

Branch Accounts

1) Types of Branches :-

a) Domestic Branch

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

2) Domestic Branch

Dependent Branch

Independent Branch

Which does not
prepare its
own Books of A/c

Which maintains
its own Books
of A/c

No Journal entry
No Ledger A/c
No Trial Bal.
No B/s P&L

Journal entry ✓
Ledger ✓
TB ✓
B/s P&L ✓

It only maintains Rough
Records.

HO has to maintain
Branch Books of
A/c.

3) Prices in HO & Branch Transactions

- a) Cost price = Cost From Head office
(Cost) point of View
(It's price is HO's goods purchase kiye)
- b) Invoice = Price at which Goods are
Price (IP) sent by HO
(Cost price + HO margin) to Branch
- IP also known as wholesale price

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

$$\text{Cost to HO} = 100000$$

$$\begin{aligned}\text{IP} &= 100000 + 10\% \\ &= 110000\end{aligned}$$

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%.

$$\text{Cost (For HO)} = 100$$

$$\text{IP} = 120 \text{ (Goods sent to Branch at 120)}$$

$$\text{SP by Branch} = 120 + 50\% = 180/-$$

$$\text{SP by HO} = 100 + 50\% = 150/-$$

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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 $\Rightarrow$ 20% above Cost

Closing Stock = ?

Prepare Trading a/c

Solution:-

$$\begin{aligned}\text{Open Stock} &= 100000 \\ (+) \text{ purchase} &= 620000\end{aligned}$$

$$\text{Cost of Total Stock} = 720000$$

COGS $\leftarrow (-) \text{ Cost of Goods Sold} = (700000)$

$$\frac{\text{Sale } 840000}{\text{Sale } 120} \times \frac{\text{To Price Change}}{100}$$

$$\text{Cost Closing of Stock } 20000$$

Assuming $\begin{aligned}\text{Cost} &= 100 \\ \text{SP} &= 120\end{aligned}$

Trading a/c

Op St 100000	Sales 840000
Purch. 620000	Cl stock 20000
GP 140000	

$$\begin{aligned}(\text{or}) \text{ GP} &= \text{Sale} - \text{COGS} = 840000 - 700000 \\ &= 140000\end{aligned}$$

$$\text{Costs} \Rightarrow \text{Op} + \text{Pur.} - \text{Clos.}$$

Ex:-2

Op. Stock = 70000 (Cost)

Purchases = 560000 (Cost)

Sales = 862500 (Sale price)

Clos. Stock = 50000 (Cost)

Goods are sold at 50% margin above cost.

Calculate GP

Trading a/c

Op. 70000	Sale 862500
Purch 560000	Shortage 5000
GP 287500	Clos. Stock 50000

(or) Direct Calculation $\Rightarrow$

$$\frac{862500}{150} \times 100 = 575000$$

(-) Costs 575000

287500

$$\text{Cost} = 100$$

$$\text{SP} = 150$$

$$\text{Opng Stock} = 70000 \checkmark$$

$$(+)\text{ purchase cost} = 560000 \checkmark$$

$$\text{Total Cost of Stock} = 630000$$

$$(-)\text{ Cost of Goods Sold} = (575000)$$

$$\frac{862500 \text{ Sale}}{150 \text{ Sale}} \times 100$$

$$\text{Balance Stock} = 55000$$

$$(-)\text{ Clorg Stock} = (50000)$$

$$\text{Goods Lost (Shortage)} \Rightarrow 5000$$

$\checkmark$ (Normal/Abnormal)
Shortage a/c Dr.
 To Trading

Abnormal Loss

P&L a/c Dr.
 To Shortage

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

$$\begin{aligned}\text{Cost} &= 100 \\ \text{SP} &= 125\end{aligned}$$

$$\text{Total Sale} = 840000$$

Heavy Discounted Sale

90000

Normal Sale
750000

$$\text{COGS} = 100000$$

COGS

$$\text{Total COGS} = 700000$$

$$\frac{750000}{125} \times 100$$

$$\text{COGS} = 600000$$

$$\text{Op. Stock} = 130000 \checkmark$$

$$\text{purchases} = 890000 \checkmark$$

$$\text{Total Stock} = 1020000$$

$$\begin{aligned} \leftarrow \text{COGS} &= (700000) \checkmark \\ (100000 + 600000) \end{aligned}$$

$$\text{Clo. Stock} = 320000$$

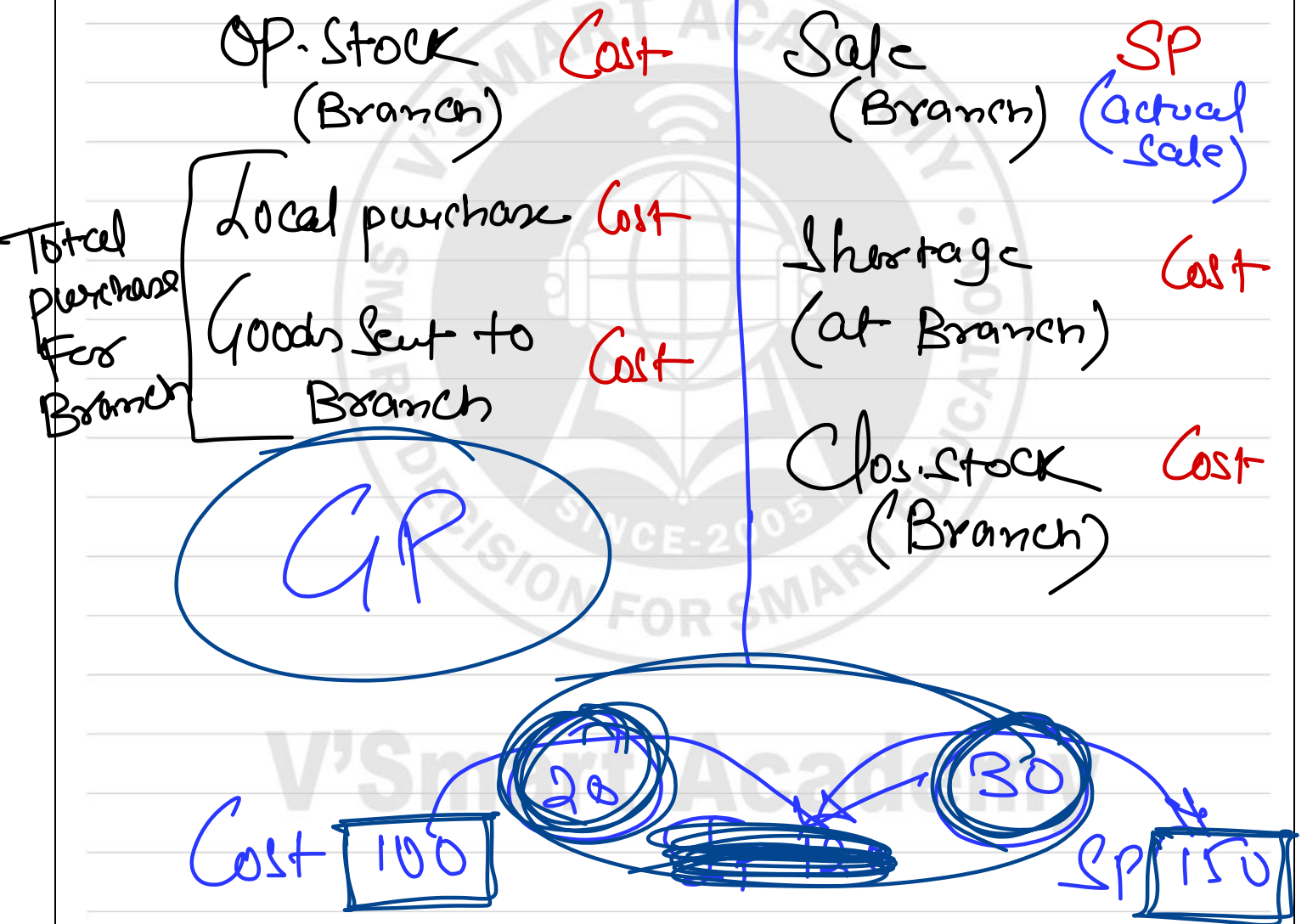
$$\begin{aligned} \text{GP} &= \text{Sale} - \text{COGS} = 840000 - 700000 \\ \text{GP} &= 140000 \end{aligned}$$

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1) Final A/c System (Cost Basis)

Owe Target = To Find Out Branch Profit
(HO's Target)

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



Trading

Good sent 100 to Br. | Sale 150

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:

$$\begin{array}{lcl} \text{Op. Stock} & = & 200 \\ \text{GSTB} & = & 2500 \quad (\text{Branch K l.y.c purchase}) \\ \hline & & 2700 \end{array}$$

$$\begin{array}{rcl} (-) \text{ CoGS} & & 2200 \\ \hline 2860 & \times 100 & \\ 130 & & \\ \hline & & 500 \end{array}$$

$$\begin{array}{rcl} (-) \text{ Cl. Stock} & & 400 \\ \hline \text{Shortage} & = & 100 \end{array}$$

Memorandum Branch Trading A/c

To Op. Stock	200	By Sales	2860
To GSTB	2500	By Shortage	100
To GP	<u>660</u>	By Cl. Stock	<u>400</u>

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;

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

SP

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

(A) Goods sent to Br. = 560000
(Cost)

632000

(600000) ✓

$$\frac{700000 (IP)}{125 (IP)} \times 100$$

(-) COGS
(Cost from HO
Por)

32000

Cost of
Closg
Stock

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

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$$\begin{array}{cc} \text{Cost} & \text{SP} \\ \hline 100 & 150 \\ ? & 900000 \end{array}$$

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

Mem. Branch Trading A/c ^(Cost)

Op. Stock	72000	Sales	900000
GSTB	560000	Clos Stock	32000
GP	<u>300000</u>		

ye GP dono Ka Hai:
 Ho Ka margin Branch se
 Branch Ka margin Customer 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/-

$$\text{Opening Stock (Cost)} = 120000$$

$$(+)\text{ GSTB (Cost)} = 75000$$

$$\text{Total Cost of Stock} = 870000$$

(-) COGS :-

$$\begin{array}{r} \text{Cost of Cash Sales} \\ 437500 (\text{IP}) \\ \hline 125 (\text{IP}) \end{array} \times 100 \quad (350000)$$

$$\begin{array}{r} \text{Cost of Credit Sales} \\ 600000 (\text{SP}) \\ \hline 150 (\text{SP}) \end{array} \times 100 \quad (400000)$$

$$\text{Balance goods} = 120000$$

$$(-)\text{ Closg Stock (wt)} = (110000)$$

$$\begin{array}{r} 137500 (\text{IP}) \\ \hline 125 (\text{IP}) \end{array} \times 100$$

$$\text{Shortage} = 10000$$

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 = 82500
to Branch

Total Stock = 90000

(-) COGS :-

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

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

11250

(-) Bal. of
Clsg. Stock 11000

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

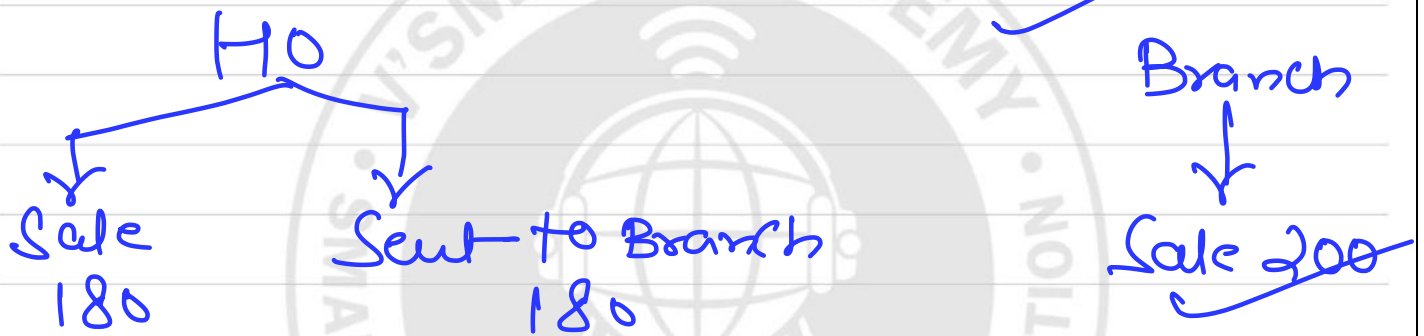
250 Shortage

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 Customer)
 $\frac{2781000}{180} \times 100 = (1545000)$

(-) Cost of Goods sent = (530000)
to Branch

Closing Stock = 700000
of HO

WN-2 Closg Stock of Branch

Opng Stock (Cost) = 0

(+) Goods sent to Branch = 530000
(Cost)

← Total Stock = 530000

(-) Cost of Goods Sold = (475000)
 $\frac{950000}{200} \times 100$

Closg Stock = 55000

HO Trading P&L A/c

To Op. Stock 225000

To purchase 2550000

To GP 1236000

By Sales 2781000

By Goods sent
to Branch
(at Cost) 530000

By Clos. Stock 700000

To Off Exp 90000
 To S/Exp 72000
 To Salary 65000
 To NP 10,09,000

By GP 1236000

Branch Trading P&L

To op. Stock 0
 To GSTB 530000
 To GP 475000

To Off Exp 8500
 To S/E 6300
 To Salary 12000
 To NP 448200

By Sales 950000

By Cl. Stock 55000

By GP 475000

Q102 Final A/c System (Cost Basis)

Pune's profit margin = $\frac{1}{3}$ on Cost ($\frac{1}{4}$ on Sale)

Goa's profit margin = $\frac{1}{5}$ on Sales ($\frac{1}{4}$ on Cost)

Pune's Trading and P&L a/c

To Op. Stock (30000 + 8000)	38000
To Purchase (185000 + 12000)	197000
To Chargeable Exp.	15000
To GP	65000

By Sales	260000
By Goods sent to Goa	15000
By Shortage	11000
By Closing Stock (25000 + 4000)	29000

Shortage :-

Opng. Stock = 38000
(+) purchases = 197000
(+) Chargeable = 15000

260000
- 65000

(-) COGS
(-) COG sent to Goa

25000
(195000)
(15000)

40000

(-) ~~Close stock~~ 29000

Shortage = 11000

P&L	
To A.Loss 11000	By GP 65000
To OFF Exp 13250	
To SExp 15000	
To NP 25750	

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Ex:-7

$$\text{Cost} = 100$$

$$\text{IP} = 120$$

$$\text{SP} = 150 \text{ (For Credit Sale)}$$

$$\text{GIT} = \text{Goods sent by HO} - \text{Goods received by Branch till year end}$$

Working Note :- Calculation of Shortage

$$\begin{aligned} \text{Op. Stock (Cost)} &= 62,500 \\ (+) \text{ Goods sent to Branch} &= 410,000 \\ 450,000 - 40,000 & \end{aligned}$$

$$472,500$$

(-) Cost of Goods Sold

$$\begin{aligned} \text{a) Credit Sale} & \quad (295,000) \\ 310,000 - 15,000 & \end{aligned}$$

$$\begin{aligned} \text{b) Cash Sale} & \quad (80,000) \\ 90,000 - 10,000 & \end{aligned}$$

$$\text{Balance Goods} \quad 97,500 \text{ (Cost)}$$

$$(-) \text{ Closing Stock (in Hand)} \quad (60,000)$$

$$(-) \text{ GIT} \quad (25,000)$$

$$\text{Shortage} \quad 12,500 \text{ Cost}$$

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% = 135000

Opnng stock (IP) = 135000

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

Total stock at Branch = 885000 (at IP)

(-) IP of Goods sold = 630000

819000 (SP)

195 (SP) $\times 150$

Balance = 255000

Stock

(-) Clos. stock (IP) = 225000

Shortage (IP) = 30000 ✓

Mem. Branch Trading a/c (IP)

150	Op. Stock	135000	Sales	819000	195
150	GSTB	750000	Shortage	30000	150
45	GP	189000	Clos. Stock	225000	150
	Ab-Loss	30000	GP	189000	

Same Ex:-8
With Cost Basis

$$\begin{array}{rcl} \text{Op. Stock} & = & 90000 \\ \text{GSTB} & = & 50000 \left(\frac{75000}{150} \times 100 \right) \\ \hline & & 590000 \end{array}$$

$$\frac{819000}{195} \times 100$$

$$(-) \text{Cogs} = 420000$$

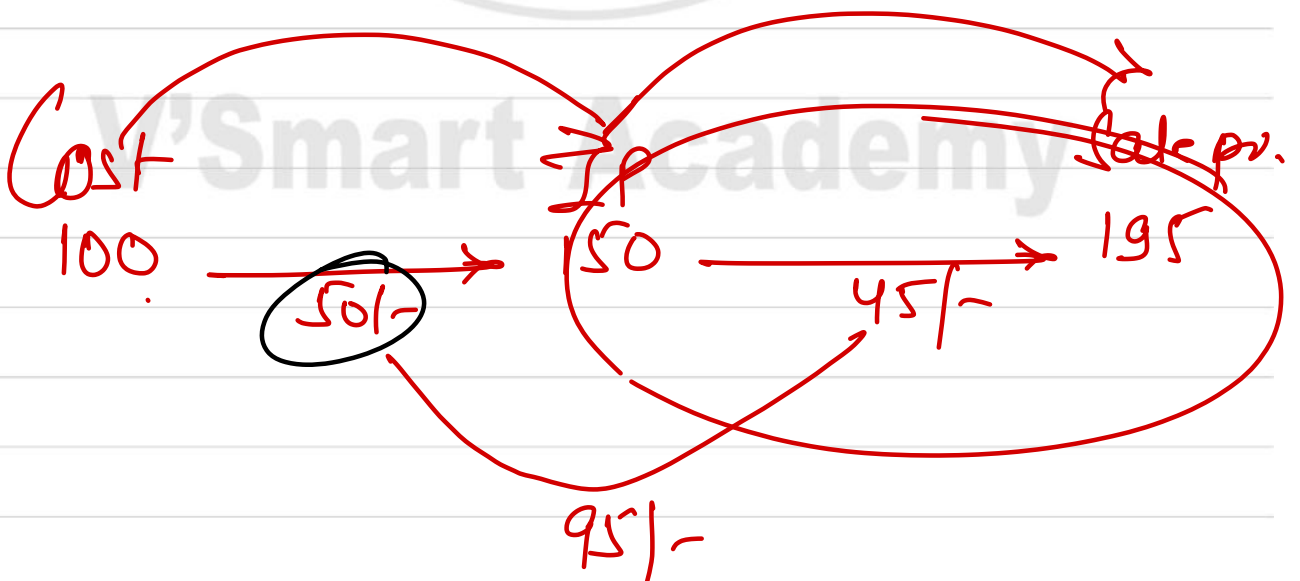
$$\hline 170000$$

$$(-) \text{Clo. stock} = (150000)$$

$$\hline \text{Shortage} = 20000$$

Branch Trading A/c

100	Op. Stock	90000	Sales	819000	195
100	GSTB	50000	Shortage	20000	100
95		399000	Clo. stock	150000	100
49					



Only For Understanding (OFU)

$$\text{GSTB} = ₹50000 (\text{IP})$$

$$\text{Margin} = \frac{₹50000 (\text{IP})}{150 (\text{IP})} \times 50 = 25000 - 7500$$

135
90



$$\begin{array}{r} 175000 \\ + 45000 \\ \hline 220000 \\ (-) 10000 \\ \hline \end{array}$$

Margin earned
by HO
from Branch

210000

Working For Unrealised profits (Under IP Basis)

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

Profit to be
reversed by Ho
in Cy

↓
Stock Reserve Dr.
To P&L a/c

85000
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

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Q201 (Final A/c IP Basis)

$$\text{Cost For HO} = 100$$

$$\text{WP/IP} = 180$$

$$\text{SP} = 200$$

Working For Closing Stock :-

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

WN. For Stock Reserve:-

On Closing Stock of Branch :-

$$\frac{99000}{180} \times 80 = 44000$$

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	256000	By GSTB	954000 (IP)
To GP	1660000	By Clos. Stock	700000
To SR	44000	By GP	1660000
To SExp	72000		
To S. Salary	65000		
To Office	90000		
To NP	1389000		

M/m. Branch Trading & P/L a/c

To op. Stock	0	By Sale	950000
To GSTB	954000	By Clos. stock	99000
To GP	<u>95000</u>		<u> </u>
To office exp	8500	By GP	95000
To S/Exp	6300		
To Salary	12000		
To NP	<u>68200</u>		<u> </u>

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Ex: 7

Br. Trading

(Cost)

Opng 62500
GSTB 410000
(-) return

By Sales.
(net)
Cash 96000
Credit 442500

By Shortage 12500

To GP

By Clos. Stock
in hand 60000
GIT 25000

Q102

SR Opng = 4250
Closg = 1000

Goq meaning = $\frac{1}{5}$ on Sale ($\frac{1}{4}$ on Cost)

1) Pure op. Stock = 40000

From
Goq
10000

From
outside
30000

SR 10000
 $\times \frac{1}{5}$

SR X

2000

$$\text{Pune Clos. Stock} = 30000$$

$$\begin{array}{r} \swarrow \\ \text{from Goa} \\ 5000 \\ \times 1/5 \\ \hline \text{SR} \quad 1000 \end{array}$$

Note:- Goa Branch shall pass following Entries for SR

$$\begin{array}{r} 1) \text{ P\&L a/c Dr.} \quad 1000 \\ \quad \quad \quad \text{To SR} \quad 1000 \\ \text{(SR on Clos. Stock of Pune)} \end{array}$$

$$\begin{array}{r} 2) \text{ SR a/c Dr.} \quad 2000 \\ \quad \quad \quad \text{To P\&L a/c} \quad 2000 \\ \text{(SR on Op. Stock of Pune)} \end{array}$$

2) SR on Stock of Goa:-

$$\text{Opng Stock} = 30000$$

$$\text{Pune's margin} = 1/4 \text{ on Sales}$$

$$\begin{array}{r} \swarrow \\ \text{Received from Pune} \\ 17000 \times 1/4 \\ 4250 \end{array}$$

$$\text{Clos. Stock} = 43500$$

Received from
Pune
 $4000 \times \frac{1}{4}$
1000

Note:- Pune Branch shall pass following Entries

1) Pal a/c Dr. 1000
To SR 1000
(SR as Closg Stock)

2) SR a/c Dr. 4250
To Pal a/c 4250
(SR as op. stock)

Shrinkage:-

Op. Stock = 40000
(+) purchases = 200000
(+) Chargeable Exp = 15000
255000

(-) COGS
280000 - $(280000 \times \frac{1}{4})$
45000
Clos. Stock 30000

other lost
400 (IP)

OFV

~~X~~ 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 1000
(on clos. stock)

By GP 55000

By SR 4250
(on op. stock)

To OFF Exp 13250

To S/Exp 15000

To NP 30000

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. Expens 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 Branches Employee :-

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

2) Ho shall maintain One Common A/c relating to Br. purchases, 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 returns & Goods lost.

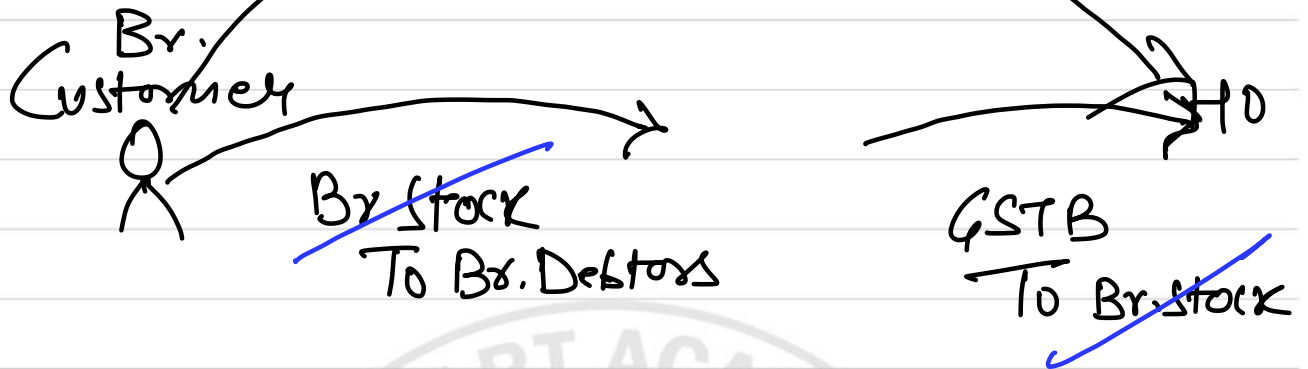
a) Goods sent by Ho to Branch :-
Br. Stock a/c Dr.
 To GSTB a/c

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)

- Br. Stock a/c (always at IP)
 - Br. Adjustment a/c (Amt of margin only) Loading
 - Goods Sent to Branch A/c (Always at Cost)
 - Br. P&L a/c
 - Br. Cash a/c
 - Br. Debtors a/c
- To find out missing figures such as Cash Sales, Credit Sales.

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.

$$\begin{aligned}\text{Cost} &= 100 \\ \text{Ip} &= 100\end{aligned}$$

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

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 <u>36500 (IP)</u>

Br. adjust. a/c (margin)

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

Goods sent to Br. (Cost)

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

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. Cd	17600

Br. adj.

To Br. Stock	150	By Bal. Cd	4500
		By GSTB	49500

Shortage

Actual Loss of Stock

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

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

To Br. p&L (BIF)	39000	By Bal b/d (Share prng)	5000
		By GSTB	40000
		By Br Stock (Surplus)	2000
To Bal c/d in Hand	4667		
GIT	3333		

(Lost) Goods sent to Branch A/c

To Br. adjust 40000	By Br. stock 240000
To Trading 200000 (B/F)	

Br. P&L a/c

To Br. Exp. 12000	By Br. adjust 39000
To Br. B. Debts 750	
To Br. Exp 10000 (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 59000	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. B. Debts 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

Abnormal
Loss

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

Br. p&l Dr. (Cost)
Br. Adj Dr. (Loading)
To Br. Stock (IP)

Q304

Cost = 100

IP = 133.33 ($\frac{1}{3}$ OF Cost = Loading)
IP = SP $\frac{1}{4}$ OF IP

Br. Stock A/c

To Bal. b/d 36000

To GSTB 240000

To Br. adjust 36000
(Surplus)

By GSTB 120000

By Br Debtors 120000

By Br. Cash 2160000

By Br. adjust 36000
(Normal Loss)

By Br. p&l 18000

By Br adjust 6000
(Pilfered)

By Bal c/d	288000
in Hand	48000
GIT	

Br. Adjustment

→ To GITB 30000
(Loading on Return)

→ To Br Stock 36000
(Normal Loss)

→ To Br. Stock 6000
(Ab. Loss Loading)

→ To Br. P&L 570000

→ To Bal c/d 84000
(SR on Closg Stock & GIT)

By Bal c/d 90000

By GSTB 600000

By Br. Stock 36000
(Surplus)

Br. p&l

→ To Ab. Loss 18000

→ To Np 552000
(Transfer to General P&L)

By Br. adj. 570000

L&D method

Situation 1

Cost	100
IF	120
SP	150

Br. Co.

303

Situation 2

Cost	100
IP	120
	1

Br. Stock (IP)

Op & IP | By Br. Cash | IP
GSTB | Sp | By Br. Debtor | SP

Load.
To Br. adj. ~~SP~~ - ~~IP~~ | By Br. adj. SP-IP
To Br. Debtors (Sale return) | SP

~~Br. adjust (margin)~~

→ Back Stock SPIP

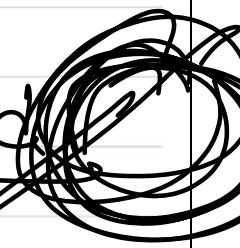
SR
Loading
~~Loading~~

Situation-2

Cost 100

IP 120/SP

Branch Stock (IP)

To Br. Debt (Sale Debt) 12000	By Br. Cash 60000 By Br. Debtors 60000 By Bal. Cl. 
--	--

Br. Adj.

Br. Stock A/c (always at IP)

To Bal. b/d IP

To GSTB IP

To Br. adjust. SP-IP

(Loading only when goods sold above IP & SP is known to us)

To Br. Cash (or) Br. Debtors (Sales Return) actual (SP or IP)

To Br. adjust (Surplus) B/F

By GSTB IP
(Return by Branch)

By Br. Cash (Cash Sale) 110 actual Sale (IP or SP) +10

By Br. Debtors (Credit Sale) actual (IP or SP)

By Br. adjustment (SP-IP) (Loading on Sale Return only when SP is Higher than IP)

By Br. adjustment IP (Normal Loss)

By Br. P&L a/c } Lost IP-Cost
By Br. Adjust a/c }
Ab. Loss

By Balance c/d in Hand IP
GIT IP

Br. Adjustment A/c (margin Amt)

To GSTB IP-Cost
(Loading on return by Branch)

By Bal b/d IP-Cost
(Loading on Op. Stock)

To Br. Stock SP-IP
(Loading When Sale Return Price is SP & Higher than IP)

By GSTB IP-Cost
(Loading on Goods sent to Br.)

By Br. Stock SP-IP
(Loading when SP is higher than IP)

To Branch Stock IP
(Normal loss)

By Br. Stock Surplus
(Surplus)

To Br. Stock IP-Cost
(Loading on Ab. Loss or Shrinkage or pilfered)

To Br. P&L a/c B/F

To Bal c/d IP-Cost
(Loading on Closing Stock including GIT)

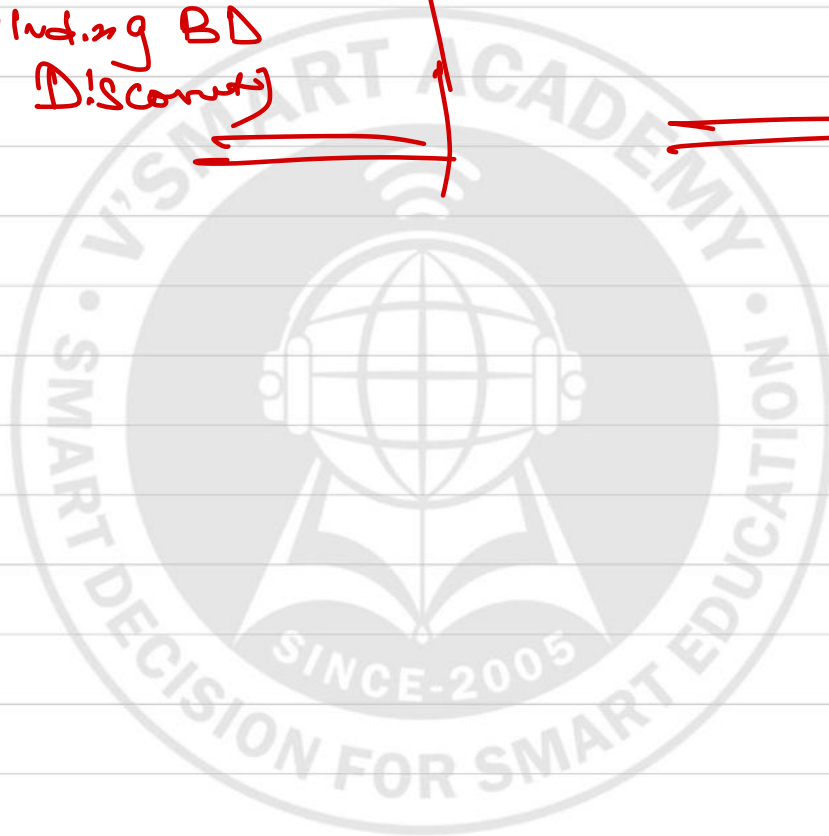
By. Exp. a/c

To Br. Cash xxx

To Cash xxx
(met by Ho)

To Br. all
Exp
(including BD
Discount)

By Br. P&L xxx
(B/F)



V'Smart Academy

Debitors 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

Openg Br. Assets

Br. Stock

IP

Br. Debtors

Br. Cash

Br. PPE

By Bal. b/d

SR as Opng Stock (IP-Cost)

Br. Creditors
of Exp.

By Cash

XXX

(Cash remittance by Br.)

By GSTB

(IP-Cost)

(Loading on Goods sent)

By GSTB

IP

(Return by Branch)

By GSTB

SP/IP

(Return by Customer
directly to Ho)

→ To Cash

XXX

(Cash sent to Br.)

→ To GSTB

IP

→ To GSTB (IP-Cost)

Loading on Goods return by Br.

→ To GSTB

SP-Cost

(or)

IP-Cost

Loading on Sales return
direct to Ho

→ To Cash

XXX

(Exp met by Ho)

→ To NP

XXX

(Transfer to Gen. Bal)

→ To Bal. c/d

SR as Closg Stock (IP-Cost)
& GIT

Br. Creditors

Br. of Exp.

By Bal. c/d

Br. Stock

Br. Debtors

Br. Cash

Br. PPE

GIT

Ex:-15

Books of HO Branch A/c

To GSTB 10,00,000	By GSTB 50,000
To NP (Transfer to General P&L) 230000	By Cash 700,000 (Remittance)
	By Bal. old
	Br. Stock 250000
	Br. Cash 70000
	Br. Debtors 160000

1000000 - 50000
- 700000 Cash
250000

Working Note:-

Br. Cash A/c

To Balan 400000	By Cash 700000
To Br. Debtors 370000	By Bal old 70000

Br. Debtor A/c

To Sales 550000	By Br. Cash 370000
	By B. Debtors 20000
	By Bal. old 160000

Br. Stock (IP = Cost)

To GSTB 1000000	By GSTB 5000
	By Br. Cash 400000
To Br. Adj. 250000 (Surplus)	By Br. Dr. 250000 550000
	By Bal cld 250000
<u> </u>	<u> </u>

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 25000
Cash 70000
Debtors 160000

Br. Stock $IP = Cost = 100$

To Bal 25000	By Br. Cash 63000 SP
To 4STB 120000	By Br. Debtors 90000 SP
To Br. adj 33000 (13000 + 20000)	By Ab. Loss 2500 IP/Cost
	By Bal C/d 22500 (B/F)

Br. Cash

To Bal 70000	By Cash 145000
To Br. Stock 63000	By Exp 3000
To Br. Debtors 87000	By Bal 90000

Br. Debtors

To Bal. 160000	By Br. Cash 87000
To Br. Stock 90000	By Bal. 190000

Branch A/c

To Bal b/d Stock 25000 Debtors 16000 Cash 7000	By Cash 145000 (Remittance)
To GSTB 120000 To Cash 10000 (Ho met exp)	By Bal c/d Stock 22500 Cash 9000 Debtors 19000
To NP 26500 (B/F)	

Q402

Books of Head Office

Nagpur Branch A/c

To Bal b/d Imp. Cash 2000 Debtors 2500 Stock (Ho) 24000 Stock (D.P.) 16000	By Cash 165000 (Remittance received by Ho)
To Cash 45000 (Purchase paid by Ho)	
To GSTB 60000	By Bal c/d
To Cash 4000	Cash in Transit 5000
To Cash 30000	Stock (Ho) 15000
	Stock (DP) 10000

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

WN-1

Br. Debtors

To Bal. 25000	By Sales Returns 5000
To Sale 130000	By B. Debits 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 4000 (Sent by Ho)	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 b/d

Cash 10000
Debtors 384000
Stock 1080000
F&F 500000

To GSTB 1,32,00,000

To GSTB 12000
(Loading on return)

To Cash 100000
(Furniture Payment
by Ho)

To NP (F) 10,96,000

To Bal c/d
Ofs Exp 6000
LR 245000

By Bal Hd
SR 180000

By GSTB 2,20,00,000
(Loading)

By GSTB 72000
(return)

By Cash 1,17,00,000
(Remittance)

By Bal.
Cash 10000
Fur & Fur. 516000
(600000 - 84000)
Stock 1470000
Debtors 485000

Furniture Op 500000
x 16%.

80000

Fur. Purchased 100000 1/Jan
x 16% x 3/12

4000

WN.1

Br. Cash

To Opng 10000	By Exp 842000
To Sale 9700000	By Cash 1,17,00,000
To Debtors 2842000	By Remittance
	By Closg 10000 (Given)

Br. Stock

To Bal 1080000	By Br. Cash 9700000
To Br Debtors 102000	By Br. Debtors 3140000
To GSTB 13200000	By GSTB 72000
	By Bal c/d <u>1470000</u>

Br. Debtors

To Bal. 384000 To sale 314000	By Br. Cash 2842000 By Discount 58000 By Br. Stock 102000 By BDebts 37000 By Bal. 485000
----------------------------------	--

Q408

Br. Cash

To Br. Sales 130000 To Br. Debtors 35000 To Insurance Claim 1000 To Cash (exp.) 5000	By Cash <u>166000</u> ^{B/F} By Exp. 5000 By Bal old 0
---	--

Rent
Salary
Insurance

Cash 2000
 To Branch

 [alag garna Chahiye]

Prepaid opng = 150

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

Year end 31/12

X 3/12

Closing 150

Debtors

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

V'Smart Academy

Q4110

$$IP = SP$$

Alternate-1

20% on IP

1/5 on IP

1/4 on Cost

Alternate-2

Sale = 100

Cost = 80

20% = (20)

Q2404

Cost = 100

IP = 110

Ho Books

Branch A/c

To GSTB (IP) 165000

To GSTB (Loading 382
on return)

To NP
(transfer to Gen. P&L)
To Bal c/d

37363

SR 4855

By GSTB (Loading) 15000

By Cash (Remittance) 100000

By GSTB (return) 4200

By Bal. c/d

By Debtors 29000

By Ho/K 53400

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

WN-1 Shortage :-

$$\begin{array}{rcl} \text{Opng Stock} & = & 74736 \\ (+) \text{GSTB} & = & 289680 \\ \hline & & 364416 \\ (-) \text{COGS} & & 270960 \\ (361280 - 25\%) & & \\ \hline \text{Balance} & = & 93456 \\ (-) \text{Closg Stock} & = & 92496 \\ \hline \text{Shortage} & = & 960 \end{array}$$

WN-2 Net Profit earned by Branch before Commission

~~Alternate-1~~

GP% 25% on Sale

$$\begin{array}{rcl} \text{GP} & = & 361280 \times 25\% = 90320 \\ (-) \text{Chargeable Exp} & = & 49120 \\ (-) \text{Ab. Loss (Shortage)} & = & 960 \end{array}$$

$$\text{NP before} = 40240$$

Alternate 2

Branch A/c Cost = 2P

To Bal b/d Stock 74736	By Cash 312160 (Disbursement)
To GSTB 289680	By Bal. C/d Stock 92496
To NP 40240	

Assuming entire sale
is in Cash
& Chargeable Exp
are in Cash
Hence Net Cash
Dismitted 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	

Calculation of Commission

$$10\% \text{ OF } \overset{\text{Net}}{\text{profit}} \Rightarrow 40240 \times 10\%$$

$$\underline{4024}$$

$$25\% \text{ OF } \text{deficiency} (-) \quad (240)$$

$$\text{Final Commission} = 3784$$

$$(-) \text{ Paid already} = (2400)$$

$$\text{Commission payable} = \underline{1384}$$

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

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 $\Rightarrow$ 10% OF profit after
Charging Commission

$$\frac{58335 \times 10}{110} = 5303 \frac{1}{2}$$

HO Trading and P&L a/c

To op. stock		By Sales	
Ghee	150000	Ghee	1846350
Oil	350000	Oil	2741250
To purchases		By GST B	
Ghee	1475000	Ghee	270000
Oil	2932000	Oil	300000
To D/E exp 383275		By Clos. stock	
To GP 597075		Ghee	312500
		Oil	417250

To Depreciation
plant
F&F

136500
2150

By GP 597075
By Branch 3032
(NP)

To General
Exp 24000

To Salary of
General Mang. 24000

To General Mang
Commis. 42132

To NP 421325

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

Overall profit = 463457

Commission to
General Mang. = $463457 \times \frac{10}{110}$
= 42132

Q305

$$\begin{aligned} \text{Cost} &= 100 \\ \text{IP} &= \text{WP} = 125 \\ \text{SP} &= \text{RP} = 150 \end{aligned} \quad \left. \begin{array}{l} 25 \text{ earned by Ho} \\ 25 \times 6 \\ 25/- \text{ earned by outlet} \\ \frac{25}{150} \times 100 \\ \frac{1}{6} \end{array} \right\}$$

Outlet Stock A/c (IP)

To Bal Hd 30000	By Sale 360000
To GST Outlet 324000	By Shortage 18000 (B/F)
To GP (Surplus) 60000	By Bal Cl'd 36000

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

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 Hd 6000
To Bal 7200	By P&L 7200

Op. stock of outlet = 30000

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

Clos. stock of outlet (SR) = 7200

SR
To P&L

P&L
To SR

GSTB a/c

To (Bri. adj.) 64800	By Br stock 324000
----------------------	--------------------

Last year		<u>Cy</u>	
Clos. stock (SR)		SR	
P&L To SR	To P&L	To P&L	By Op Bal.
	To Bal.		By P&L

Cy close,
P&L
TOSR

Independent Branch

Inter Branch Transactions

Ex:- Cash sent by Bhopal Branch to Delhi Branch

Bhopal

Ho a/c Dr.
To Cash

Delhi:

Cash a/c Dr.
TO HO

HO

Delhi Br. Dr.
To BPL Br.

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

Bhopal

HO a/c Dr.
To Cash a/c

Delhi:

Adv. exp Dr.
To HO

HO

Delhi:
To Bhopal

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

<u>Bhopal</u>	<u>Delhi</u>	<u>HO</u>
HO a/c Dr. To Bills payable	BR a/c Dr. To HO	Delhi Dr. To Bhopal

FA A/c maintained by HO

Ex:- FA BV = 100000 Sold by Branch at 150000 (FA maintained by HO)

<u>HO</u>	<u>Branch</u>
Branch 100000 To FA 100000 Br.	Cash 150000 To HO 100000 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 50000, But account to be maintained by HO
- 7) Dep of 15000 to be charged.

Provide Journal entries in HO 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) ~~BPL 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~~

BPL
7) 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	<u>452000</u>		

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	<u>452000</u>

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 be 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 on Under on 31st march :-

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

Revised Ho Cr. Balance = 490 + 10 = 50000

Step 1:- Reconciliation

Step 2:- Transfer entries in Ho Books & Branch Books

Step 3:- Prepare Final A/c

① Rm Consumed

② Production Cost of FG
 ↳ Rm Consumed
 + Labour/Wage
 + Overhead Cost

③ To find out closing FG

OPFG
 (+) Production
 COGS
 (-) COGS (Bd)

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 IP

(Local purchase
goods not
SOLD
during the year)

Closing Stock
OF Local
goods = 75000

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

Payment to Creditors = 50000
by HO

Opening Debtors = 105000 —

Closing Debtors = 90000 —

Opng Cash = 75000 —

Closg Cash = 25000 —

Bad-debts = 5000 —

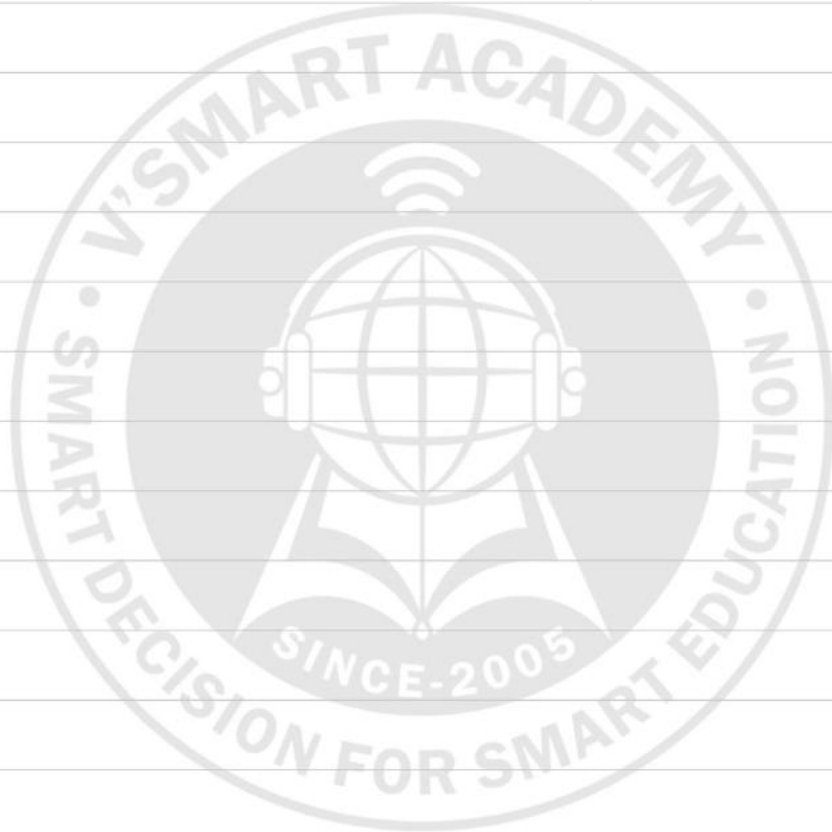
Br. Exp paid by Branch = 12000

Dr. Exp O/S = 6000 ✓
(not yet paid)

a) Case 1 = S&D method

b) Case 2 = Debtors method.

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



V'Smart Academy

Solution of Master Problem

① Cost = 100 , IP = 120 , SP = 150

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

Discounted = $150 - 10\% = 135$
SP

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	60000
Ho	75000	(Return)	
Local	15000	By Br. adjustm.	12000
To GSTB	900000	By Br. Cash	240000 (IP)
To Br. Creditors	60000	By Br. Debtors	60000 (SP)
(SP) To Br. Debtors	60000	By Br. Debtors	13500 (D.SP)
(IP) To Br. Cash	30000	By Br. P&L (Cost)	47500
		By Br. Adj (Loading)	9500

Loading]	To Br. adjust	120000	By Bal cld	
	To Br. adjust	1500	Ho	204000
			Local	75000

Branch Adjustment A/c (Margin)

To GSTB	10000	By Bal cld	12500
(Loading on return)		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 cld	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. cld	105000	By Br. Stock	60000
To Br. Stock	600000	By GSTB	30000
To Br. Stock	13500	By Br. Bad debts	5000
		By Br. Cash	533500
		(B/F)	
		By Bal cld	900000

Branch Cash

To Bal b/d 75000	By Br. Stock 30000
To Br. Stock 240000	By Br. Exp. 12000
To Br. Debtors 53500	By Cash 781500 (Remittance B/f)
	By Bal c/d 25000

Br. Creditors

To Cash 50000	By Bal b/d 0
To Bal c/d 10000	By Br. Stock 60000

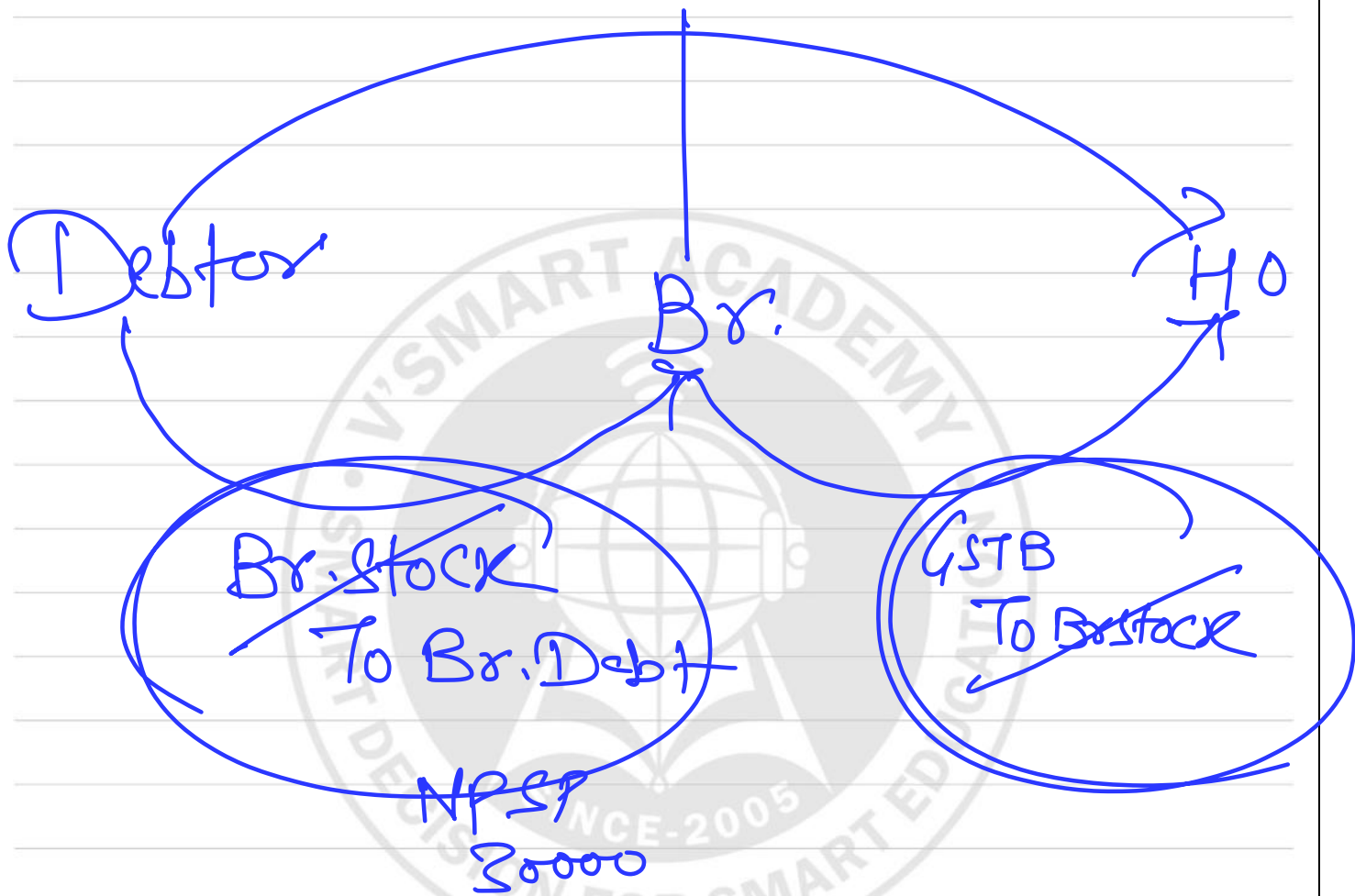
Br. Expense A/c

To Bad debts 5000	By Br. p&l 23000
To Br. Cash 12000	
To Br. Exp Payable 6000	

Br. p&l

To Ab. loss 47500 (Shortage)	By Br. adjust 208500
To Br. Exp. 23000	

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



$$\begin{array}{r} 57000 \text{ IP} \\ \hline 120 \text{ IP} \end{array} \times \begin{array}{r} 100 \\ \text{Cost} \end{array} = \begin{array}{r} 47500 \\ \text{Cost} \end{array}$$

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
Wt

Branch A/c IP-Loading

To Bal b/d
 Stock (Ho) 75000
 Stock (Local) 15000
 Debtors 105000
 Cash 75000

To GSTB 900000
 To GSTB
 (Loading) 10000

To GSTB
 (Loading) 10000

To Cash 50000

(Creditor Payment by Ho)

To NP 138000
 (Transfer to Gen. P&L)

To Bal c/d
 SR 34000
 By Creditors 10000
 By Exp O/s 6000

By Bal b/d
 SR 12500

By GSTB 150000
 (Loading)

By GSTB 60000
 (Return by Br.)

By GSTB 30000
 (Return by Debtor
 directly)

By Cash 781500
 (Remittance)

By Bal c/d
 Stock (Ho) 204000
 Stock (Local) 75000
 Debtors 90000
 Cash 25000

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

Memorandum Br. Trading & P&L a/c

To op. stock

Ho 75000
Local 15000

By Sales :-

Cash 240000 210000
(-) Return 30000

To purchase 60000

Credit 613500 523500

To GST B(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

IP Values
Loading

OP stock

Clos. stock

75000

204000

$\frac{75000}{120} \times 20$

$\frac{204000}{120} \times 20$

12500

34000

Debtors

Branch

Sale Return

SP

Branch

HO

purchase Return

IP

Trade

IP To GSTB 900000	By Goods Return 60000 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 Labourer (wages)	—	xxx
(+) Factory overheads	—	xxx

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:-

$$\text{Opng Rm} = 60000$$

$$\text{Rm purchased} = 395000$$

$$\text{Clsg Rm} = 42500$$

$$\text{Opng FG} = 72000$$

$$\text{Direct Labour} = 180000$$

$$\text{Factory OH} = 302000$$

$$\frac{600000}{150} \times 100$$

$$\text{Sale to Customers} = 800000$$

$$\text{Goods sent to Branch} = 600000 \text{ IP}$$

$$\text{Margin from Customers} = 50\% \text{ on Sale}$$

H0 sends goods to Branch at Cost + 50%

Calculate Clsg FG of H0

Sol):-

1) Rm Consumed:-

$$60000 + 395000 - 42500 = 412500$$

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

$$\begin{array}{ccc} 412500 & + & 180000 & + & 302000 & = & 894500 \\ \text{Rm} & & \text{Lab} & & \text{OH} & & \end{array}$$

3) Close Stock :-

$$72000 + 894500 = 966500$$

$$(-) \text{COGS (Customer)} = (400000)$$

$$(-) \text{COGS (Branch)} = (400000)$$

$$\underline{\underline{166500}}$$

Q505

Given info :- HD 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)	Close Rm

34500

WN-2 Cost of FG produced (Factory Cost)

$$\begin{aligned}\text{RM Consumed} &= 34500 \\ (+) \text{ Wages} &= 108500 \\ (+) \text{ Factory OH} &= 39000\end{aligned}$$

$$\text{Cost of FG produced} = \underline{\underline{182000}}$$

WN-3 Closing stock of FG of HO

$$\begin{aligned}\text{Op FG} &= 13000 \\ (+) \text{ FG produced during the year} &= 182000\end{aligned}$$

$$\text{Total goods available for sale} = \underline{195000}$$

$$\begin{aligned}(-) \text{ COGS (Wholesale Customer)} &= (140000) \\ 200000 - 30\% &\end{aligned}$$

$$\begin{aligned}(-) \text{ COGS (Branch)} &= (40000) \\ \frac{46000 \times 100}{115} &\end{aligned}$$

$$\underline{\text{Closing Stock} = 15000}$$

WN-4 Close Stock of Branch

$$\text{Opng Stock} = 9200 \text{ (IP)}$$

$$\begin{aligned} (+) \text{ GSTB} &= 46000 \text{ (IP)} \\ &\text{(Always take Gross)} \end{aligned}$$

$$\text{Available Goods} = 55200$$

$$(-) \text{ GIT} = (1500)$$

$$\begin{aligned} (-) \text{ COGS} &= (45640) \\ 55200 - 30\% \end{aligned}$$

$$\text{Close Stock (in Hand)} = \underline{8060}$$

$$\leftarrow \text{Total Close Stock (including GIT)} = 9560 \text{ at IP}$$

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 Close 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 Close 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 CIT 1500
=	=

CIT
To HO

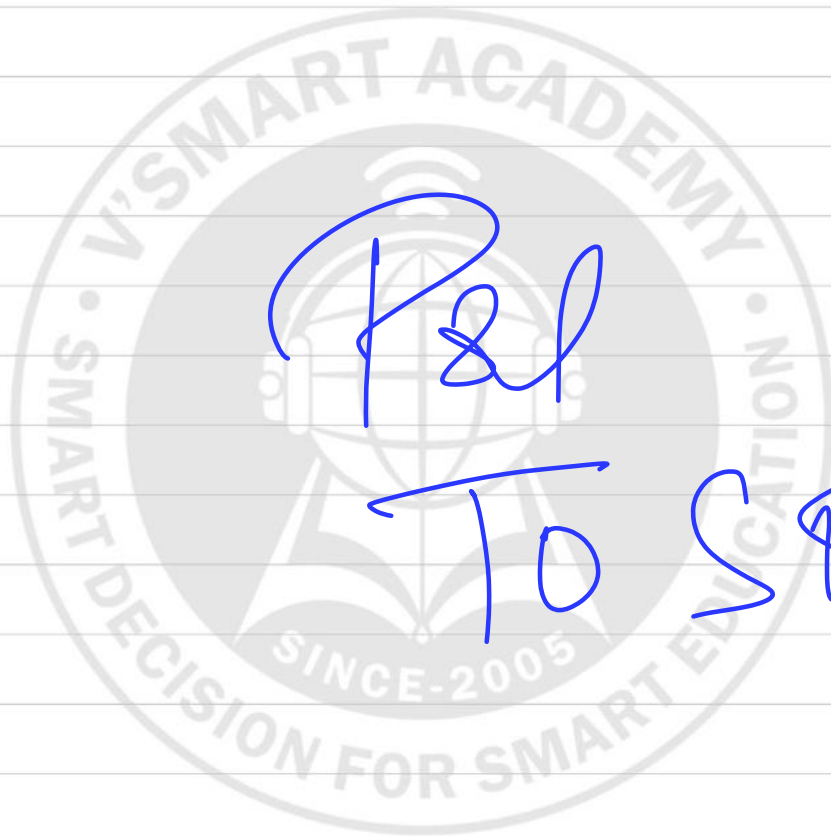
Balance Sheet

Capital 50000	73957	Debtors	37000
(+) NP 23957		Cash :-	24500
		HO 2000	
		By. 1000	
Creditors	13000	CIT 1500	
Bonus Payable	156	Stock :-	
		Rm	2300
		FG :-	23313

HO 15000
Br. 9560
(-)SR 1247

87113

87113



V'Smart Academy

Independent Branch (Domestic Branch)

All Branch transactions are recorded by Branch itself.

Branch shall pass J. 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
Branch
 TO GSTB

Br. Books
GIT Dr.
 TO HO

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

Br. Books
 Ho a/c Dr.
 To Cash

Ho Books
 Cash in Transit Dr.
 To Branch

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

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

Branch
 Exp. Dr. 10000
 To HO 10000

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

Rectified Entry {
HO
 Branch Dr.
 To P&L a/c

Br.
 Adv. Exp Dr.
 To HO

Wrong {
 i) 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

Branch Books

Br. Assets Dr.
Br. Exp. Dr.

Liab. Dr.
Income Dr.

To Br. Liab.

To Assets

To Br. Incomes.

To exp.

(Difference in Branch A/c)

(Difference in HO a/c)

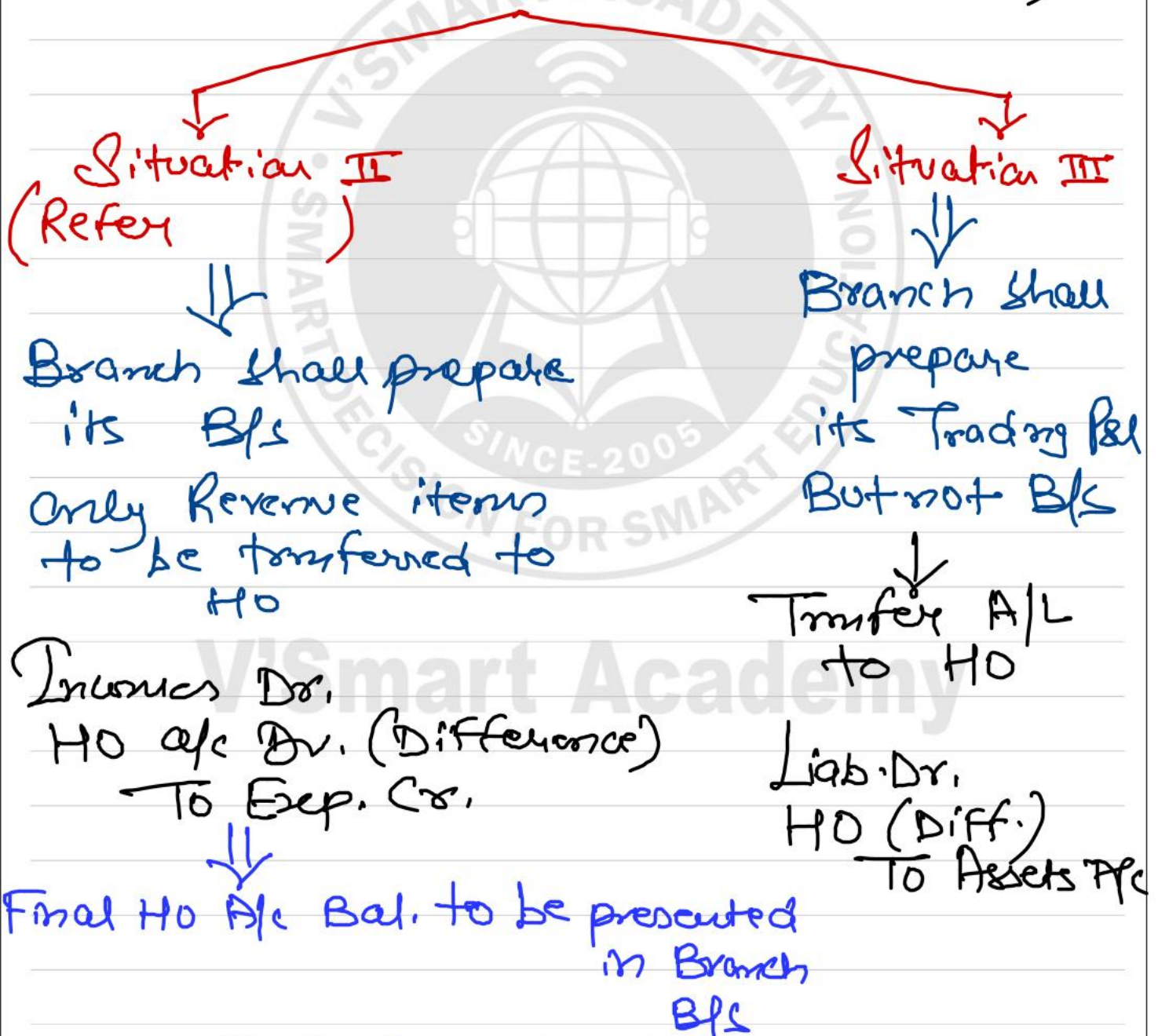


Final Balance of Branch A/c & HO a/c will be Nil

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)



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 Transit 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	
		Br. 9500	
Op Bal 25310			
HO Profit 82200		Stock 272930	
(-) LIT (1700)		HO 222470	
(+) Branch 31700		Br. 50460	
Profit			
(-) Int. divd. (30000)			
Gen. Reserve	100000	Debtors 69600	
		HO 50500	
		Br. 19100	
Creditors	32300		
HO 21900			
Branch 10400			
		Cash 72280	
		HO 62730	
		Branch 6550	
		CIT 3000	
	<u>1039810</u>		<u>1039810</u>

Q501

① Goods sent to Branch at SP/IP

Assume SP = 100/-

Margin as
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.

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Independent Branch

Br. Trading

Br. Trading

Cost

Cost

Ip

Sale

Ip

Situation 1

Question

Cost 100

Ip 120

Sp 150

Situation 2

Question

Cost ✓

Ip/Sp ✓

Q503

H0 BOOKS

Particulars

Delhi:

Mumbai:

Chennai:

Kolkata:

Goods D-M

35000 Dr.

35000 Cr.

—

—

Goods D-R

15000 Dr.

—

—

15000 Cr.

45000 Cr.

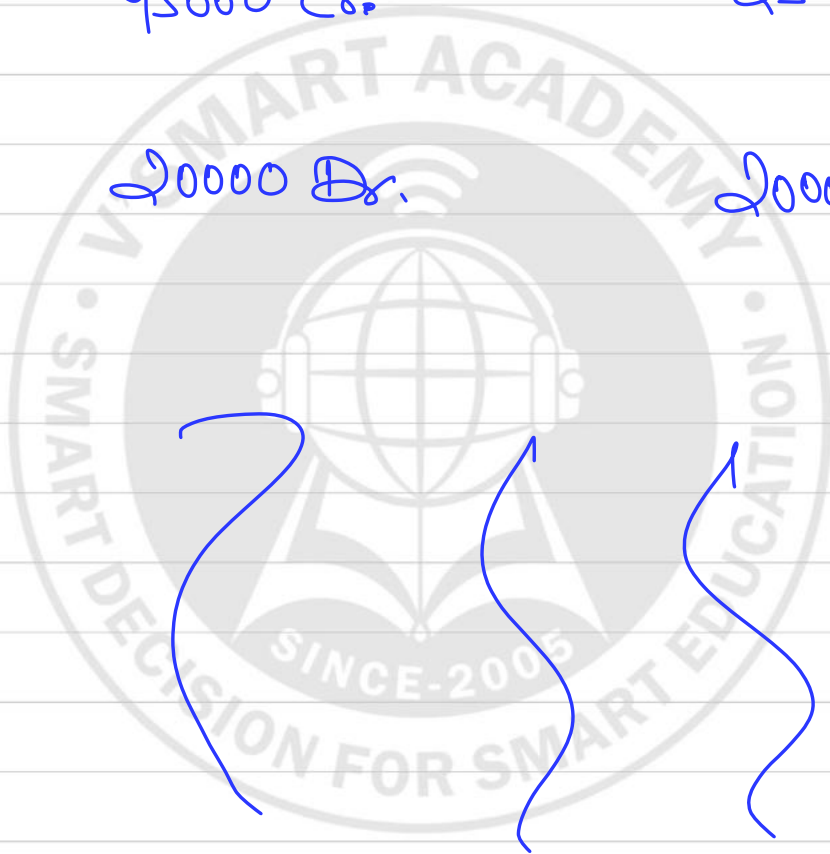
25000 Dr.

20000 Dr.

B/R

20000 Dr.

20000 Cr.



V'Smart Academy

50000
Dr.

30000
Cr.

10000
Dr.

30000
Cr.

H0

D
C

S
I

To M 3
To R 3