



झा प्तु गता
झा सरर व योमः
शुभ झ मात



Branch Accounting (6 to 9 marks)

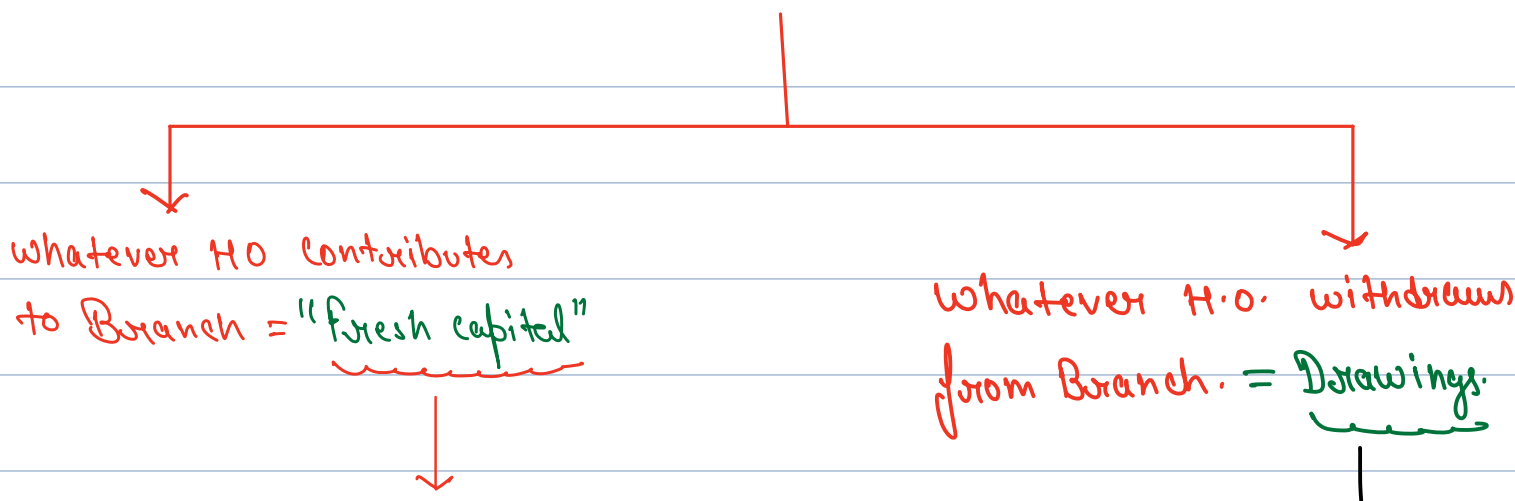
#1 Introduction

→ It is a separate profit centre of the organisation (Head office) generally situated in separate premises.

→ H.O. is owner of Branch

a) H.O. acc in Branch books is similar to Capital acc.

b) Branch in H.O. books is similar to investment acc.



a) goods sent to branch (GsB) - Selling.

b) cash sent to branch (To bank) -
for meeting exp. of branch.



a) goods sent to Branch
(Returns) → GsB Returns
→ Defective

b) cash sent by branch to
H.O. (By bank)

#2 Types of Branch for accounting

Dependant branch

↓
B.O.A. of branch transaction
is maintained by H.O.

or

Accounting of Branch transaction
is done by H.O.

Independent Branch

↓
B.O.A. of branch transaction
is maintained by Branch.

or

Accounting for Branch transacti-
-ons is done by branch.

Our objective → is to

i) acc for branch transactions
in H.O. books.

ii) ascertain Branch profit

Our objective → is to
ascertain branch profit
in HO books.

∴ we need to learn 3 things:

① Reconciliation of H.O. acc in
branch books & Branch acc in H.O.

assets & liability approach

↓
Debtor System

↓
B/S approach.



Part I



↓
Refer eg-1

Income & Expense approach

↓
Final acc system

Part II

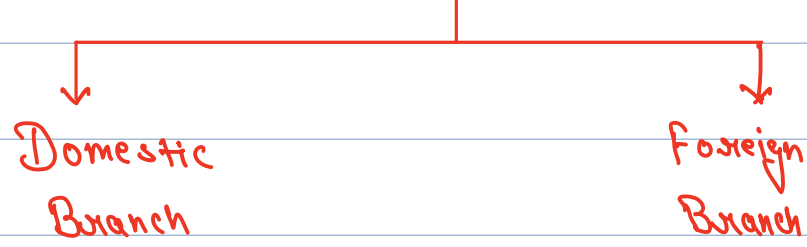
Load adjustment approach

↓
Stocks & Debtor system

books.

② Incorporation of Branch T.B. in H.O. Books.

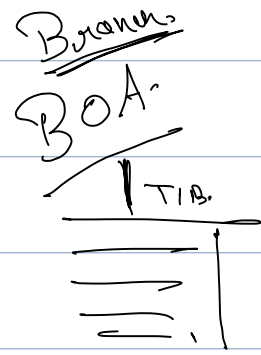
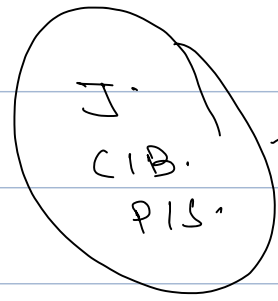
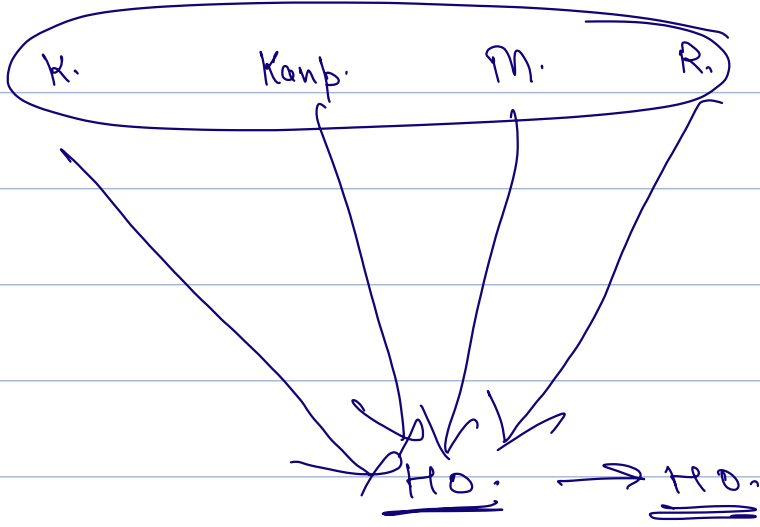
③ Prepare final acc in H.O. books.



Part III

Convert Branch T.B. in H.O. currency as per rates prescribed in As-II.

Part IV



By _____

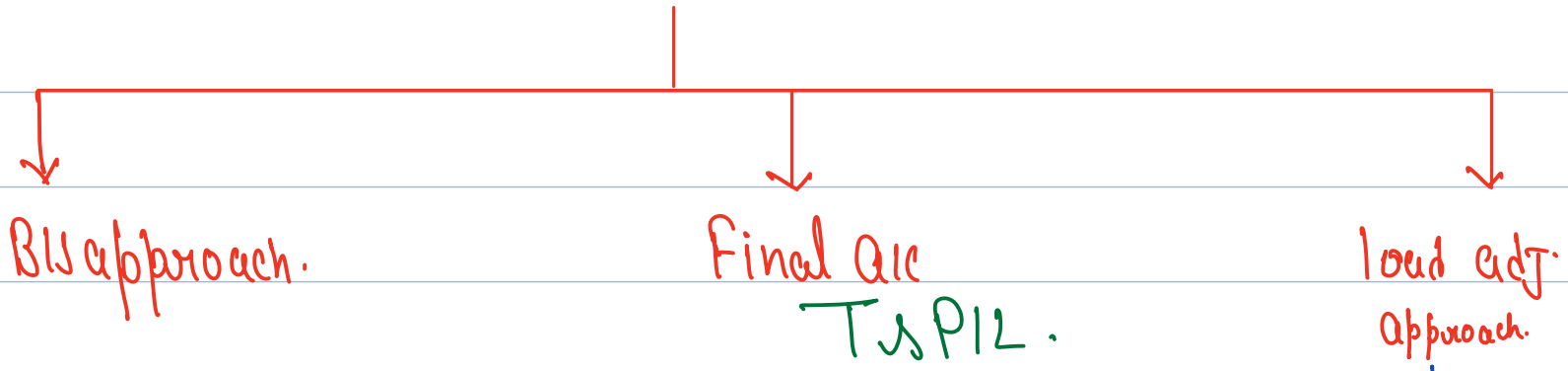


Op. Stock	40000
Cl. stock	30000
Purchases	150000
Sales	200000
Op. Cash	180000
Gr.P.	25% on cost



Its case of Dependant branch ascertain branch prof. by all 3 approaches.

Soln :-



(i) CIB

To bld 180000	By purch. 150000
To Sales 200000	By Bal Cl'd 230000 (B/f)

B/S of gro

Capital (220000) (B/f)	Stock 40000
	Cash 180000

Final A/c T & P/L.

To Op. stock 40000	By Sales 200000
To purchases 150000	By Cl. stock 30000
To Gr. P. (40000)	

Load Adj. Approach.
↓
everything will be recorded at SP i.e. Cost + profit @ S.P.

Op stock 50000 (40k+25%)	Sales 200000
purch. 187500 (150k+25%)	Cl. stock. 37500 (30k+25%)

Profit/loss.

Stock Res. 7500	Stock Res. 10000
GrP (40000)	↳ on op. stock.
	Purch. 37500
	↳ on p.

B/S of year



Capital

26000
(Bd)

Stock 3000
Cash 23000
(C/B)



$$\therefore \text{Op.} + \text{N.P.} - \text{Drawing} = \text{Cl. Capital}$$

$$22000 + x - 0 = 26000$$

$$\therefore x = \text{N.P.} = 4000$$

OR

Profit/loss a/c.

To b/d.		By Drawings —	
Stock	4000		
Cash	18000		
To F.C.	—	By c/d.	
To N.P.	4000	Stock	3000
		Cash	23000

Part - I

Dependant Branch.

(Alling for Branch transaction is done by Ho)

#1 Debtor system

→ This system is based on B/S approach of calculating profit.



→ Under this H.O. prepares only 1 ac to ascertain Branch profit & that is Branch ac.



#2 Derivation of Branch ac

→ op. Capital + f. Capital - Drawings + profit = cl. Capital

or

→ Op. Cap. + fresh Capital + N.P. = Drawings + cl. Capital
Dr Cr

→ Transformation of above equation to ac.
Branch ac.

To op. Capital	xxx
To fresh Capital	xxx
To N.P.	xxx

By Drawings	xxx
By cl. Capital	xxx

a) Capital = A - L.

b) F.C. = Cr & B & To bank
(Ho to branch)



c) Drawings = CrSB (returns) \$ by bank.
(Ho from branch)



Branch a/c

To bal. b/d - opening asset.	xxx	By Bal. b/d op. liability.	xxx
To CrSB	xxx	By CrSB (R)	xxx
To bank	xxx	By Bank	xxx
To bal. Clid. - Cl. liability	xxx	By Bal. Clid. Cl. assets	xxx
To N.P.	xxx		

#3 Detailed format of Branch a/c

- a) prepared from Ho's POV (point of view)
b) prepared at Invoice price (I.P.)

↓
price above cost.

To bal. b/d.

By Stock Reserve

xxx

Stock @ I.P.	xxx	(load on op-stock)	
Debtors	xxx	(L.F. x op-stock)	
Petty cash	xxx		
Cash	xxx		
prepaid exps	xxx	By Bal. Bld.	
fixed assets	xxx	Creditors	xxx
Goods in Transit	xxx	O/S exps.	xxx
Cash in Transit	xxx	By Cr S B.	xxx
To Cr S B @ I.P.	xxx	Load on Cr S B	
(goods sent by Ho)		(L.F. x Cr S B)	
To Cr S B (Returns)	xxx	By Cr S B (Returns) @ IP	xxx
load on Cr S B Returns		goods recd by Ho.	
(L.F. x Cr S B Returns)			
To Bank	xxx	By Bank	xxx
(cash spent by Ho)		(cash recd. by Ho)	
To Stock Reserve	xxx	By Bal. Cld.	
(load on Cl-stock)		Stock @ I.P.	xxx
(L.F x Cl-stock)		Debtors	xxx
		Petty cash	xxx
		Cash	xxx

To Bal. Cd.



Creditors

xxx

O/S exps

xxx

P.F.D.D.

xxx

(% on Drs)

O/S managers

Commission

(% of (Cr. Total - Dr. total))

prep. exps

xxx

Fixed assets

xxx

Gr I T

xxx

CIT

xxx



To general P/L

xxx

xxx

xxx



Represents

H.O P/L.

#4 Final A/c

→ under this system we use Income & Exp. to calculate profit.

→ under this system we prepare.

a) Trading a/c

b) P/L. a/c

→ of Branch in H.O books

→ prepared @ cost

→ prepared from Branch Pov.

→ format.



Trading acc (always @ cost)



To op. stock.	xxx	By sales	
To purchase	xxx	Cash	xxx
To Direct exps.	xxx	Credit	xxx
To Crs B	xxx	— S. Return	<u>(xx)</u> xxx
— Crs B (Return) <u>(xx)</u>	xxx		
To surplus in stock	xxx	By Abnormal loss	xxx
(PV > BV)			
To CrP.	<u>xxx</u>	By shortage in stock	xxx
		(PV < BV)	

eg →

Stock as per records (books)	₹ 10	₹ 10
Stock as per physical verifi.	12	9
	Extra 2	less 1
	↓	↓
	Surplus	Shortage.

P12 A/c



To Expense (after adjusting O/S & prepaid)	xxx	By gross profit	xxx
To Ab. loss (cost - insurance)	xxx	By surplus	xxx
To Shortage	xxx	By Discount received	xxx
To discount allowed	xxx	By profit on sale of FA	xxx
To Depreciation	xxx		
To loss on sale of f.A.	xxx		
To P.F. D.D.	xxx		
To manager Commission	xxx		
To general P/L	<u>xxx</u>		

5 Invoice price.

→ when HO sends goods to Branch at price above cost is known as I.P.

$$\rightarrow \text{I.P} = \text{Cost} + \text{load}$$

↳ unrealised

→ These are 5 items on which load should

to be moved.



- a) op. stock
- c) Cl. stock
- e) G.I.T.

- b) CrsB
- d) CrsB (Return)



→ if Q. is of I.P. then above 5 items should be written at I.P.

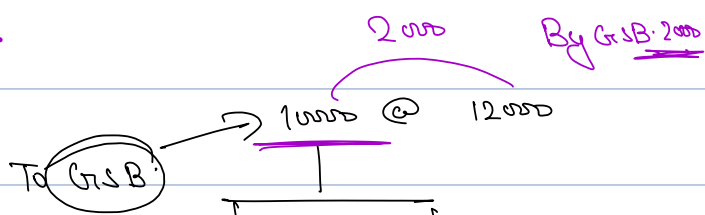
if they are given in Q at Cost price, then convert them into I.P. and then post in branch and thereafter remove load from them on opposite side of branch and

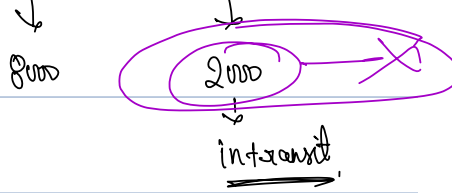
Load is given in Q.

→ if the Q. is of I.P. and nothing is mentioned against those 5 items, that whether they are at cost or I.P. then assume it to be I.P.

→ cost to branch or at its cost ⇒ I.P.
↓
Branch.

Suppose - in





#6 Do not Consider

- Sales / s. Return
- Income / Expense
- Discount all / Dis. received. / Bad debts.
- Dep.
- profit/loss on sale of F.A.
- Ab. loss, shortage, surplus

In Branch a/c ∴ Revenue items

∴ Branch is P/L approach

HO eloud.

#7 Special Adjustment.

(1) GSB, GSB (R) & GIT

eg 1 → GSB = 10000 } impact?
GSB(R) = 2000 } impact?

Solⁿ :-



Branch a/c

Branch Trading a/c

To GSB 10000

By GSB (R) 2000

To GSB 10000

- GSB (R) (2000) 8000



eg 2 :- GSB at cost plus 25%.
 GSB 10000
 GSB (R) 2000

Solⁿ :-

Load fraction = $\frac{25}{100}$ on cost or $\frac{25}{125}$ on I.P.
 $\frac{1}{4}$ on cost or $\frac{1}{5}$ on I.P.

Branch a/c

Branch trading a/c

To GSB 10000

By GSB (load) 2000
 $(\frac{1}{5} \times 10000)$

To GSB @ 8000
 Cost

$(10000 - 2000)$

To GSB (R) 400
 $(\frac{1}{5} \times 2000)$

By GSB (R) 2000

- GSB (R) (1600) 6400
 $(2000 - 400)$

eg-3 :- Goods sent at cost plus 25%.
 Goods sent by HO - ₹ 20000
 goods recd. by branch - ₹ 15000
 goods sent by branch - ₹ 4000



goods recd. by Ho - ₹ 3000



Branch a/c

Branch Trading a/c

To GSB	20000	By GSB	4000 ($\frac{1}{5} \times 20000$)
To GSB (R)	6000 ($\frac{1}{5} \times 3000$)	By GSB (R)	3000
To GIT (head)	12000 ($6000 \times \frac{1}{5}$)	By Bal. c/d.	6000
		GIT	(5000 + 1000)

To GSB	12000 ($15000 - \frac{1}{5} \times 15000$)		
- GSB (R)	3200 ($4000 - \frac{1}{5} \times 4000$)	88	

eg 4.

Goods sent at cost + 25%.

goods sent by Ho' at cost 100000

goods recd. by Branch 100000

goods sent by branch 20000

goods recd. by Ho at cost 120000

} I.P.

Prepare Branch & Trading a/c.

POV → Branch at cost.

Branch a/c

Trading a/c

To GSB	125000 ($1L + 25\%$)	By GSB	25000 ($125000 \times \frac{1}{5}$)
--------	---------------------------	--------	--

To GSB	80000 ($100000 - \frac{1}{5}$)
--------	-------------------------------------

To GSB (R) (15000 × $\frac{1}{5}$)	3000	By GSB (R) (12000 + 25%)	15000	- Refund (20000 - $\frac{1}{5}$)	(16000) 64000
To GIT (30000 × $\frac{1}{5}$)	6000	By Bal. Cd. GIT (25000 + 5000)	30000		

(2) To bank → It means amount spent by branch to Ho for exp.

eg-5

yr. end 31-12-2010
Bal. on 1-1-2010

→ prepaid Ins. 2000

→ O/S electricity 1000

Cash sent by Ho for exp.

→ Salary 12000

→ Ins. 15000 → electricity = 7000.

(for yr. end. 31-3-2011)

→ Rent upto 31-3-2011 18000

O/S electricity on 31-12-2010 - 1500

whenever O/S or prepaid (P.P.) for any exp. is given then always prepare Expense A/c.



Ins. acc

To P.P. (op.)	2000	By P/L	13250
To Cash	1500	By cl. P.P.	3750
			$(\frac{1500}{12} \times 3m)$

electricity

To Cash	7000	By op. o/s	1000
To cl. o/s	1500	By P/L	7500

Rent acc

To Cash	18000	By P/L	13500
		By cl. P.P.	4500
			$(\frac{18000}{12} \times 3)$

Branch acc.

To bal. b/d.		By Bal. B/d	
P.P.	2000	O/s elect.	1000
To bank			
Salary	12000		
Ins.	1500		
Rent	18000		
electrii	7000		
To bal. c/d.		By Bal. C/d.	
O/s elect.	1500	P.P. 'in.	3750
		P.P. Rent.	4500



Branch

P/L



To Inv. 13250

To Elec. 7000

To Rent 13500

To salary 12000

(3) **By Bank** :- amount received by H.O. from branch.

→ always prepare cash a/c

→ if amount sent by branch to H.O. is given then consider as that amount sent.

else entire bal. of cash a/c is sent by branch to H.O.

eg-6

Cash Sales 120000

Collection from Debtors 80000

Expenses incurred by branch 30000



Case 1 → No further information



Br. Cash acc

Branch acc

To Sales 12000	By Ho 2L.
To Drs 8000	

To bank 3000	By Bank 20000
--------------	---------------

Case 2 :- Cash sent by branch to Ho = 145000

Br. Cash acc

Branch acc

To Sales 12000	By Ho 145000
To Drs 8000	By exps 30000
	By Bal. Cd 25000

To bank —	By Bank 145000
	By Bal. Cd. CIB. 25000

Case-3 :- Cash sent by Branch to Ho = 145000
Ho received 135000.

Br. Cash acc

Branch.

To Sales 12000	By Ho 145000
To Drs 8000	By exps 30000
	By Bal. Cd 25000

To bank —	By Bank 135000
	By Bal. Cd Cash 25000 CIT 10000

A) Petty Cash



whenever bal. of petty cash is given
prepare P/cash acc. as under
Petty Cash acc.

To bal. b/d	xxx	By P/L - <u>Spent</u>	xxx
To H.O. sent	xxx	By Bal. c/d	xxx

↓
'To bank'

Imprest Cash means op. bal = cl bal.

5) Branch Stock Acc.

always prepare Branch stock acc.

→ format

To Bal. B/d	xxx	By Crs B (R)	xxx
To Crs B	xxx	By cash sale	xxx
To Sales Return	xxx	By Credit sale	xxx
To Surplus	xxx	By N. Loss	xxx
		By Ab. loss	xxx
		By shortage	xxx



By Gr. I. T. xxx
By Bal. Cl. d. xxx



bal. fig of Branch stock a/c = op. stock / cl. stock

But if op. bal. & cl. bal. is given then
bal. fig = surplus or shortage
↓ ↓
Dr side. Cr side.

if Q. is of Cost price prepare Trading a/c.

(6) Branch Debtors

→ always prepare Branch Debtors a/c as under:

Br. Debtors

To bal. bld	xxx	By s. Return	xxx
To Cr. Sales	xxx	By Cash	xxx
		By bank	xxx
		By Dis. allowed	xxx
		By Branch	xxx
		By Bad debts	xxx

Collection from Debtors



Branch Fixed Assets.

prepare branch F.A. a/c whenever bal. of F.A. is given.

(8) Branch expense a/c

prepare Branch expense a/c whenever O/S or P.P. info. is given as under

		Exp. a/c	
To op. P.P.	xxx	By op. O/S.	xxx
To Cash	xxx	By P/L	xxx
To cl. O/S	xxx	By cl. P.P.	xxx

(9) Inter Branch Transactions (IBT)

All IBT are routed through H.O.

Suppose

goods sent to Branch A @ cost plus 25%.
Branch B @ cost plus 20%.

Goods sent by A to B costing ₹ 5000.



Branch a/c.

	A	B		A	B.
To G.S.B (L)	1250	—	By G.S.B.	6250	—
To G.S.B (5000 + 20%)	—	6000	(5000 + 20%)		
			By G.S.B (L)	—	1000

(10) Goods Returned by Customers directly to Ho



Disclose as through Branch.

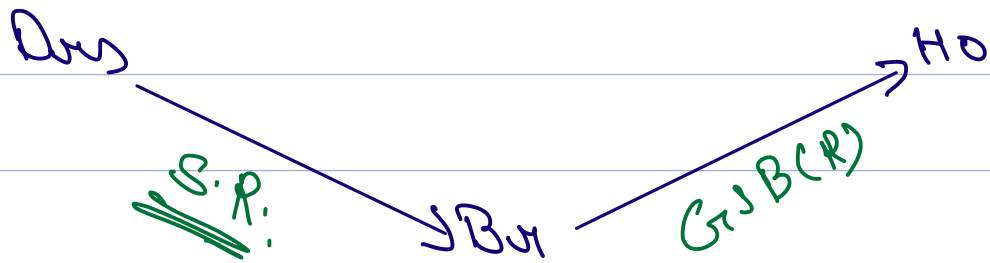


Illustration 1 (a)

Buckingham Bros, Bombay have a branch at Nagpur. They send goods at cost to their branch at Nagpur. However, direct purchases are also made by the branch for which payments are made at head office. All the daily collections are transferred from the branch to the head office.

From the following, prepare Nagpur branch account in the books of head office by Debtors method:



	₹		₹
Opening balance (1-1-20X1) Imprest Cash	2,000	Bad Debts	1,000
Sundry Debtors	25,000	Discount to Customers	2,000
<u>Stock: Transferred from H.O.</u>	<u>24,000</u>	<u>Remittances to H.O.</u>	
<u>Direct Purchases</u>	<u>16,000</u>	<u>(received by H.O.)</u>	1,65,000
Cash Sales	45,000	Remittances to H.O.	
Credit Sales	1,30,000	(not received by H.O. so far)	5,000
Direct Purchases	45,000	Branch Exp. directly paid by H.O.	<u>30,000</u>
Returns from Customers	<u>3,000</u>	Closing Balance (31-12-20X1)	
Goods sent to branch from H.O.	60,000	Stock: Direct Purchase	10,000
Transfer from H.O. for Petty Cash expenses	4,000	Transfer from H.O.	15,000
		Debtors	?
		Imprest Cash	<u>?</u>
		Petty Cash expenses	<u>4,000</u>

Solⁿ :-

Branch a/c

To bal. bld.	
P. Cash	2000
Drs.	25000
Stock	
→ Puch	16000
→ H.O.	24000
To CrsB	60000
To bank	
- Petty C. Exp.	4000
- Exp.	30000
To Bal. Cld. Crs.	<u>45000</u>

WN-1

Trading a/c.

To op. stock	4000	By c. sal	45000
To purchase	45000	By Cr. sal.	130000
To CrsB	60000	- S.R.	(3000)
To CrP	<u>52000</u>	By cl. stock	2500

WN-2

Petty cash

To bal. bld	2000	By P/L	4000
To HO.	4000	By Bal. Cld.	<u>2000</u>

By Bank 165000

By Bal. Cld
CIT 5000

Stock
↳ Puch. 10000
↳ HO 15000

To GrPL 15000
 P. Cash 2000
 Drs 24000



WN-3 Cash acc

To Cash sales 45000
 To Drs 125000
 By H.O. 16500
 By CFT 5000



WN-4 Debtors

To Bal. b/d 25000
 To Gr. sales 18000
 By S. Return 3000
 By B/d 1000
 By Dis. all. 2000
 By Cash 12500
 By Bal. c/d. 24000

WN-5 P/L acc

To B/d. 1000
 To Disc. All. 2000
 To Exp. 30000
 To P. Exp. 4000
 To Gr P/L 15000
 By GrP 52000

Q2 Modi Sales Ltd. Modi nagar has branch at Delhi. Goods are supplied to branch at a profit of 20% on sale price. Account are kept at head office from where all expenses are paid. Petty cash expenses are paid by the branch which is allowed to maintain petty cash. From the following balance as shown by books. Prepare Branch Account.

	₹
Balance as on 1st April 2010	
Petty cash in hand at Branch	500
Stock in hand at Branch at Invoice price	20,000
Sundry Debtors at Branch	4,000
Sundry Creditors at Branch	1,200
Furniture at Branch	10,000
Rent prepaid (up to 30th June 2010)	400

20% on sales price.
 2000 @ 1/5
 ⇒ 400.

Transactions for the year ended 31st March, 2011 were follows:

Goods sent to Branch	1,05,000
Cash Sales at Branch	80,000
Credit sales at Branch	45,000
Allowances to Debtors	500
Cash received from Debtors	40,000
Bad debts written off	200
Cash paid by branch to creditors	8,000
Creditors as on 31.3.2011	3,000
Payments made by H.O :-	
✓ Rent for one year (Paid on 1st July 2010)	2,000
✓ Salaries	3,000
✓ Insurance paid for the year ending 30th June 2011	800
✓ Payment made by Branch Petty Expenses	300
Balance on 31st March, 2011	
Stock at cost	30,000
Petty Cash in Hand	700



WN-1 Stock @ I.P.

Total bld	2000	By C. Sale	8000
To Crs.B	105000	By Cr. Sal.	45000
To purchase	12250	By Bal. c/d	37500
(9800 + 25%)		(3000 + 25%)	
↓ Crs ledger		↓ I.P.	
To surplus	25250		

Write off Depreciation @ 10% p.a on furniture.

Solⁿ i:- Branch a/c

To bal. bld.		By S. Res. (1/5)	4000
Petty cash	500	By Bal. Bld	
Stock	20000	By Crs.	12000
Dues	4000	By Crs.B (1/5)	21000
f. wr.	10000	By Bank	112000
P.P. Rent	4000	By Bal. c/d.	
To Crs.B	105000	P.P. Rent	500
To Bank	20000	P.P. ins.	200
Rent	2000	stock	37500
Sal.	3000	Petty cash	700
Ins.	800	Furniture	9000
P. cash.	500	Debtors	8300
To S.R. (1/5)	7500		
To Bal. c/d			
Crs.	3000		
To Cr. PL.	37700		

WN-2 Debtors

To bld	4000	By D. all	500
To Crs.	45000	By Cash	40000
		By BID	200
		By c/d.	8300

WN-3 Cash

To sale	80000	By Crs	80000
To Dues	40000	By Ho	112000

WN-5 Rent

To PP.	4000	PIL	12000
To Ho	2000	By cl. PP.	5000
		(2000/12 x 3)	

WN-4 Petty cash

Total bld	500	PIL	3000
To Ho	500	By Bal. c/d	9000

WN-7 Furniture

To Bal. Bld	10000	Dep.	1000
		By Bal. c/d	9000

WN-7 P.I.L

To D. all.	500	By g.P.	25000
To BID	200		

WN-7 P.I.L

To D. all.	500	By g.P.	25000
To BID	200		



By sup. 20100

WN-8 Crs	
To Cash 8000 To Bal. c/d 3000	By Bal. B/d 1200 By purch 9800 B/d

To Salary 3000
To P. Exp 800
To Dep 1000
To ins 600
To Rent 1900
To Cr. P/L 37700

Trading acc. (Verification)

Op. stock 1600 To purch 9800 To Cr. S.B 8400 To Surplus 20100 To G.P. 25000	By Cash 8000 Cr. 45000 By cl. stock 3000
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WN-9 Inv.

Ho 800	By P/L 600 P.P. 200 ($\frac{800}{12} \times 3$)
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12. Widespread invoices goods to its branch at cost plus 20%. The branch sells goods for cash as well as on credit. The branch meets its expenses out of cash collected from its debtors and cash sales and remits the balance of cash to head office after withholding ₹ 10,000 necessary for meeting immediate requirements of cash. On 31st March, 20X1 the assets at the branch were as follows:

	₹ ('000)
Cash in Hand	10
Trade Debtors	384
Stock, at Invoice Price	1,080
Furniture and Fittings	500

During the accounting year ended 31st March, 20X2 the invoice price of goods dispatched by the head office to the branch amounted to ₹ 1 crore 32 lakhs. Out of the goods received by it, the branch sent back to head office goods invoiced at ₹ 72,000. Other transactions at the branch during the year were as follows:

72. 1320000

$\text{Cost} + \% = \text{I.P.}$
 $100 \quad 20 \quad 120$



	On Cost	On I.P.	(₹ '000)
Cash Sales			9,700
Credit Sales			3,140
Cash collected by Branch from Credit Customers			2,842
Cash Discount allowed to Debtors			58
Returns by Customers			102
Bad Debts written off			37
Expenses paid by Branch			842

On 1st January, 20X2 the branch purchased new furniture for ₹ 1 lakh for which payment was made by head office through a cheque.

On 31st March, 20X2 branch expenses amounting to ₹ 6,000 were outstanding and cash in hand was again ₹ 10,000. Furniture is subject to depreciation @ 16% per annum on diminishing balance method.

Prepare Branch Account in the books of head office for the year ended 31st March, 20X2.

Solⁿ :- (₹ in '000)

Branch a/c

To bal. b/d.		By S.R. ($\frac{1}{5}$) 180
Cash 10		
Debtors 384		
Stock 1080		By CrSB (L) 2200
Furniture 500		($13200 \times \frac{1}{5}$)
To CrSB. 13200		By CrSB (R) 72
To CrSB R (L) 12		By Bank. 11700

WN-1
Stock a/c

To b/d 1080	By CrSB R 72
To CrSB 13200	By C. Sales 9700
To S.Re. 102	By Cr. bal 3140
	By Bal. c/d
	1470

WN-2
Debtors

To bal. b/d 384	By Cash 2842
	By Dis. All 58

(72 x $\frac{1}{6}$)

By Bal. c/d.

To Cr. sales 3140

By S.R. 102.
By B/d 37

To Bank 100
Furniture
To Stock (1470 x $\frac{1}{6}$) 245
To Bal. c/d.
O/S exp. 6

Cash 10
Furni 516
Drs. 485
Stock 1470

By Bal. c/d.
485.

Tog. P/L. 1096

WN-3 Cash

WN-4 Exp.

Total b/d 10	By Exp. 842
To sale 9700	By H.O. <u>11700</u>
To Drs 2842	By Bal. c/d 10

To Cash 842	P/L <u>848</u>
To O/S. 6	

WN-5 Furniture.

WN-6 P/L (first part)

To b/d. 500	By Dep 84
To HO 100	(500 x 16% + 100 x $\frac{3}{12}$ x 16%)
	By bal. c/d <u>516</u>

To D.A 58	By Cr.P. 2153
To B/d 37	
To Dep 84	
To Exp. 848	

Tog. P.L. 1096

Part - II

Stock & Debtor system (SDS)

#8 Introduction to SDS

→ This system is followed generally when goods sent at I.P.

→ Under this concept or system we prepare following mandatorily.

1) Branch stock a/c at I.P.

2) Branch Adjustment a/c → to remove load on all items of branch stock except sales to calculate G.P.

3) Branch Debtors a/c

4) Branch P/L a/c

5) Branch Cash a/c

Other a/c., if asked in the Question

6) CrsB

10) Surplus in stock

7) Branch expense

11) Abnormal loss

8) Branch F.A.

12) Normal loss.

9) Shortage in stock

13) Stock Reserve.

→ Under this system we follow, Complete Double entry system.



#9 Ledger

Branch stock

To bal. b/d xxx	By CrsB(R) xxx
To CrsB xxx	By Branch Cash xxx (Cash sale)
To Br. Adj. SP-IP (if SP > IP)	By Branch Dr. S.P. (Cr. sale)
To surplus xxx	By Br. adj. IP-SP (if IP > SP)
To branch Dr. (S. Return) xxx	By Ab. lons. xxx
	By shortage xxx
	By N. lons. xxx
	By GIT xxx
	By Bal. (ld) xxx

Branch Adjustments.

To CrsB xxx (loan on Return)	By Stock Res. xxx
To Br. stock IP-SP	By CrsB xxx
To Ab. lons. load	By Br. stock SP-IP
To shortage load	By surplus load.
To N. lons. load	

Branch Debtors.

To bal. b/d xxx	By Br. stock xxx (S. Return)
To Br. stock xxx (Cr. sale)	By Branch PIL xxx (Bad debt / Dis-allow.)
	By branch cash xxx
	By Bal. (ld) (xxx)

Branch cash a/c.

To bal. b/d. xxx	By b. exp xxx
To Br. sto xxx	By Bank ^{Ho.} xxx (sent to Ho.)
To br. Dr. xxx	By Bal. (ld) (xxx)

Branch Exp.

To bank xxx (Ho spend)	By br. PIL. (xxx)
To branch cash xxx	

To Gr IT xxx
 To S. Revenue. xxx
 To Cr.P. xxx



G S B



To Branch Adj. xxx
 Load.

By branch stock xxx
 (I.P.)

Branch P12

To branch stock @ I.P.
 (Return)

By Br. Adj. Load.
 (Return Load)

To Ab. loss. xx
 (Cost - insur.)

By Cr.P. xxx
 By surplus cost

To shortage cost

~~To Nil Loss cost~~

To br. deb. xxx

To br. exp. xxx

To dep. xxx

To Cr. P12 xxx

To general Trading acc

xxx

Net cost of GSB.

GSB ₹ 100 @ I.P ₹ 120
 ↓
 Cost

Sent

① Branch stock Dr 120
 To GSB 120

② GSB Dr 20
 To Branch Adj. 20

Return

① GSB Dr 12
 To Br. stock 12

② Branch Adj. Dr 2
 To GSB 2

GSB

To Br. Adj 20
 To Br. stock 12
 To Trading. 9

By Branch stock 120
 By Br. Adj. 2.

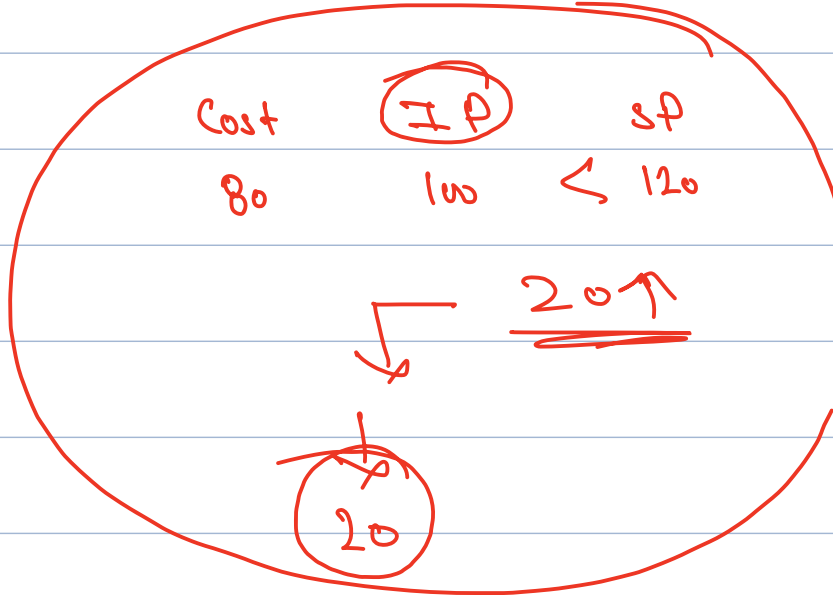
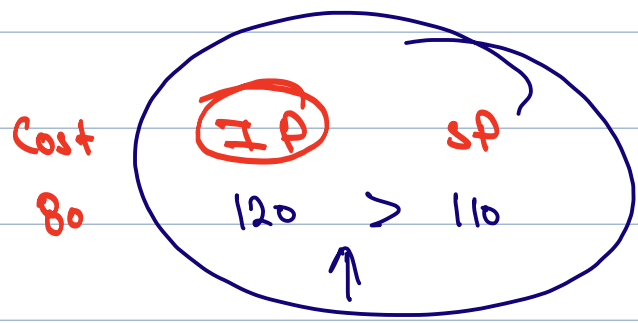
→ goods sent →

Branch stock Dr 120
 To GSB 100
 To Br. Adj. 20

Combined entry.

→ Return →

Br. Adj. Dr 2
Cr SS Dr 10
To Branch Stock 12.

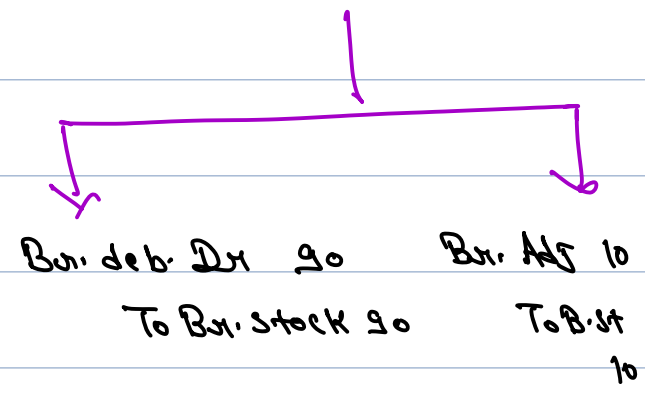
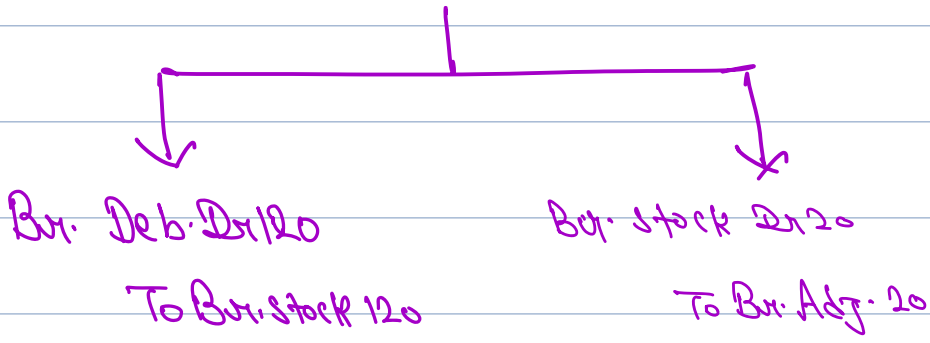


IP = 100
SP = 120

IP = 100
SP = 90

Br. Deb. Dr 120
To Br. Adj. 20
To Br. stock 100

Branch Debtors Dr 90
Br. Adj. Dr 10
To B. stock 100



#10 Important points.



1) Branch Stock acc.

→ B/f of branch stock = op. bal. or cl. bal. of stock.

→ But if bal. of stock is given then b/f = shortage / surplus in stock.

2) Branch Cash acc

if Q.R.S.

→ closing bal. of branch = zero.

→ entire closing bal. is transf. to Ho acc as by bank.

3) Branch P/L

→ if Q. does not state to prepare Branch P/L then all items of branch P/L are transf. to Branch adjustment acc. and bal. of branch adjustment will give Net profit.

4) Shortage / surplus is Abnormal loss.

Q.4. HLL Ltd. has two Branches, one at Calcutta and other at the Madras. Goods are invoiced to Branches at invoice price that is cost plus 50%. Branches remit all cash received to the Head Office and all expenses are met by Head Office. From the following particular prepare the necessary accounts under the Stock and Debtors System.

Cost + L = I.P.
 100 50 150
 1/2 3/2 3
HD
 MENTORING
 HARSHIT DWIVEDI
 CA FOUNDATION | CA INTERMEDIATE | CA FINAL

	Calcutta	Madras
	₹	₹
Stock (on 1.4.2010 at invoice price)	93,000	1,56,000
Debtors (on 1.4.2010)	68,000	87,000
Goods invoiced to Branches (at cost price) <u>+50%</u>	3,40,000	3,60,000
Sales at Branches	5,10,000	5,40,000
Cash Sales	2,50,100	3,50,000
Credit Sales	3,10,000	3,01,000
Cash collection from Debtors	3,04,000	2,98,000
Goods returned by Branch (at invoice price)	15,000	----
Goods returned by Debtors	12,000	15,000
Goods transferred from Madras to Calcutta (cost)	20,000	20,000 14,500
Surplus of Stock (at invoice price)	----	3,000
Shortage of Stock (at invoice price)	4,500	----
Discount allowed to Debtors	2,000	3,500
Expenses at Branches	54,000	67,000

Stock Dr.
 Adj. PIL.
 Cash.

+50%
 ⇒ 21000

Soln:-

Branch stock acc.

Particulars	C	M	Particulars	C	M
To bal. b/d.	93000	156000	By Br. Cash acc.	250100	350000
To Crs B.	510000	540000	By Br. Dr.	310000	301000
To Border	12000	15000	By Crs B (R)	15000	-
To Crs B	21000	-	By Crs B	-	21000
To swip.	-	3000	By Short.	4500	-
			By Bal. b/d.	564000	420000

Branch adjustment

Particulars	C	M	Particulars	C	M
To Crs B (R)	5000	-	By st. Res.	31000	52000
To Crs B	-	7000	By Crs B.	17000	18000
To sh.	1500	-	By Crs B	7000	-
To S.R.	188000	14000	By swip.	-	1000
To Cr.P.	182700	212000			

Branch Cash

Particulars	C	M	Particulars	C	M
To br. stock.	250100	350000	By Bank.	554100	648000
To br. Dr.	304000	298000			

Branch Dr.

Particulars	C	M	Particulars	C	M
To bal. b/d	68000	87000	By Br. Cash	304000	298000
To Br. st.	310000	301000	By Br. stock	12000	15000
			By PIL	2000	3500
			By Bal. b/d.	60000	71500

Branch PIL

Particulars	C	M	Particulars	C	M
To shortage	3000	-	By Cr.P.	182700	212000



To Br. Drn 2000 3500
(Dis.all.)

By surplus - 2000

To Exp. 54000 67000

To G.P.L. 123700 143500



HD Crift :-

Stock Reserve.

Particulars	C	M	Particulars	C	M
To Br. Adj.	31000	52000	By Bal. B/d.	31000	52000
To Bal. C/d.	18800	14000	By Br. Adj.	18800	14000

Cr & B

Particulars	C	M	Particulars	C	M
To Br. Adj.	17000	18000	By stock.	51000	54000
To Br. Stock	15000	-	By Br. Adj.	5000	-
To Br. Stock	-	21000	By Br. Stock	21000	-
To Br. Adj.	7000	-	By Br. Adj.	-	7000
To general Trading	344000	346000			

C

M.



Rec. 340 360

Rec. 14
354

(14)
346
HD
MENTORING
HARSHIT DWIVEDI
CA FOUNDATION | CA INTERMEDIATE | CA FINAL

Return. (10)
344.

Shortage in stock. (Calcutta)

To Br. stock	4500	By Br. Adj.	1500
		By P/L	<u>3000</u>

Surplus in stock (Madras)

To Br. Adj.	1000	By Br. stock	3000
To Br. P/L	<u>2000</u>		

Q.5 Atlantic Paper Products send goods to Bhopal Branch at cost plus 25%. You are given the following particulars:

	₹
Opening stock (at branch at its cost) @ I.P.	5,000
Goods sent to branch at invoice price	20,000
Loss-in-transit at invoice price	2,500
Theft at invoice price (Ab. loss)	<u>1,000</u>
Loss-in-weight (normal) at invoice price	500
Sales <i>cash sales</i>	25,500
Expenses	8,000
Closing stock at branch at cost to branch → I.P.	6,000
Claim received from the insurance company for <u>loss in transit</u>	2,000

Cost + 25 = IP
100 25 125
1/4 1/5

② Ab. loss.

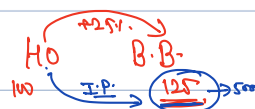
Transit 2500
Theft 1000
I.P. 3500
— loss (1/5) (700)

loss @ cost 2800
— Im. (2000)

You are required to prepare in the Head Office books:

- Branch Stock Account
- Branch Adjustment Account
- Branch Profit & Loss Account

Show your working.





Soln

Ans. :-

Crn. 4300

Gr.P. 4700

Stock. 6000 Surplus 10500

Actual on 800
@ Cost.



Branch Stock.

Particulars	amt	Particulars	amt.
Total b/d	5000	By Ab. lons	3500
Total B	2000	By N. lons.	500
Total surplus	10500	By Br. Cash (Sales)	25500
		By Bal. c/d	6000

Branch Adjustment

Particulars	amt	Particulars	amt.
To Ab. lons	700	By St. Res.	1000
To N. Lon	500	By Cr. B.	4000
To Stock Re.	1200	By surp.	2100
To Gr.P.	4700		

Branch P/L

Particulars	amt	Particulars	amt.
To Br. exps	800	By Gr.P.	4700
Total lons	800	By surplus @ cost	8400
Total P/L	4300		

WN-1 Ab. lons.

To br. st.	3500	By Br. Adj.	700
		By ins.	2000
		By Br. P/L	800

#11 SOS @ Cost

When stock Debtor system is to be applied @ Cost then

→ Do not open Branch Adjustment ac.



→ Branch stock is at cost except sales

@ I.P.

→ Rest all are remaining same.



Q-6

The Bombay Traders invoiced goods to its Delhi branch at cost. Head Office paid all the branch expenses from its bank account, except petty cash expenses which were met by the Branch. All the cash collected by the branch was banked on the same day to the credit of the Head Office. The following is a summary of the transactions entered into at the branch during the year ended December 31, 2011.

	₹		₹
Balances as on 1.1.2011:		Bad Debts	600
Stock -	7,000	Goods returned by customers	500
Debtor -	12,600	Salaries & Wages	6,200
Petty Cash, ✓	200	Rent & Rates	1,200
Goods sent from H.O.	26,000	Sundry Expenses	800
Goods returned to H.O.	1,000	Cash received from Sundry Debtors	28,500
Cash Sales	17,500	Balances as on 31.12.2011:	
Credit Sales	28,400	Stock ✓	6,500
Allowances to customers	200	Debtors	9,800
Discount to customers	1,400	Petty Cash	100

Prepare: (a) Branch Account (Debtors Method), (b) Branch Stock Account, Branch Profit & Loss Account, Branch Debtors and Branch Expenses Account by adopting the Stock and Debtors Method and (c) Branch Trading and Profit & Loss Account to prove the results as disclosed by the Branch Account.

Solⁿ: (b)

Branch Stock

Branch expenses.

Particulars	₹	Particulars	₹	Particulars	₹	Particulars	₹
Total b/d	7000	By CrsB (CR)	1000	To bank (Ho)		By Branch P/L	8200
To CrsB	26000	By branch Cash	17500	Salary	6200		
To debtors	500	By branch debt	28400	Rent	1200		
				S. Exps	800		

To GP

19900

By Bal. Cld 6500



Branch Debtors

Particulars	₹
To bal. bld	12600
To Br. stock	28400

Particulars	₹
By branch P/L	
D. A { ¹⁴⁰⁰ ⁺²⁰⁰ } 1600	
Buddets	600
By Br. stock	500
By Br. Cash	28500
By Bal. Cld	9800

Branch Pettycash.

Particulars	₹
To bal. bld	200

Particulars	₹
By Br. P/L	100
By Bal. Cld	100

Branch P/L

Particulars	₹
To Br. exps.	8200
To Br. Dep	2200
To Br. Petty Exp	100

Particulars	₹
By GP	19900

Branch cash.

Particulars	₹
To Br. stock	17500
To Br. Dep.	28500

Particulars	₹
By bank	46000

Particulars	₹
To Gen P/L	9400

a) Branch a/c

To bal. bld.	
- stock	7000
- Debtors	12600
→ P Cash	200

By Crs B (R)	1000
By bank	46000
(4700)	

b) Branch Trading & P/L

To op. stock	700
To Crs B	26000
To GP	19900

By Crs B (R)	1000
By sales:	
Cr.	17500
Cash	28400
- S.R. (500)	45400

To Crs B 26000
 To Bank (exp) 8200

By Bal. c/d
 Stock 6500
 Debtor 9800
 P. C 100

To Exp. 8200
 To P. exp 100
 To D.A. 1600
 To Bld 600

By CrP 19900
 HD MENTORING
 HARSHIT DWIVEDI
 CA FOUNDATION | CA INTERMEDIATE | CA FINAL

To Gen P/L (9400)

To CrPL (9900)

12 if $SP > IP$

$IP = 100$ & $SP = 120$

Br. Stock.

To Branch Adj (20)

By Br. Des on Br. Cash (120) @ S.P.

Excess over I.P.

Q. 7

Dara Store Ltd., with its head office at Delhi, invoiced goods to its branch at Ghaziabad at 20% less than the list price which is cost plus 100% with instruction that cash sales were to be made at invoice price and credit sales at catalogue price (i.e. list price). From the following particulars available from the branch, prepare branch stock account, branch adjustment account, branch profit and loss account and branch debtors account for the year ending March 31, 2011. You are also required to verify the gross profit so calculated by preparing branch trading account.

	₹
Stock on 1st April, 2010 (invoice price)	6,000
Debtors on 1st April, 2010	5,000
Goods received from head office (invoice price)	66,000
Sales: Cash \rightarrow IP 23,000	23,000
Credit \rightarrow L.P. 50,000	50,000
Cash received from debtors	42,817
Expenses at branch (assume paid by HO)	8,683
Remittances to head office	60,000
Debtors on March 31, 2011	12,183
Stock on March 31, 2011	8,800

Handwritten notes: L.P. 250, I.P. 160, ?



Branch PIL.

(@cost) Branch Trading acc

Particulars	₹	Particulars	₹
To exp.	8683	By GP	33625
To share.	125		
@cost			
To GPIL	24817		

To op. stock	3750	By sales	
To Gr B	41250	Cash	23000
		Gr.	5000
To GP.	33625	By sh.	125
		By cl. stock	5500

HD Gift
Branch acc

To bal. bld. stock	6000	By st. Res.	2250
Drs.	5000	By Gr B	24750
To Gr B	66000	By Bank	60000
To Bank	8683	By Bal. Id.	0
(exp)		stock	8800
To stock Res.	3300	Drs	12183
To GPL	24817	Cash	5817

Part-III

Independant Branch → Domestic

#13 Introduction to I.B. → Domestic.

1) I.B. means that Branch which maintains B.O.A. by itself.



2) Our objective is to prepare Branch final ac in HO books. But, before preparing branch final ac in HO books one needs to transfer branch T.B in H.O. books.



But before transferring Branch T.B. in HO books one needs to reconcile differences b/w branch ac bal. in HO & HO ac bal in branch books.

3) Hence for above mentioned reasons, this part of branch chapter is divided in 3 sub parts namely.

a) Reconciliation # 14

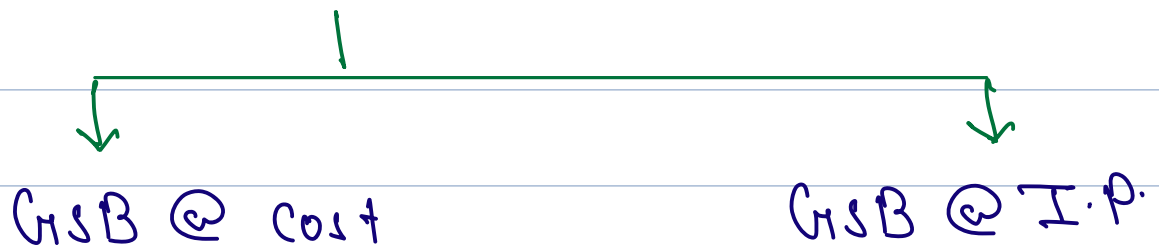
blw branch ac in HO books & HO ac in branch books.

b) Incorporation

incorporation of Branch T.B. in HO books

c) Final ac

in HO books.



#14

Reconciliation entries.



HO

Br. (Branch)

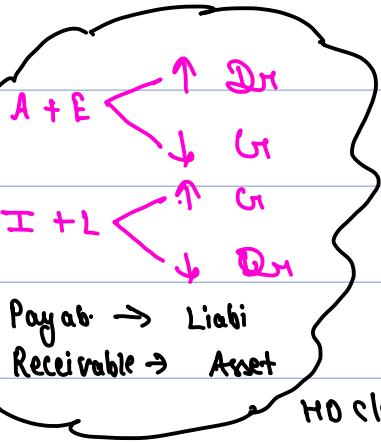
Branch Dr 10k
To GSB 10k

GSB Dr 800
To HO 800

GRIT Dr 2000
To HO 2000

GSB Dr 4500 HO Dr 5000
To Br 4500 To GSB 5000

GRIT Dr 500
To Branch 500



Transactions

books of HO

books of Branch

1) Goods in Transit
[In the books of receiving party]

GRIT Dr
To Branch

GRIT Dr
To HO

2) Cash in Transit
[In the books of receiving party]

CIT Dr
To Branch

CIT Dr
To HO

3) Exp. of branch incurred by H.O. (Paid)

Branch Dr
To CIB

Exp. Dr
To HO

4) Exp. of H.O. incurred

Exp. Dr

HO Dr

by Branch

To Branch

To CIB.



5) Exp. allocated to branch by H.O.

Branch Dr
To Exp.

Exp. Dr
To HO

6) Exp. allocated to HO by Branch

Exp Dr
To Branch

HO Dr
To Exp.

7) income allocated to branch by HO

Inc. Dr
To Branch

HO Dr
To Inc.

8) income allocated to HO by branch

Branch Dr
To Inc.

Inc. Dr
To HO

9) Branch income recd. by H.O.

CIB Dr
To Branch

HO Dr
To Inc

10) HO income recd. by Branch

Branch Dr
To Inco.

CIB Dr
To HO

11) Branch incurring exp. on behalf

Branch (Exp) Dr
To Branch (Paid)

HO Dr
To CIB



of other branch



12) Collection from
Branch Debtors by
H.O.

CIB Dr
To Branch

HO Dr
To Br. Dr.

13) Collection from
HO Debtors by
Branch

Branch Dr
To Dr.

CIB Dr
To HO

14) Payment to branch
Suppliers by HO

Branch Dr
To CIB

Supplier Dr
To HO

15) Payment to HO
Suppliers by branch

Supplier Dr
To Branch

HO Dr
To CIB

16) Dep. of branch F.A.
whose acc is
maintained by HO

Branch Dr
To Branch F.A.

Dep. Dr
To HO

17) HO made payment
for purchase of

Branch Dr

Purchase Dr
To HO



goods by branch
wrongly debited
to own purchase acc

To purch.



18) Stock stolen from
HO, charged to
Branch, branch
manager declined
liability.

Loss Dr
To Branch

—

19) goods sent to branch
, stolen during
transit.

Loss Dr
To Branch

—

Q.8

Give Journal Entries in the books of Head Office to rectify or adjust the following:

- Goods sent to Branch ₹12,000 stolen during transit. Branch manager refused to accept any liability.
- Branch paid ₹15,000 as salary to the officer of Head Office on his visit to the branch.
- On 28th March, 2012, the H.O. dispatched goods to the Branch invoiced at ₹25,000 which was not received by Branch till 31st March, 2012.
- A remittance of ₹10,000 sent by the branch on 30th March, 2012, received by the Head Office on 1st April, 2012.
- Head Office made payment of ₹25,000 for purchase of goods by Branch and wrongly debited its own purchase account.

Solⁿ :-
i) Loss Dr 12000
To Branch 12000



ii) Salary Dr 15000
To Branch 15000

iii) No entry iv) CIT Dr 10000
To branch 10000

v) Branch Dr 25000
To purchase 25000



Q.9

Pass necessary Journal entries in the books of an independent Branch of a Company, wherever required, to rectify or adjust the following:

- (i) Income of ₹ 2,800 allocated to the Branch by Head Office but not recorded in the Branch books.
- (ii) Provision for doubtful debts, whose accounts are kept by the Head Office not provided earlier for ₹ 1,000.
- (iii) Branch paid ₹ 3,000 as salary to a Head Office Manager, but the amount paid has been debited by the Branch to Salaries Account.
- (iv) Branch incurred travelling expenses of ₹ 5,000 on behalf of other Branches, but not recorded in the books of Branch.
- (v) A remittance of ₹ 1,50,000 sent by the Branch has not received by Head Office on the date of reconciliation of Accounts.
- (vi) Head Office allocates ₹ 75,000 to the Branch as Head Office expenses, which has not yet been recorded by the Branch.
- (vii) Head Office collected ₹ 30,000 directly from a Branch Customer. The intimation of the fact has been received by the Branch only now.
- (viii) Goods dispatched by the Head office amounting to ₹ 10,000, but not received by the Branch till date of reconciliation. The Goods have been received subsequently.

Solⁿ :- i) HO Dr 2800
To income 2800

v) No entry

ii) PFDD Dr 1000
To HO 1000

vi) Exp. Dr 7500
To HO 7500



iii) HO Dr 3000
To Salary 3000

vii) HO Dr 3000
To Des 3000



iv) HO Dr 5000
To CIB 5000

viii) GIT Dr 1000
To HO 1000

#15 Inter Branch Transactions (IBT)

→ all IBT are routed through HO

eg →

	A	B	C
a) A sends goods to B ₹ 1000	HO Dr To GSB	GSB Dr To HO	—
b) B sends goods to C ₹ 3000	—	HO Dr To GSB	GSB Dr To HO
c) C sends cash to A ₹ 4000	Cash Dr To HO	—	HO Dr To Cash
d) A draw bill on B ₹ 500	BR Dr To HO	HO Dr To BA	—

HO

Dr the receiver & Credit the giver

- ① GSB Dr To A x B Dr To GSB = B Dr 1000 To A 1000
- ② GSB Dr To B x C Dr To GSB = C Dr 3000 To B 3000
- ③ Cash Dr To C x A Dr To Cash = A Dr 4000 To C 4000
- ④ A Dr To BP x BR To B = A Dr 500 To B 500

	A	B	C
Goods	1000 (Dr)	1000 (Dr)	—
Goods	—	3000 (Dr)	3000 (Dr)
Cash	4000 (Dr)	—	4000 (Dr)
Bill	500 (Dr)	500 (Dr)	—
	<u>3500 (Dr)</u>	<u>2500 (Dr)</u>	<u>1000 (Dr)</u>

J.E. A Dr 3500
To B 2500
To C 1000

Q-10

Head office passes adjustment entry at the end of each month to adjust the position arising out of inter-branch transactions during the month. From the following inter-branch transactions in March 2011, make the entry in the books of Head Office:

(a) Bombay Branch

- (1) Received Goods ₹ 6,000 from Calcutta Branch, ₹ 4,000 from Patna Branch.
- (2) Send Goods to : ₹ 10,000 to Patna, ₹ 8,000 Calcutta.
- (3) Received B/R. : ₹ 6,000 from Patna
- (4) Sent Acceptance : ₹ 4,000 to Calcutta, ₹ 2,000 to Patna

(b) Madras Branch (Apart from the above)

- (5) Received Goods : ₹10,000 from Calcutta, ₹ 4,000 from Bombay.
- (6) Cash Sent : ₹ 4,000 to Calcutta, ₹ 6,000 to Bombay.

(c) Calcutta Branch (Apart from the above)

- (7) Sent Goods to Patna: ₹6,000.
- (8) Paid B/P: ₹5,000 of Patna, ₹4,000 cash to Patna.

Solⁿ

Particulars	Bombay	Madras	Calcutta	Patna
1) Goods	10000 (Dr)	—	6000 (Cr)	4000 (Cr)
2) goods	18000 (Cr)	—	8000 (Dr)	10000 (Dr)
3) Bills.	6000 (Dr)	—	—	6000 (Cr)
4) Bills.	6000 (Cr)	—	4000 (Dr)	2000 (Dr)
5) goods.	4000 (Cr)	14000 (Dr)	10000 (Cr)	—
6) Cash.	6000 (Dr)	10000 (Cr)	4000 (Dr)	—
7) goods	—	—	6000 (Cr)	6000 (Dr)
8) Bills	—	—	5000 (Cr)	5000 (Dr)
9) Cash.	—	—	4000 (Cr)	4000 (Dr)
	<u>6000 (Cr)</u>	<u>4000 (Dr)</u>	<u>15000 (Cr)</u>	<u>17000 (Dr)</u>



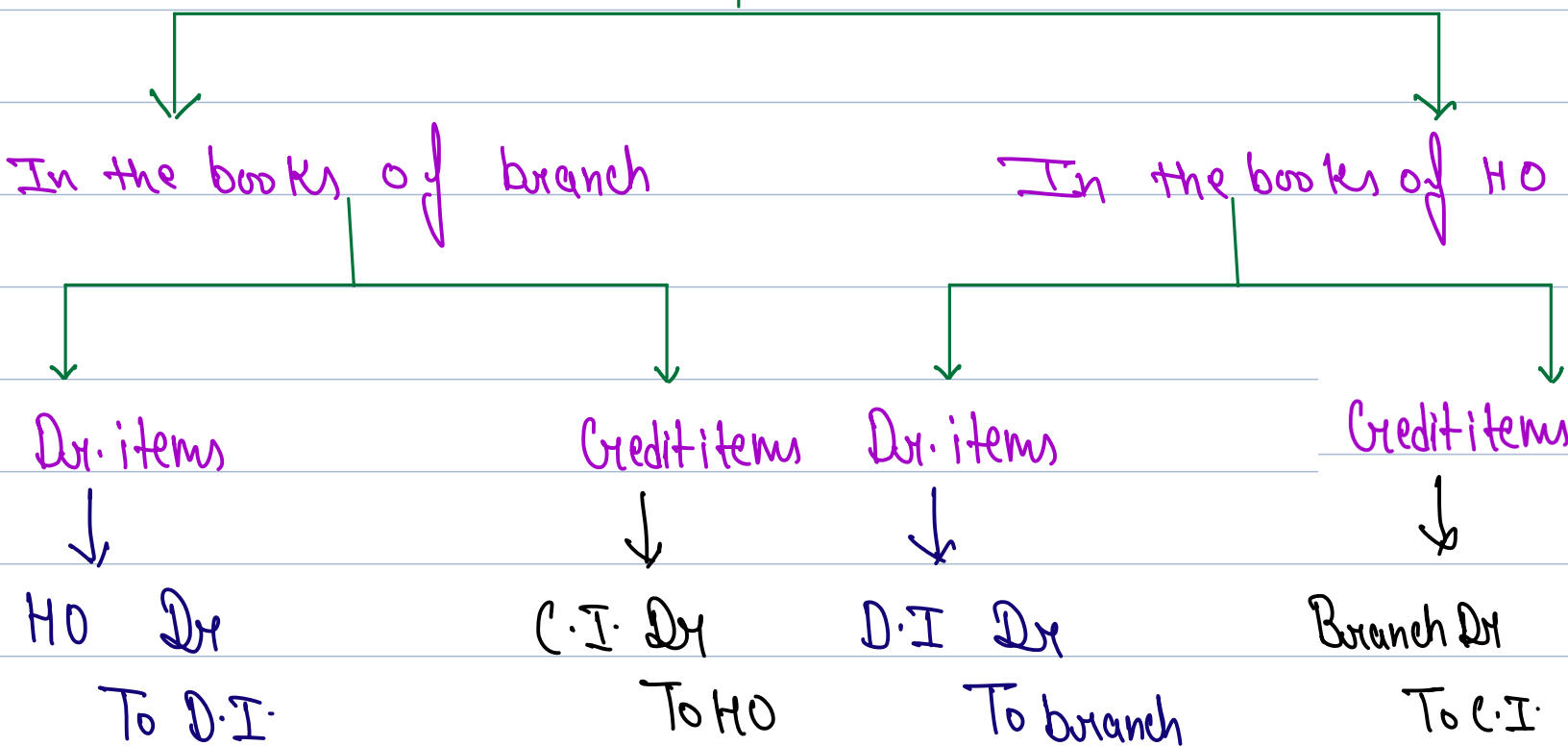
Madras Dr 4000
Patna Dr 17000

To Bombay 6000
To Calcutta 15000



#16 Incorporation of Branch T. B.

1) Journal entries.



2) C.I. stock will be included in both Dr items as well as Credit items.

3) all expenses should be considered after O/S



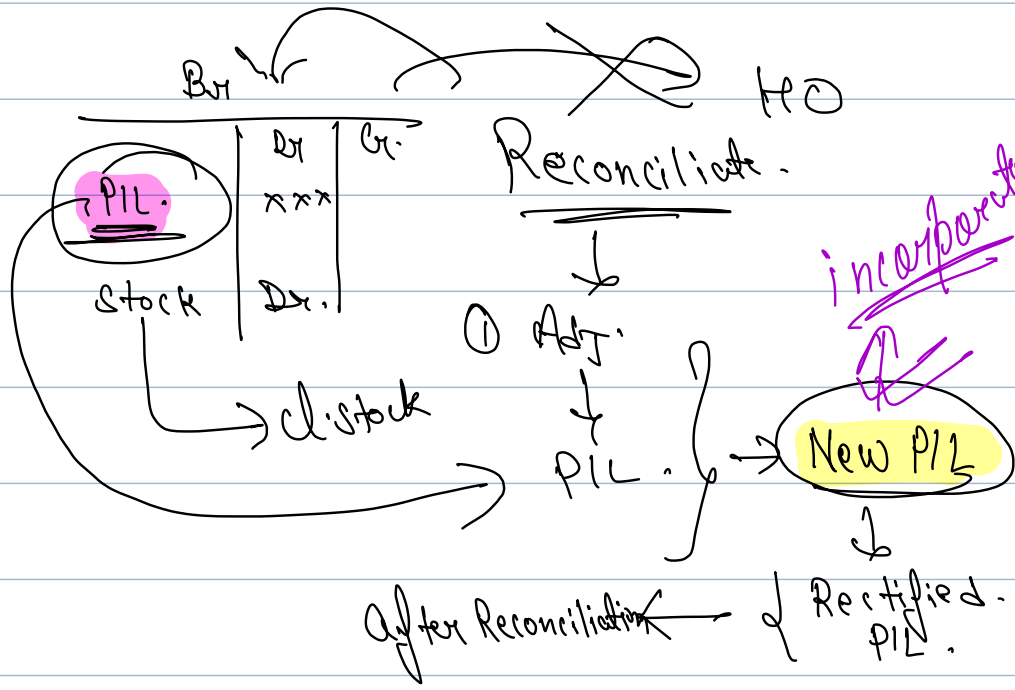
prepaid exps. adjustment.

- 4) O/S expense should also be considered as C.I.
& prepaid expense should also be considered as D.I.
- 5) D.I. should also include G.I.T & C.I.T, if any in branch books.
- 6) All acc in branch books should be closed by transf. to HO Acc.
- 7) if current year N.P. is given in T.B. then
 - a) stock appearing in T.B. = Cl. stock & it should be considered only as D.I. now.
 - b) in adjustment & Reconciliation entries use P/L acc in place of Income and Expense
 - c) Calculate Rectified N.P. after adjustments.



In. & Exp. of point b)

d) Rectified N.P. should be transf. to HO A/c in C.I.



#17 Final a/c → CrSB @ cost.

In the books of branch
↓

In the books of HO
↓

Step 1 → Pass Adjustment & Reconciliation entries.

Step 1 → Pass Adjustment & Reconciliation entries.

Step 2 → Pass incorporation entry of Branch T.B.

Step 2 → Pass incorporation entry of Branch T.B.

Step 3 :- Prepare HO A/c.

Step 3 :- Prepare Branch a/c

1st → Post bal. as per T.B.'s



adjustment & Reconciliation entries & find Bal.

This bal will be equal to branch ac bal. as per HO books.

2nd → Post ICR of Branch T.B. and HO ac will Tally.

1st → Post bal. as per T.B.'s

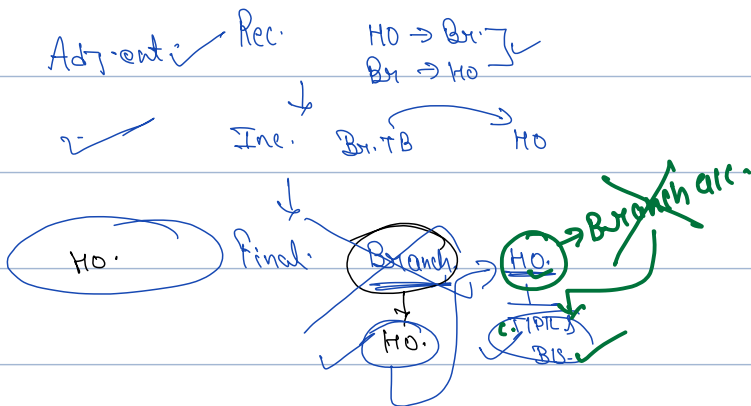
adjustment & Reconciliation entries & find Bal.

This bal will be equal to HO ac bal. as per branch books.

2nd → Post ICR of Branch T.B. and branch ac will Tally.

Step 4. Prepare final ac.

- a) Trading & P/L ac
↳ of Branch & H.O. in column
- b) consolidated B/S.



Note:- if we are preparing final ac of only Branch, then HO ac will appear in B/S as Capital.

Q.11

You are required to prepare the trading and profit and loss accounts and consolidated balance sheet of Eve Ltd in Calcutta and its branch at Delhi. Give journal entries for incorporation of Delhi branch accounts in the head office and branch.

Trial Balance on 31-3-2011

	H.O.	Branch	H.O.	Branch
	Dr.	Dr.	Cr.	Cr.
Manufacturing Expenses	30,000	10,000	-	-
Salaries	30,000	10,000	-	-
Wages	1,00,000	40,000	-	-



Cash in hand	10,000	2,000	-	-
Purchases	1,50,000	80,000	-	-
Capital	-	-	2,00,000	-
Goods received from H.O.	-	15,000	-	-
Rent	8,000	<u>4,000</u>	-	-
General Expenses	20,000	5,000	-	-
Sales	-	-	4,50,000	1,50,000
Goods sent to branch	-	-	15,000	-
Purchases returns	-	-	5,000	1,000
Opening Stock	50,000	30,000	-	-
Discount earned	-	-	2,000	1,000
Machinery (H.O.)	1,50,000	-	-	-
Machinery (Branch) ✓	50,000	-	-	-
Furniture (H.O.)	7,000	-	-	-
Furniture (Branch) ✓	3,000	-	-	-
Debtors	40,000	15,000	-	-
Creditors			30,000	5,000
H.O. Account			-	54,000
Branch Account	54,000		-	-
	7,02,000	2,11,000	7,02,000	2,11,000

Closing stock at head office was ₹40,000 and at branch ₹30,000. Depreciation is to be provided on machinery @ 20% and furniture @ 15%. Rent outstanding is ₹500 (for branch). General Expense of Branch includes ₹ 1,000 paid for H.O.

Solⁿ: (i) calcⁿ of Dep.
P/M

Furniture.

Branch.

50000

3000

X 20%

X 15%

10000

450

H.O.

150000

7000

X 20%

X 15%

30000

1050



② amount of PM in B/s.

HO	15000	
- Dep	<u>(3000)</u>	12000
Branch	5000	
- Dep	<u>(1000)</u>	<u>4000</u>
		<u>16000</u>

③ amount of Furniture in B/s.

HO	7000	
- Dep	<u>(1050)</u>	5950
Branch	3000	
- Dep	<u>(450)</u>	<u>2550</u>
		<u>8500</u>

In the books of branch

Step 1:-

Pass Adjustment & Recon-ciliation entries.

1) Dep. Dr 10450
To H.O. 10450

2) Rent Dr 500

In the books of HO

Step 1:-

Pass Adjustment & Recon-ciliation entries.

1) Branch Dr 10450
To P.M. 10000
To Furni 450

2) Gen. exp. Dr 1000



To O/S exp. 500
 HO Dr 1000
 To general exp 1000

To branch 1000



Step 2 → Pass incorporation entry of Branch T.B.



H.O. Dr 250950
 To mfg. exp. 1000
 To Salaries 1000
 To wages 4000
 To Cash 2000
 To Purch. 8000
 To Rent 4500
 To g. Exp. 4000
 To Op. stock 3000
 To Inv. 15000
 To Dep. 10450
 To cl stock 3000
 To CrsB 15000

Sales Dr 15000
 Dis. inv. Dr 1000
 Purch. Re. Dr 1000
 Credit. Dr 5000
 O/S Rent Dr 500
 Cl. stock Dr 3000
 To H.O. 187500

Step 2 → Pass incorporation entry of Branch T.B.



D.I. Dr 250950
 To Branch 250950

Branch Dr 187500
 To C.I. 187500

Step 3 :- HO a/c

To Cr. Exp.	1000	By Bal. Bld	54000
To Bal. Cld	63450	By Dep.	10450
To D.I.	250950	By Bal. Bld	63450
		By C.I.	187500

Step 3 :- Branch

To bal. bld	54000	By g. exp.	1000
To PIM	10000	By cl d	63450
To Furni	450		
To bal. bld	63450	By D.I.	250950
To C.I.	187500		

Step 4.

Trading & P/L.

Particulars	H.O.	By	Particulars	H.O.	Branch
To op. stock	50000	30000	By sales	450000	150000
To manuf. exps.	30000	10000	By Crs B	15000	-
To wages	100000	40000	By Cl. stock	40000	30000
To Purch.	149000	75000			
To Crs B	-	15000			
To Cr. P.	<u>176000</u>	<u>10000</u>			
To salaries	30000	10000	By Cr. P.	176000	10000
To Rent.	8000	4500	By Dis. acc.	2000	10000
To g. exp.	21000	4000	By N.L.	-	<u>17950</u>
To Dep.					
P.M.	30000	10000			
Premi	1050	450			
To N.P.	<u>87950</u>	-			

BIS.



Liability
 Capital: 20000
 Ho 0 87950
 Br. (17900)

₹
 27000

Asset

Cash
 H.O. 10000
 Branch 2000 12000



Oil Rent 500

Creditors -

Ho 3000
 Br. 500 3500

Stock

Ho 4000
 Branch 3000 7000

Devs.

H.O. 4000
 Br. 1500 5500
 P.M. 16000
 Furniture 8500

305500

305500

#18 Final acc → GrSB @ I.P.

1) Step 1 to step 3 → Remains same as discussed in #17 → GrSB @ Cost, In this concept only step 4 in Ho books will change and hence only step 4 in Ho books is discussed here.

2) Some important points.



a) Branch is treated as separated entity.

b) Cost to branch = I.P.

c) Branch Trading & P/L is prepared at I.P.

d) Cl. Stock of F.G. would never be given in Q. \therefore Gr.P. for both HO & branch should be calculated.

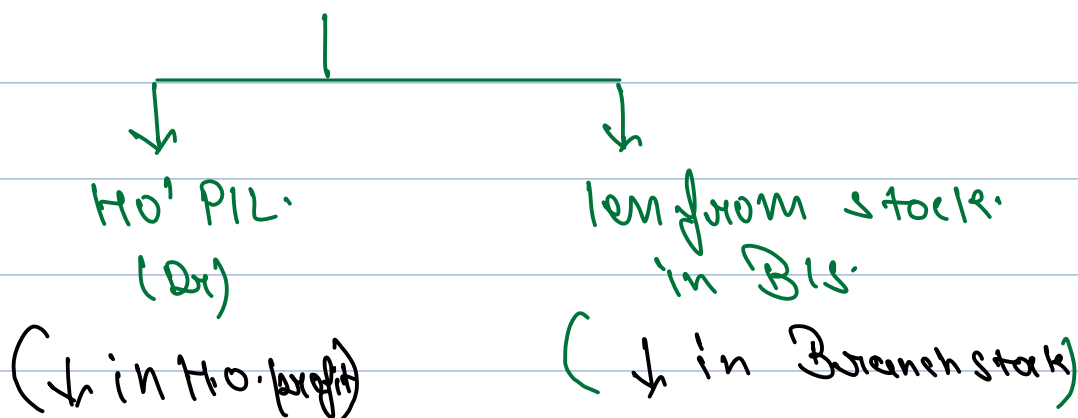
e) H.O. earn profit on GrSB as well as sales

f) \therefore HO recognise profit on entire GrSB
 \therefore profit should be derecognised on unsold goods by Branch. means cl. stock of branch.

This profit in Cl. Stock of branch is known as Stock Reserve or unrealised profit.

g) Branch earns profit only on sales.

h) Stock Reserve = L.F. \times Cl. stock of Branch.





i) op. Stock Reserve will come in H.O's P/L acc credit.



3) Steps to solve



Step 1 to step 3 is same as in #17.

Step 4:-

a) Calculation of Load fraction

$$L.F. = \frac{\text{Load}}{\text{I.P.}}, \text{ Load} = \text{I.P.} - \text{Cost.}$$

b) Calculation of G.P. of H.O.

$$\rightarrow \text{Cost} + \text{Load} = \text{I.P.}$$

$$\rightarrow \text{Cost} + \text{profit} = \text{S.P.}$$

$$\rightarrow \text{G.P. on G.S.B} = \frac{\text{Load.}}{\text{I.P.}} \times \text{G.S.B} = \text{xxx}$$

$$\rightarrow \text{G.P. on sales} = \frac{\text{Profit}}{\text{S.P.}} \times \text{sales} = \text{xxx}$$

c) Calculation of G.P. of Branch



$$\rightarrow IP + \text{profit} = S.P.$$

$$\rightarrow \text{G.P. on sales} = \frac{\text{profit}}{S.P} \times \text{sales}$$



$$= xxx$$

d) Prepare final a/c.

↳ Trading & P/L a/c

↳ Consolidated R/S.

Note:- Process of closing final a/c

a) Post GP is Trading a/c & Bal. fig
= cl. stock.

b) Post cl. stock in B/S.

c) Calculate stock Reserve in cl. stock
of Branch.

less from cl. stock & H.O. P/L (Dr)

d) Calculate N.P. & transf. to B/S.

e) Tally B/S.

Q.12

op. stock = 0:

M/s Shah commenced business on 1.4.2012 with Head Office at Mumbai and a Branch at Chennai. Purchases were made exclusively by the Head Office, where the goods were processed before sale. There was no loss or wastage in processing.

Only the processed goods received from Head Office were handled by the Branch.

The goods were sent to branch at processed cost plus 10%. \rightarrow Load.

All sales, whether by Head Office or by the Branch, were at uniform gross profit of 25% on their respective cost.

Following is the Trial Balance as on 31.3.2013.

	Head Office		Branch	
	Dr.	Cr.	Dr.	Cr.
	₹	₹	₹	₹
Capital		3,10,000		
Drawings	55,000			
Purchases	19,69,500			
Cost of processing	50,500			
Sales		12,80,000	8,20,000	
Goods sent to Branch		9,24,000		
Administrative expenses	1,39,000		15,000	
Selling expenses	50,000		6,200	
Debtors	3,09,600		1,13,600	
Branch Current account	3,89,800			
Creditors		6,01,400		10,800
Bank Balance	1,52,000		77,500	
Head Office Current account				2,61,500
Goods received from H.O.			8,80,000	
	31,15,400	31,15,400	10,92,300	10,92,300

Following further information is provided:

- Goods sent by Head Office to the Branch in March, 2013 of ₹44,000 were not received by the Branch till 2.4.2013.
- A remittance of ₹84,300 sent by the Branch to Head Office was also similarly not received upto 31.3.2013.
- Stock taking at the Branch disclosed a shortage of ₹ 20,000 (at selling price to the branch).
- Cost of unprocessed goods at Head Office on 31.3.2013 was ₹ 1,00,000.

Prepare Trading and Profit and Loss account in columnar form and Balance Sheet of the business as a whole as at 31.3.2013.

Solⁿ:- (a) Calⁿ of L.F.

$$\text{Cost} + L. = I.P.$$

$$100 \quad 10 \quad = \quad 110$$

$$\therefore L.F. = \frac{10}{110} = \frac{1}{11}$$



(B) Calcⁿ of Gr.P. of Ho

$$\text{Cost} + L = \text{I.P.}$$
$$100 + 10 = 110$$

$$\text{Cost} + \text{profit} = \text{S.P.}$$
$$100 + 25 = 125$$

$$\text{Gr.P. on GrSB} = \frac{10}{110} \times 240000 = 84000$$

$$\text{Gr.P. on Sales} = \frac{25}{125} \times 128000 = \frac{256000}{340000}$$

(C) Calcⁿ of Gr.P. at Branch

$$\frac{\text{I.P.}}{110}$$

$$\text{profit} = 25\%$$
$$110 + 25\%$$

$$\downarrow$$
$$\underline{\underline{27.5\%}}$$

$$\text{S.P.}$$

$$137.5$$

$$(110 + 25\%)$$

$$\text{Gr.P. on sales} = \frac{27.5}{137.5} \times 820000 = 164000$$

d)

Trading & P/L acc

B/S.

Particulars HO Branch		Particulars HO Branch		Liability ₹	Asset ₹
To purch. 1969500		By sales 128000	820000	Capital 310000	Debtors
To Co.P. 50500		By Cr.S.B. 924000	—	- Drawings (55000)	HO 309600
To Cr.S.B. — 880000		By short. (@I.P.) — 16000	(20k - (20k x 37/151.5))	+ N.P.	Br. 113600
To Cr.P. 340000	164000	By stock		HO 128091	Bank Bal.
		UPG 100000	—	Br. 126800	HO 152000
		PG 56000	208000	Creditors 509891	Br. 77500
To Admin 139000	15000	By Cr.P. 340000	164000	HO 601400	GRIT 40000
To Selling 50000	6200			Br. 108000	- Load (4000) 40000
To GRIT 4000	—				CIT 84300
To Stock R. 18909	—				Stock.
To short. — 16000					- UPG 100000
To N.P. (128091)	(126800)				- PG 56000
					HO 56000
					Branch 208000
					- Load (18909) 18909
					(1/11)
				1122091	1122091

Part - IV Foreign Branch (F.B.)

19 Important points i.r.w. F.B.

- 1) F.B. means branch situated outside India where as H.O. is situated in India.
- 2) all F.B. are Independent Branch, hence B.O.A. are maintained by Branch themselves.
- 3) F.B. maintain B.O.A. in foreign currency, hence, T.B. is in foreign currency, which needs to be converted into INR as



per rates prescribed in AS-11. Since final ac is to be prepared by HO in INR.



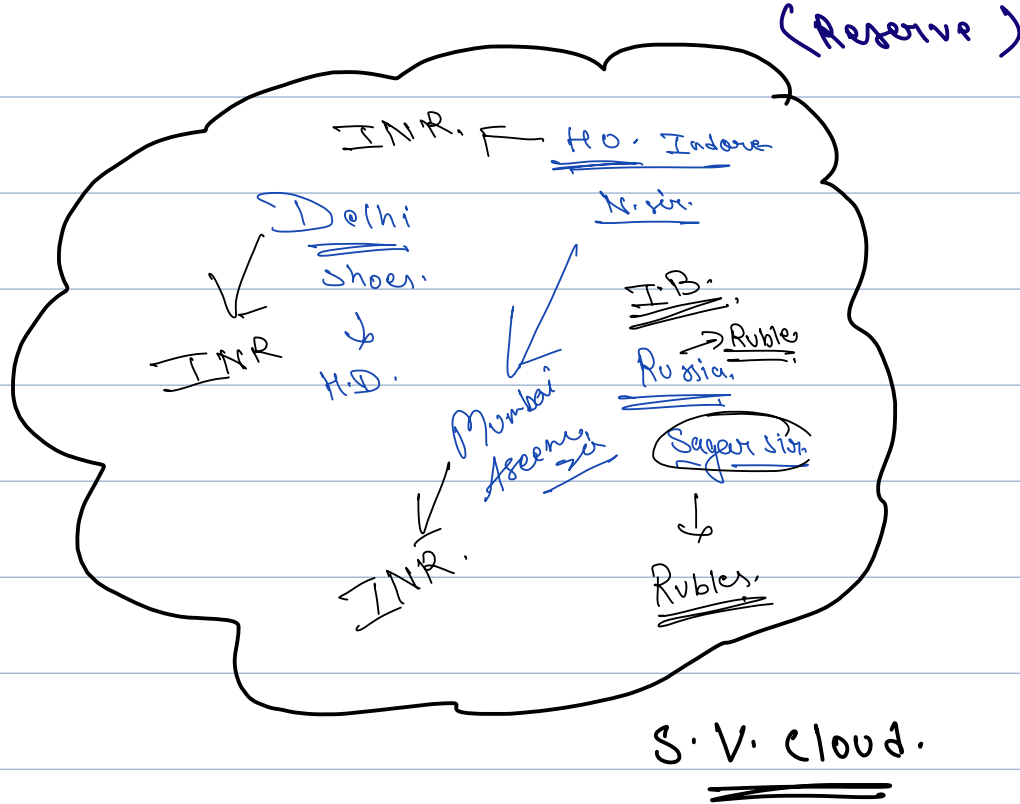
4) F.B. are divided into 2 parts:

- a) Integral F.B.
 - b) Non-Integral F.B.
- } will discuss in AS-11

5) Rates of Conversion as per AS-11

Particulars	Rates
Op. Stock.	Op. Rate
Cl. Stock.	Cl. Rate.
Purchases / Sales.	avg. rate
Exp / Income	↓
HO AC	Actual rate
GSB ac	Actual rate.
Fixed Asset.	IFO → Original rate.
	NIFO → Closing rate
CA/CL.	Cl. Rate.
Diff. in converted T.B.	IFO → E.D. → P/L
	NIFO → E.D. → F.C.T.P.

(Foreign currency Translation)



6) Steps to solve.

Step 1 :- Convert Branch T.B. into INR

Step 2 :- Prepare final ac.

Q.13 DM Ltd. Delhi has a branch in London. London branch is an integral foreign operation of DM Ltd. At the end of the year 31st March, 2009, the branch furnishes the following trial balance in U. K. Pound:

Particulars	£	£
	Dr.	Cr.
Fixed assets (<u>Acquired on 1st April, 2005</u>)	24,000	----
Stock as on 1st April, 2008	11,200	----
Goods from head office	64,000	----
Expenses	4,800	----
Debtors	4,800	----
Creditors	----	3,200
Cash at Bank	1,200	----
Head office account	----	22,800
Purchases	12,000	----
Sales	-----	96,000
	1,22,000	1,22,000

In head office books, the branch account stood as shown below:



London Branch A/c

Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	20,10,000	By Bank A/c	52,16,000
To Goods sent to branch	49,26,000	By Balance c/d	17,20,000
	69,36,000		69,36,000



The following further information are given:

(a) Fixed assets are to be depreciated @ 10% p.a. on straight line basis.

(b) On 31st March, 2009 :

Expenses outstanding	-	£ 400
Prepaid expenses	-	£ 200
Closing stock	-	£ 8,000

(c) Rate of Exchange:

1st April, 2005	→ original -	-	₹ 70 to £ 1
1st April, 2008	op.	-	₹ 76 to £ 1
31st March, 2009	→ cl.	-	₹ 77 to £ 1
Average	-	-	₹ 75 to £ 1

You are required to prepare:

- Trial balance, incorporating adjustments of outstanding and prepaid expenses, converting U.K. pound into Indian rupees.
- Trading and Profit and Loss Account for the year ended 31st March, 2009 and the Balance Sheet as on that date of London Branch as would appear in the books of Delhi head office of DM Ltd.

Soln:

i) Branch T.B. in INR.

Particulars	Dr (£)	Cr (£)	Rate	Dr (₹)	Cr (₹)
Fixed Assets	24000	-	70	1680000	-
op. stock	11200	-	76	851200	-
CrSB	64000	-	Actual	4926000	-
Expense	5000	-	75	375000	-
(48000+400-200)					
Oil expense	-	400	77	-	30800
Prepaid exp	200	-	77	15400	-

Debtors	4800	→	77	36800	—
Creditors	—	3200	77	—	24600
Cash at bank	1200	—	77	92400	—
H.O. A/c	—	22800	Actual	—	172000
Purchase	12000	—	75	90000	—
Sales	—	96000	75	—	720000
Exch. diff.				—	12400
				<u>920960</u>	<u>920960</u>



(ii)

WN-1 :- Cl. Stock = 8000 ₹ × ₹ 77 = 616000

WN-2 :- Dep ⇒ 24000 ₹ as on 31-3-2009

WDV of F.A. = 24000 ₹ × ₹ 70 = ₹ 1680000

∴ F.A. is 3 yrs old & Depreciation on SLM

∴ Asset has been depreciated by 10% × 3 yrs = 30%

∴ WDV = 70%

∴ Original cost = $\frac{1680000}{70\%} = 2400000$

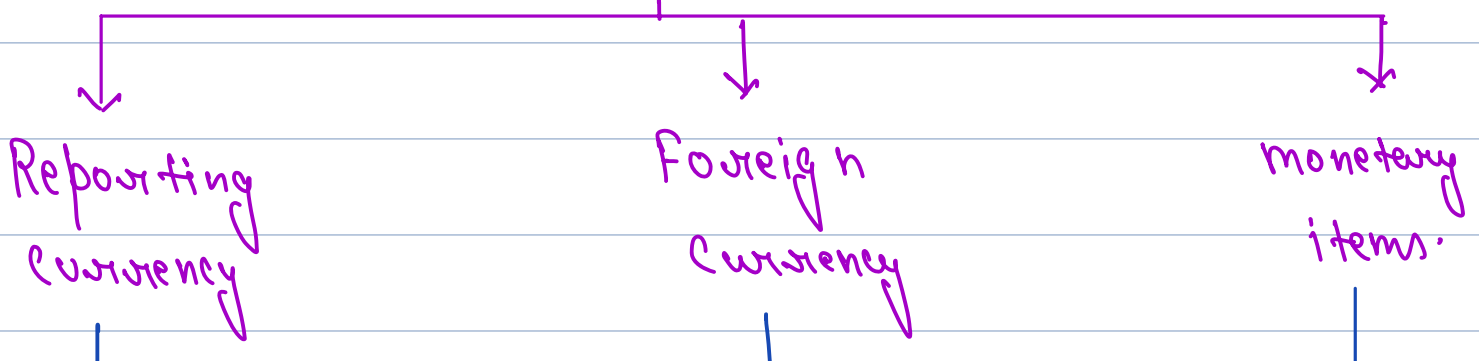
∴ Dep. p.a. = $24L \times 10\% = \underline{\underline{240000}}$

Trading & P/L ac/c		Balance Sheet.	
To op. stock 851200	By sales 720000	Capital 172000	F.A. 168000
To purchase 90000	By cl. stock 61600	+ N.P. <u>53620</u>	- Dep (24000) 144000
To Cr SB 492600		2256200	Prepaid exp 15400
To Cr P <u>113880</u>		Old exp. 30800	Debt 36960
To Dep 24000	By E.D. 12400	Creditors 246400	Cash 92400
To Exps 37500	By Cr.P. <u>113880</u>	<u>253340</u>	Cl. stock <u>61600</u>
To N.P. <u>53620</u>			<u>253340</u>

AS-11 Foreign Currency

any currency other than INR

#1 Definitions



→ Local currency in which FIS are prepared

→ INR (₹)

→ any currency other than INR

→ Any A/L

→ It should be realisable or payable in fixed

Determinable amount.

else Non-monetary

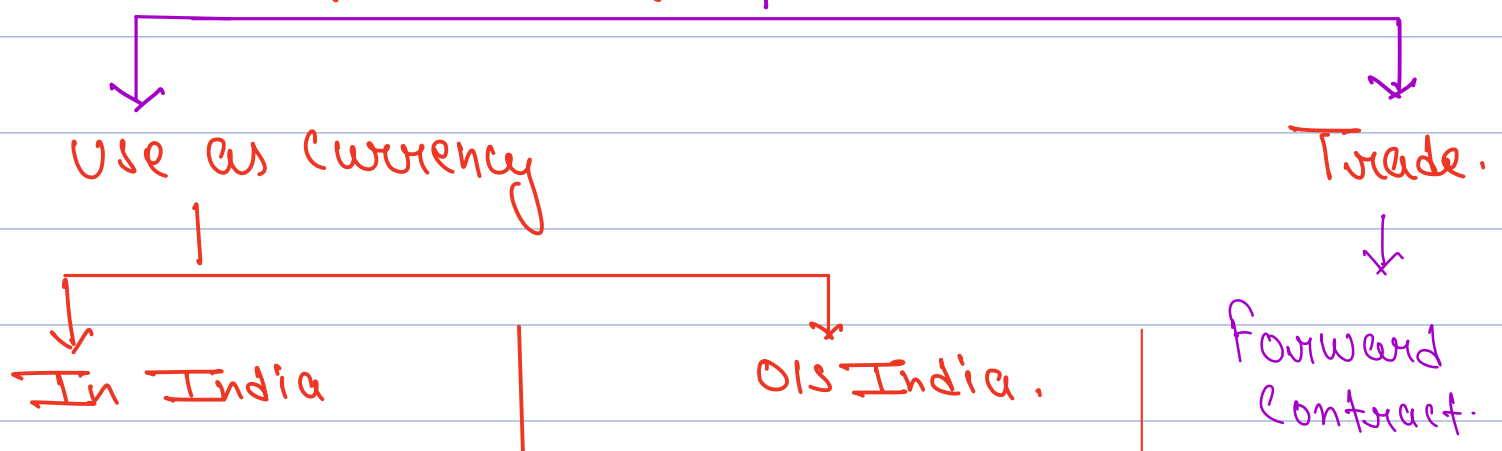
#2 Background

₹ ₹ ₹ ₹ ₹ ₹ In India.

₹ \$ ₹ ₹ \$ ₹ ₹ In India. F.C.T.

\$ \$ \$ \$ \$ \$ In. O/S India. TB (\$) = TB (INR) (US)

#3 Foreign Currency



(F.C. Transaction)

(Foreign operations)

Contract which allows you to buy/sale F.C. at future day at pre determined price.

Forward Rate.

Case-1 for Biz. payments

GIL \Rightarrow S.R. - F.R.

\Rightarrow ~~xxx~~
 \downarrow
PIL.

1) Initial recognition

\rightarrow Recognise the transaction at spot rate.

\rightarrow F.O. are Branch, J.V., subsidiary outside India.

\rightarrow F.O. prepares T.B. in F.C. & sends it to Reporting entity, which converts.

T.B. in INR as under

(C.A.S.C.L.)

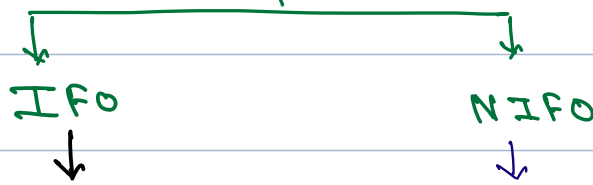
\rightarrow monetary items \rightarrow cl. Rate.

\rightarrow Exp & Incomes \rightarrow avg. rate

2) Subsequent Recognition

\rightarrow at the time of settlement or year end whichever is earlier. at spot rate on S.D. or y. end as the case may be.

\rightarrow FO are of 2 types



\rightarrow Complete control by R.E.

\rightarrow No Complete control by R.E.

\rightarrow Frequency of cfs is high.

\rightarrow frequency of cfs is occasional

\rightarrow operating policy are decided by R.E.

\rightarrow operating policy are decided by F.O.

\downarrow
* Non M.I. (F.A.)
Converted at spot rate

\downarrow
* Non M.I. (F.A.)
are converted at cl. Rate

* E.D. in T.B. is trans. to PIL

* E.D. in T.B. is T/f. to E.F.R.

3) E.D. on S.D. / y. End should be trans. to PIL.

#4 Para 46 / 46A of As-11

\rightarrow if any entity has any long term foreign currency

loan then



entity has the option

↳ To set off exchange diff. on L.T.F.C.M.I with Depreciate asset.



↳ if LTFCMI was for non-depreciable asset then E.D. was t/fy to FCMI TR which was w/off in SOPL over loan period.

eg-1 →

① Purchase Dr
To Sagar (\$1000)

1-2-10
(1\$ = 30)
30000
30000

15-3-10
(1\$ = 40)
Sagar Dr 30000
E.D. (PIL) Dr 10000
To CIB 40000

31-3-10
(1\$ = 45)

15-4-10
(1\$ = 47)

② Purchase Dr
To Buddy (\$300)

9000
9000

→ PIL
ED Dr 4500
To buddy 4500
(300 x (45-30))

Buddy Dr 13500
ED Dr 600

To CIB 14100
PIL (300 x 47)

eg-2 :-

Purchase P/M on 1-3-18 for \$ 5000

Spot Rate = ₹ 50

payable after 4 month

Forward Rate of 4 m contract = ₹ 53

Do pricing as per AS-11

Soln

$$S.R = 50$$

$$F.R = \underline{53}$$

$$\text{loss } ₹ 3 \times \$ 5000$$

$$\Rightarrow ₹ 15000$$

