain 50000

Example :- Transaction between Branch & HO

1) Goods sent to Branch (Bhopal) = 100000

2) Goods return by Bhopal Branch = 5000

3) Bhopal Branch received goods from Delhi Branch = 25000

4) Bhopal Branch sent Cash to HO 84000

& Sent Cash to Delhi Branch 15000

5) HO incurred Exp. of 12000 on behalf of Bhopal Branch But wrongly Debited to (Exp.) a/c

6) FA purchased by Bhopal Branch in Cash 500000, But account to be maintained by HO

7) Dep of 15000 to be Charged.

Provide Journal entries in HO Books & Bhopal Branch Books.

HO Books

1) BPL Branch Dr. 100000
To GSTB a/c 100000

2) GSTB a/c 5000
To BPL Branch 5000

3) Bhopal Br. a/c Dr. 25000
To Delhi Br. 25000

4) Cash a/c 84000
To BPL Branch 84000

Delhi Branch 15000
To BPL Branch 15000

5) BHPL Branch 12000
To Exp. a/c 12000

6) Br. FA Dr. 500000
To BPL Br. 500000

Branch Books

1) GRF HO Dr. 100000
To HO a/c 100000

2) HO a/c Dr. 5000
To Goods Received 5000

3) Goods Received 25000
To HO 25000

4) HO a/c Dr. 84000
To Cash 84000

HO a/c Dr. 15000
To Cash 15000

5) Exp a/c Dr. 12000
To HO a/c 12000

6) HO a/c Dr. 500000
To Cash 500000

7) BPL
Branch Dr. 15000
To Br. FA 15000

7) Dep. A/c 15000
To HO 15000

Ledger a/c in Both Branch & HO Books

HO Books
Bhopal Branch A/c

To GSTB	100000	By GSTB	5000
To Delhi	25000	By Cash	84000
To Exp.	12000	By Delhi	15000
To Br. FA	15000	By Br. FA	500000
To Bal c/d	452000		

Bhopal Branch Books
HO A/c

To Goods Received	5000	By Goods Received	100000
To Cash	84000	By Goods Receiv.	25000
To Cash	15000	By Expenses	12000
To Cash	500000	By Depreciation	15000
		By Bal c/d	452000

Note:-

"Closing Balances of HO a/c (in Branch Books) and Branch a/c (in HO Books) must be Same & Reciprocal

If they are not Same then there must an Error which is to be rectified.

Example:-

Branch A/c in HO Books = 500000 Dr. Balance

HO A/c in Branch Books = 490000 Cr. Balance

Difference is due to following Reason:-

On 30th march HO Sent goods of 10000 to Branch But Not Received by Branch till 31st march. Actually Received on 2nd April.

⇓

Branch Shall pass GIT Entry as Under on 31st March :-

Goods in Transit a/c Dr. 10000
To HO a/c 10000

Revised HO Cr. Balance = 490 + 10 = 500000

Step 1:- Reconciliation

Step 2:- Tranfer entries in HO Books & Branch Books

Step 3:- Prepare Final A/c

---

(1) Rm Consumed

(2) Production Cost of FG
↳ Rm Consumed + Labour/wages + Overhead Cost

(3) To find out closing FG

OP FG
(+) Production
(-) COGS
(-) COGS(BO)

Branch (Dependent) Master Problem

HO sends goods to Branch at 20% above Cost. Branch has been informed to make Cash sell at IP & Credit Sale at 25% above IP.

However, some goods were sold by Branch at Discount of 10% on SP on Credit.

Opening Stock (From HO) = 75000 IP
" " (Local) = 15000

GSTB (IP) = 900000

Local purchase by Branch on Credit = 60000

Goods returned by Branch (Cost) = 50000

Sales Return :-

Credit = 60000 (SP)
Cash = 30000

Sales :-

Cash Sales = 240000

Credit Sales = 613500

(it includes Discounted Sales whose Cost to HO was 10000)

Closing Stock (From HO) = 204000 Tp

(Local purchase goods not sold during the year)

Closing Stock OF Local goods = 75000

Goods Returned by Debtors Direct to HO (normal SP) = 30000 / 150

Payment to Creditors by HO = 50000

Opening Debtors = 105000

Closing Debtors = 90000

Opng Cash = 75000

Closg Cash = 25000

Bad-debts = 5000

Br. Exp paid by Branch = 12000

Br. Exp Ofs (not yet paid) = 6000

a) Case 1 = S&D method

b) Case 2 = Debtors method.

c) Case 3 = Final A/c system (IP)

Solution of Mastery Problem

(1) Cost = 100, IP = 120, SP = 150

Cash Sale at IP (120), Credit = 150 Sale (SP)

Discounted SP = 150 - 10% = 135

(2) Total Credit Sales = 613500

- at Normal SP: 600000 (at 150)
- at Discounted SP: 13500 (at 135)

Case 1 – Stock & Debtors method

Branch Stock a/c (IP)

To Bal b/d		By GSTB (Return)	60000
HO	75000	By Br. adjustm.	12000
Local	15000	By Br. Cash	240000 (IP)
To GSTB	900000	By Br. Debtors	600000 (SP)
To Br. Creditors	60000	By Br. Debtors	13500 (D.SP)
(SP) To Br. Debtors	60000	By Br. P&L (Cost)	47500
(IP) To Br. Cash	30000	By Br. adj (Loading)	9500

Loading	To Br. adjust	120000	By Bal c/d
	To Br. adjust	1500	HO 204000
			Local 75000

Branch Adjustment A/c (Margin)

	To GSTB (Loading on Return)	10000	By Bal b/d 12500
			By GSTB 150000
	To Br. Stock	12000	By Br. Stock 121500
	To GSTB	10000	(120000 + 1500)
	To Br Stock	9500	
(B/F)	To Br. P&L	208500	
	To Bal c/d	34000	

Goods Sent to Branch (Cost)

(120-100)	To Br. adjust.	150000	By Br. Stock 900000 IP
IP	To Br. Stock	60000	By Br. adjustm. 10000 (120-100)
SP	To Br. Debtors	30000	By Br. adjust. 10000 (150-100)
	To Trading a/c	680000	

Br. Debtors a/c

	To Bal. b/d	105000	By Br. Stock 60000
	To Brstock	600000	By GSTB 30000
	To Br. Stock	13500	By Br. Bad debts 5000
			By Br. Cash 533500 (B/F)
			By Bal c/d 90000

Branch Cash

To Bal b/d 75000	By Br. Stock 30,000
To Br. Stock 240000	By Br. Exp. 12000
To Br Debtors 533500	By Cash 781500 (remittance b/f)
	By Bal c/d 25000

Br. Creditor

To Cash 50000	By Bal b/d 0
	By Br. Stock 60,000
To Bal c/d 10000	

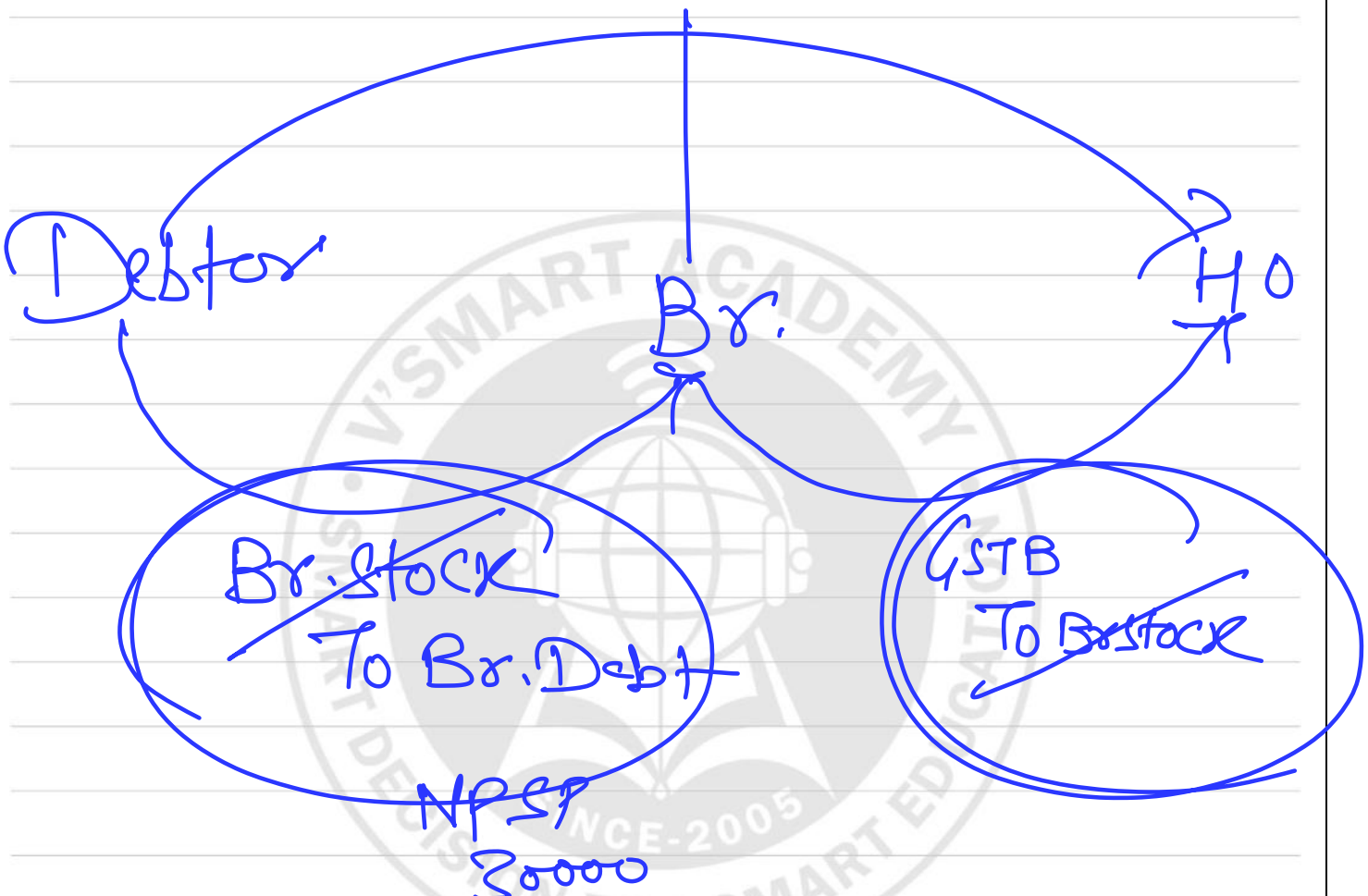
Br. Expense A/c

To Bad debts 5000	By Br. P&L 23000
To Br. Cash 12000	
To Br. Exp Payable 6000	

Br. P&L

To Ab. Loss (Shortage) 47500	By Br. adjust 208500
To Br. Exp. 23000	
To NP 138000	

$\frac{13500}{135} \times 15 = 1500$



$\frac{57000 \text{ IP}}{120 \text{ IP}} \times \frac{100}{\text{Cost}} = 47500$ Cost

9500 Load

Br. P&L a/c Dr. 47500 Cost
Br Adj a/c Dr. 9500 Loading
To Br Stock 57000

Case 2 :- Debtors method

Ultimate cost — Branch A/c — Ip-Loading

To Bal b/d		By Bal b/d	
Stock (HO)	75000	SR	12500
Stock (Local)	15000	By GSTB (Loading)	150000
Debtors	105000	By GSTB (Return by Br.)	60000
Cash	75000	By GSTB (Return by Debtor directly)	30000
To GSTB	900000	By Cash (Remittance)	781500
To GSTB (Loading)	10000		
To GSTB (Loading)	10000		
To Cash (Creditor Payment by HO)	50000		
To NP (transfer to Gen. P&L)	138000		
To Bal c/d		By Bal c/d	
SR	34000	Stock (HO)	204000
By Creditors	10000	Stock (Local)	75000
Br. Exp O/s	6000	Debtors	90000
		Cash	25000

Case 3 :- Final A/c System (IP)

Memorandum Br. Trading & P&L a/c

To op. stock		By Sales :-	
HO	75000	Cash 240000	210000
Local	15000	(-) Return 30000	
To purchase	60000	Credit 613500	523500
To GSTB (net)	816000	(-) Return 60000	
900000 IP		(-) Return 30000	
- 60000 IP		direct to HO	
- 24000 IP direct to HO			
		By Shortage	57000
To GP	103500	By Clos. stock	
		HO	204000
		Local	75000
To Shortage	57000	By GP	103500
To Br. Exp.	23000		
To NP	23500		

Calculation of SR

	Op stock	Clos. stock
Ip Values	75000	204000
Loading	$\frac{75000}{120} \times 20$	$\frac{204000}{120} \times 20$
	12500	34000

Debtors → Branch ⇒ Sale Return (Sp)

Branch → HO ⇒ purchase Return (Ip)

Trad

(Ip) To GSTR 900000	By Goods return 60000 (Ip)
	By Goods return 24000

Summary Point :- (Independent Branches)

1) In Case of Manufacturing Companies Where Raw material & Finished Goods information is given, Following working may be required :-

a) **Raw material Consumed :-**

Opng. Value of Rm	XXX
(+) purchase Cost of Rm	XXX
(-) Closg Value of Rm	(XXX)

b) **Production OF FG (FG Produced during the year)**

Rm Consumed	XXX
(+) Direct Labour (wages)	XXX
(+) Factory overheads	XXX
Cost of FG Produced	

during the year

c) Calculation of Closing stock of FG :-

Opng FG	XXX
(+) FG produced the year	XXX
Total FG available for Sale	
(-) Cost of Goods Sold to Customer	XXX
(-) Cost of Goods Sent to Branch	XXX
Closing FG	
(-) Shortage of FG	
Net Closing FG	

Ex:- Opng Rm = 60,000

Rm purchased = 395000

Closg Rm = 42500

Opng FG = 72000

Direct Labour = 180000

Factory OH = 302000

Sale to Customers = 800000

Goods Sent to Branch = 600000 IP

600000 / 150 x100

Margin from Customers = 50% on Sale

HO Sends goods to Branch at Cost + 50%

Calculate Closg FG of HO

Sol):-

1) Rm Consumed:-

60000 + 395000 − 42500 = 412500

2) Cost of FG produced :- (factory cost)

412500 + 180000 + 302000 = 894500
Rm Lab OH

3) Closg Stock :-

72000 + 894500 =	966500
(-) COGS (Customer) =	(400000)
(-) COGS (Branch) =	(400000)
	166500

Q505

Given info :- HO Sells to wholesale customers @ margin of 30% of Sale

Branch Sells to general public @ margin of 30% on its Sale

WN-1 Rm Consumed :-

1800	opng Rm
35000	purchase Rm
(2300)	Closg Rm
34500	

WN-2 Cost of FG produced (Factory cost)

RM Consumed	= 34500
(+) Wages	= 108500
(+) Factory OH	= 39000
Cost of FG produced	= 182000

WN-3 Closg stock of FG of HO

Op FG	= 13000
(+) FG produced during the year	= 182000
Total Goods available for Sale	= 195000
(-) COGS (Wholesale Customer) 200000 - 30%	= (140000)
(-) COGS (Branch) 46000 × 100 / 115	= (40000)

Closing Stock = 15000

WN-4 Closg Stock of Branch

Opng Stock	=	9200 (IP)
(+) GSTB (always take Gross)	=	46000 (IP)
Available Goods	=	55200
(-) GIT	=	(1500)
(-) COGS 65200 - 30%	=	(45640)
Closg Stock (in Hand)	=	8060

Total Closg Stock (including GIT) = 9560 at IP

Trading and Profit & Loss A/C
year ending 31/Dec/20X1

Particulars	HO	Branch	Total	Particulars	HO	Branch	Total
To Raw Mat Consumed	34500	—	34500	By Sales	200000	65200	265200
To OP. Stock OF FG	13000	9200	22200	By GSTB	46000	—	0
To Wages	108500	0	108500	By Closing Stock			
To F.OH	39000	0	39000	FG	15000	9560	24560
To GST HO	—	46000	0				
To GP	66000	19560	85560				
				By GP	66000	19560	85560
To Adm. Salary	13900	4000	17900	By SR	1200	0	1200
To Salesmen Salary	22500	6200	28700				
To other OH	12500	2300	14800				
To SR	1247	—	1247				
To Bonus	—	156	156				
To NP	17053	6904	23957				

WN-5 SR on Closg Stock of Branch

$$\frac{9560}{115} \times 15 = 1247/-$$

WN-6 Inter Unit A/c Reconciliation

HO Books

Branch A/c

To Bal.	5000	By CIT	1500
		By Bal	3500

CIT
To Branch

Branch Books

HO A/c

To Bal	3500	By Bal.	2000
		By GIT	1500

GIT
To HO

Balance Sheet

Capital 50000	73957	Debtors	37000
(+) NP 23957		Cash :-	24500
		HO 22000	
		Br. 1000	
		CIT 1500	
Creditors	13000		
Bonus Payable	156	Stock :-	
		Rm	2300
		FG :-	23313

HO 15000
Br. 9560
(-) SR 1247

87113

87113

P&L
To SR

Independent Branch
(Domestic Branch)

All Branch transactions are recorded by Branch itself.

Branch shall pass Journal entries, prepare Ledger A/c, TB, B/S & P&L.

HO will be treated as Outside Party

1) Branch received Goods from HO

Goods received from HO a/c Dr.
To H.O.

2) Branch Paid Cash to HO

HO a/c Dr.
To Cash

3) HO received Cash from Br. Debtor

Branch Books { HO a/c Dr.
To Debtors

4) HO sent Goods to Branch But on 31st march goods are in Transit

HO Books	Br. Books
Branch To GST B	GIT Dr. To HO

5) Branch Remitted Cash on 31st March to HO but it is in Transit :-

Br. Books	HO Books
HO a/c Dr.	Cash in Transit Dr.
To Cash	To Branch

6) HO incurred 50000 Common Exp. for HO & Branch out of which 10000 is for Branch :-

HO	Branch
Exp Dr. 40000	Exp. Dr. 10000
Branch Dr. 10000	To HO 10000
To Cash 50000	

7) HO incurred Adv. Exp for Branch 15000 wrongly Charged to P&L :-

HO	Br.
Rectified Entry: Branch Dr.	~~Adv. Exp Dr.~~
To P&L a/c	~~To HO~~

Wrong

1) Adv exp
To Bank

2) P&L
To Adv. exp

Summary :- Preparation of Final A/c in Case of Independent Branch

Either Individual Branch B/S & P&L (OR)
Combined HO + Branch B/S & P&L

Step 1 :- Check HO a/c Bal. & Branch A/c Balance in each others Books.

TB Br.	
Dr. Asset ~~Exp~~	Cr. Liab. ~~Income~~

Match them by passing required Journal Entries in HO Books & Br. Books.

Step :-2 Transfer of Branch T.B to HO (Situation I)

HO Books

Br. Assets Dr.
Br. Exp. Dr.
To Br. Liab.
To Br. Incomes.
(Difference in Branch A/c)

Branch Books

Liab. Dr.
Income Dr.
To Assets
To Exp.
(Difference in HO a/c)

Final Balance of Branch A/c & HO a/c will be Nil

Other Situations

(Sometimes Question requires Branch to prepare its B/s only Hence Revenue items shall only be transferred to HO,

Alternative, Question may ask to transfer Assets & Liabilities only to HO, Branch will prepare its own Trading P&L)

Situation II (Refer)

Branch shall prepare its B/s

Only Revenue items to be transferred to HO

Journals Dr.
HO a/c Dr. (Difference)
To Exp. Cr.

Final HO A/c Bal. to be presented in Branch B/s

Situation III

Branch shall prepare its Trading P&L But not B/s

Transfer A/L to HO

Liab. Dr.
HO (Diff.)
To Assets A/c

Step:-3 Prepare Final A/c of Branch & HO as required in Question

Q504 (Final A/c Under Independent Branch)

Step 1:- Since Branch A/c in HO Books & HO a/c in Branch Books are not matched. Hence they should be Reconciled :—

Adjust 1 :- Cash in Tramit For HO

Books of HO

Cash in Transit a/c Dr. 3000
To Branch a/c 3000

Adjustment 2:- HO has to Reverse & book the Loss

Loss in Transit a/c Dr. 1700
To Branch a/c 1700

HO Books

Branch A/c

To Bal.	133710	By CIT	3000
		By LIT	1700
		By Bal c/d	129010

Step 2:- Transfer of Branch TB to HO

Books of HO (Transfer of TB items from Branch)

a) Branch a/c Dr. 42100
To Br. P&L a/c 31700
To Br. Creditors a/c 10400

b) Br. FA a/c Dr. 95000
Br. Debtors a/c Dr. 19100
Br. Stock a/c Dr. 50460
Br. Cash a/c Dr. 6550
To Branch a/c 171110

HO Books

Branch A/c (Continued from Step 1)

To Bal b/d	129010	By Br. FA	95000
To Br. P&L	31700	By Br. Debtors	19100
To Br. Creditors	10400	By Br. Stock	50460
		By Br. Cash	6550

Step :- 3 Prepare B/S OF Entire Company.

Balance Sheet

ESC	800000	FA	625000
P&L :-	107510	HO 530000	
OP Bal 25310		Br. 95500	
HO Profit 82200		Stock	272930
(-) LIT (1700)		HO 222470	
(+) Branch Profit 31700		Br. 50460	
(-) Int. divid. (30000)			
Gen. Reserve	100000	Debtors	69600
		HO 50500	
		Br. 19100	
Creditors	32300		
HO 21900			
Branch 10400			
		Cash	72280
		HO 62730	
		Branch 6550	
		CIT 3000	
	1039810		1039810

Q501

(1) Goods Sent to Branch at SP/IP

Assume SP = 100/-

Margin on GSTB = 20/-

Cost 80

(2) HO maintains FA a/c of Branch

No need to prepare Combined Trading P&L, only Branch Trading P&L to be prepared.

Independent Branch

Situation 1 :- Question

Cost 100
IP 120
SP 150

Situation 2 :- Question

Cost ✓

IP/SP ✓

Q503

HO Books

Particulars	Delhi	Mumbai	Chennai	Kolkata
Goods D – M	35000 Dr.	35000 Cr.	—	—
Goods D – K	15000 Dr.	—	—	15000 Cr.
	45000 Cr.		25000 Dr.	20000 Dr.
B/R	20000 Dr.		20000 Cr.	

HO

D 5
C 1
To M 3
To R 3