

ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCHES

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Quote:-

Start where you are. Use what you have. Do what you can.

–Arthur Ashe

SECTION – A

(All ICAI Study Module, RTP, MTP, Past Exam Questions)

SERIES 100

Dependent Branch - Final Account System Cost Basis

Q.BRN.SM.101(A):

Beta, having head office at Mumbai has a branch at Nagpur. The head office does wholesale trade only at cost plus 80%. The goods are sent to branch at the wholesale price viz., cost plus 80%. The branch at Nagpur is wholly engaged in retail trade and the goods are sold at cost to H.O. plus 100%.

Following details are furnished for the year ended 31st March, 20X1:

	Head Office (Rs.)	Branch (Rs.)
Opening stock	2,25,000	
Purchases	25,50,000	
Goods sent to branch (Cost to H.O. plus 80%)	9,54,000	
Sales	27,81,000	9,50,000
Office expenses	90,000	8,500
Selling expenses	72,000	6,300
Staff salary	65,000	12,000

You are required to prepare Trading and Profit and Loss Account of the head office and branch for the year ended 31st March, 20X1.

SOLUTION

Working Note 1: -

Head Office

Opening Stock – 2,25,000 + Purchases – 25,50,000		
Total – 27,75,000		
Sale @180 COGS = 27,81,000/180 x 100 = 15,45,000	GSTB @180 COGS = 9,54,000/180 x 100 = 5,30,000	Closing Stock (b/f) 7,00,000

Working Note 2: -

Branch

Opening Stock – 0 + Purchases – 0 + Goods Received from HO – 5,30,000	
Total – 5,30,000	
COGS = 9,50,000/200 x 100 = 4,75,000	Closing Stock (b/f) 55,000

Branch Trading (Cost Basis)

Goods Received from HO	5,30,000	Sales	9,50,000
Gross Profit	4,75,000	Closing Stock	55,000
	10,05,000		10,05,000

SERIES 200**Dependent Branch - Final Account System IP / WP Basis****Q.BRN.SM.201(A):**

Beta, having head office at Mumbai has a branch at Nagpur. The head office does wholesale trade only at cost plus 80%. The goods are sent to branch at the wholesale price viz., cost plus 80%. The branch at Nagpur is wholly engaged in retail trade and the goods are sold at cost to H.O. plus 100%.

Following details are furnished for the year ended 31st March, 20X1:

	Head Office (Rs.)	Branch (Rs.)
Opening stock	2,25,000	
Purchases	25,50,000	
Goods sent to branch (Cost to H.O. plus 80%)	9,54,000	
Sales	27,81,000	9,50,000
Office expenses	90,000	8,500
Selling expenses	72,000	6,300
Staff salary	65,000	12,000

You are required to prepare Trading and Profit and Loss Account of the head office and branch for the year ended 31st March, 20X1.

SOLUTION

Trading and Profit and Loss A/c

For the year ended 31st March 20X1

	Head office Rs.	Branch Rs.		Head office Rs.	Branch Rs.
To Opening stock	2,25,000	-	By Sales	27,81,000	9,50,000
To Purchases	25,50,000	-	By Goods sent to branch	9,54,000	-
To Goods received from head office	-	9,54,000	By Closing stock (W.N.1 & 2)	7,00,000	99,000
To Gross profit c/d	16,60,000	95,000			
	44,35,000	10,49,000		44,35,000	10,49,000
To Office expenses	90,000	8,500	By Gross profit b/d	16,60,000	95,000
To Selling expenses	72,000	6,300			
To Staff salaries	65,000	12,000			
To Branch Stock Reserve (W.N.3)	44,000	-			
To Net Profit	13,89,000	68,200			
	16,60,000	95,000		16,60,000	95,000

Working Notes:

(1)	Calculation of closing stock of head office:	Rs.
	Opening Stock of head office	2,25,000
	Goods purchased by head office	25,50,000
		27,75,000
	Less: Cost of goods sold [37,35,000 x 100/180]	(20,75,000)
		7,00,000
(2)	Calculation of closing stock of branch:	Rs.
	Goods received from head office [At invoice value]	9,54,000
	Less: Invoice value of goods sold [9,50,000 x 180/200]	(8,55,000)

		99,000
(3)	Calculation of unrealized profit in branch stock:	
	Branch stock	Rs. 99,000
	Profit included	80% of cost
	Hence, unrealized profit would be = Rs. 99,000 x 80/180	Rs. 44,000

Q.BRN.SM.202(A): (Sep'24 Exam)

Following is the information of Kullu Branch of M/s Best Enterprises of Shimla for the year ending 31st March 2023:

- (1) Goods are invoiced to the branch at cost plus 20%
- (2) Branch sold goods at invoice price plus 25%.
- (3) Other Information is as follows:
 - (i) Stock (at cost price) as on 1st April, 2022 is Rs. 2,25,000
 - (ii) Goods sent by Head office to branch during the year (at cost price) are Rs. 14,85,000
 - (iii) Goods returned by Branch to Head office during the year (at Invoice price) are Rs. 75,000
 - (iv) Sales by the branch during the year Rs. 19,50,000
 - (v) Expenses incurred at Branch Rs. 56,000.

You are required to ascertain the following:

- (a) Profit earned by the Branch by Preparing Trading and profit and loss account for the year ended 31st March 2023
- (b) Also find the stock reserve on Closing stock

Answer

(i) In the books of Kullu Branch Trading and Profit and Loss Account

Particulars	Amount Rs.	Particulars	Amount Rs.
To Opening stock	2,70,000	By Sales	19,50,000
To Goods received by Head office	17,82,000	By Goods returned by Branch	75,000
To Expenses	56,000	By Closing stock (Refer W.N.)	4,17,000
To Net profit (Bal fig)	<u>3,34,000</u>		
	24,42,000		24,42,000

(ii) Calculation of Closing Stock

Cost price	100
Invoice price	120 (100+20)
Sales price	150 (120+25% of 120)
Opening Stock	2,70,000
Goods received	17,82,000
Less: Goods Returned	<u>75,000</u>
	<u>19,77,000</u>
Less: Cost of Goods Sold (Invoice price)	15,60,000
Closing Stock	4,17,000

Stock reserve in respect of unrealised profit = 4,17,000 x (20/120) = Rs. 69,500

SERIES 300**Dependent Branch – Stock & Debtors Method****Q.BRN.RMP.301(A): (EXAM May'22) (Similar to Example 6)**

Walkaway Footwears has its head office at Nagpur and Branch at Patna. It invoiced goods to its Branch 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 the credit sales at Catalogue price (i.e. list price).

The following information was available at the branch for the year ended 31st March, 2022.

(Figures in Rs.)

Stock on 1 st April, 2021 (invoice price)	12,000
Debtors on 1 st April, 2021	10,000
Goods received from head office (invoice price)	1,32,000
Sales: Cash 46,000	
Credit 1,00,000	1,46,000
Cash received from debtors	85,000
Expenses at branch	17,500
Debtors on 31 st March, 2022	25,000
Stock on 31 st March, 2022 (invoice price)	17,600
Remittances to head office	1,20,000

You are required to prepare Branch Stock Account, Branch Adjustment Account, Branch Profit & Loss Account and Branch Debtors Account for the year ended 31st March, 2022.

SOLUTION**In the books of walkaway footwears****Patna Branch Stock Account**

		Particulars		Amount (Rs.)			Particulars		Amount (Rs.)
1.1.21	To	Balance b/d	12,000	31.12	By	Bank A/c (Cash sales)	46,000		
31.12.21	To	Goods sent to branch A/c	1,32,000	.21					
	To	Branch adjustment A/c (Surplus over invoice price)	20,000		By	Branch debtor's A/c (credit sales)	1,00,000		
				31.12.21	By	Shortage in stock A/c	400		
					By	Balance c/d	17,600		
			1,64,000						1,64,000

Patna Branch Adjustment Account

		Particulars		Amount (Rs.)			Particulars		Amount (Rs.)
31.12.21	To	Stock reserve - Rs. 17,600 x 60/160 (closing stock)	6,600	31.12.21	By	Stock reserve - Rs. 12,000 x 60/160 (Opening stock)	4,500		
	To	Shortage (400x 60/160)	150		By	Goods sent to branch A/c (Rs. 1,32,000 x 60/160)	49,500		
	To	Branch profit & loss A/c (Gross profit)	67,250		By	Branch stock A/c	20,000		
			74,000						74,000

Branch Profit & Loss Account

Particulars		Amount (Rs.)	Particulars		Amount (Rs.)
To	Branch expenses A/c	17,500	By	Branch adjustment A/c (Gross Profit)	67,250
To	Shortage in stock A/c	250			
To	Net profit (transferred to Profit & Loss A/c)	49,500			
		67,250			67,250

Branch Debtors Account

Particulars		Amount (Rs.)	Particulars		Amount (Rs.)
1.1.21	To Balance b/d	10,000	31.12.21	By Bank A/c	85,000
31.12.21	To Branch stock A/c	1,00,000		By Balance c/d (bal. fig.)	25,000
		1,10,000			1,10,000

Q.BRN.SM.302(A):

Harrison of Chennai has a branch at New Delhi to which goods are sent @ 20% above cost. The branch makes both cash and credit sales. Branch expenses are met partly from H.O. and partly by the branch. The statement of expenses incurred by the branch every month is sent to head office for recording.

Following further details are given for the year ended 31st December, 20X1:

	Rs.	
Cost of goods sent to Branch at cost	2,00,000	
Goods received by Branch till 31-12-20X1 at invoice price	2,20,000	
Credit Sales for the year @ invoice price	1,65,000	
Cash Sales for the year @ invoice price	59,000	
Cash Remitted to head office	2,22,500	
Expenses paid by H.O.	12,000	
Bad Debts written off	750	
Balances as on	1-1-20X1	31-12-20X1
Stock	25,000 (Cost)	28,000 (invoice price)
Debtors	32,750	26,000
Cash in Hand	5,000	2,500

Show necessary ledger accounts in the books of the head office and determine the Profit and Loss of the Branch for the year ended 31st December, 20X1.

SOLUTION

**Books of Harrison
Branch Stock Account**

	Rs.		Rs.
To Balance b/d	30,000	By Branch Debtors	1,65,000
To Goods Sent to Branch A/c	2,40,000	By Branch Bank	59,000
To Branch Adjustment A/c (Excess of sale over invoice price)	2,000	By Balance c/d	
		Goods in Transit (Rs. 2,40,000 -Rs. 2,20,000)	20,000
		By Stock at Branch	28,000
	2,72,000		2,72,000

Branch Debtors Account

	Rs.		Rs.
To Balance b/d	32,750	By Bad debts written off	750
To Branch Stock	1,65,000	By Branch Cash- collection (bal. fig.)	1,71,000
		By Balance c/d	26,000
	1,97,750		1,97,750

Branch Cash Account

	Rs.		Rs.
To Balance b/d	5,000	By Bank Remit to H.O.	2,22,500
To Branch Stock	59,000	By Branch profit & loss A/c [Bal. fig. (exp. Paid by Branch)]	10,000
To Branch Debtors	1,71,000	By Balance c/d	2,500
	2,35,000		2,35,000

Branch Adjustment Account

	Rs.		Rs.
To Stock Reserve (on closing stock (48,000 × 1/6)	8,000	By Stock Reserve opening (25000 × 20%)	5,000
To Gross Profit c/d	39,000	By Goods sent to Branch A/c	40,000
		By Branch Stock A/c	2,000
	47,000		47,000

Branch Adjustment Account

	Rs.		Rs.
To Cash (H.O)	12,000		
To Branch Cash	10,000	By Branch P&L a/c	22,000
	22,000		22,000

Branch Profit and Loss Account

	Rs.		Rs.
To Branch Expenses (paid by HO: Rs. 12,000 and paid by Branch Rs. 10,000)	22,000	By Gross Profit b/d	39,000
To Branch Debtors-Bad debts	750		
To Net Profit	16,250		
	39,000		39,000

Goods Sent to Branch Account

	Rs.		Rs.
To Branch Adjustment A/c	40,000	By Branch to Stock A/c	2,40,000
To Purchase A/c -Transfer	2,00,000		
	2,40,000		2,40,000

Q.BRN.SM.303(A):

Hindustan Industries Mumbai has a branch in Cochin to which office goods are invoiced at cost plus 25%. The branch sells both for cash and on credit. Branch Expenses are paid direct from head office, and the Branch has to remit all cash received into the Head Office Bank Account.

From the following details, relating to calendar year 20X1, prepare the accounts in the Head Office Ledger and ascertain the Branch Profit. Branch does not maintain any books of account, but sends weekly returns to the Head Office:

	Rs.
Goods received from Head Office at invoice price	6,00,000
Returns to Head Office at invoice price	12,000
Stock at Cochin as on 1st Jan., 20X1	60,000
Sales in the year- Cash	2,00,000
Credit	3,60,000
Sundry Debtors at Cochin as on 1st Jan.20X1	72,000
Cash received from Debtors	3,20,000
Discount allowed to Debtors	6,000
Bad debts in the year	4,000
Sales returns at Cochin Branch	8,000
Rent, Rates, Taxes at Branch	18,000
Salaries, Wages, Bonus at Branch	60,000
Office Expenses	6,000
Stock at Branch on 31 st Dec. 20X1 at invoice price	1,20,000

Prepare Branch accounts in books of head office by Stock and debtors' method.

SOLUTION

**Books of Hindustan Industries,
Mumbai Cochin Branch Stock Account**

	Rs.		Rs.
To Balance b/d	60,000	By Bank A/c (Cash sales)	2,00,000
To Goods sent to Branch A/c	6,00,000	By Branch Debtors (Cr. sales)	3,60,000
To Branch Debtors A/c (sales return)	8,000	By Goods sent to Branch (Returns to H.O.)	12,000
To Branch P & L A/c (surplus)	24,000	By Balance c/d (closing stock)	1,20,000
	6,92,000		6,92,000

Cochin Branch Stock Adjustment Account

	Rs.		Rs.
To Goods sent to Branch A/c (1/5 of Rs. 12,000) (on returns)	2,400	By Balance b/d (1/5 of Rs. 60,000)	12,000
To Branch P & L A/c (Profit on sale at invoice price)	1,29,600	By Goods sent to Branch A/c (1/5 of Rs. 6,00,000)	1,20,000
To Balance c/d (1/5 of Rs. 1,20,000)	24,000	By Branch Stock	24,000
	1,56,000		1,56,000

Goods Sent to Branch Account

	Rs.		Rs.
To Cochin Branch Stock Adj. A/c	1,20,000	By Cochin Branch Stock A/c	6,00,000
To Cochin Branch Stock A/c (Returns)	12,000	By Cochin Branch Stock Adj. A/c	2,400
To Purchases A/c	4,70,400		
	6,02,400		6,02,400

Branch Debtors Account

	Rs.		Rs.
To Balance b/d	72,000	By Bank	3,20,000
To Branch Stock A/c	3,60,000	By Branch P & L A/c	
		Discount	6,000
		Bad Debts	4,000
		By Branch Stock (Sales Returns.)	8,000
		By Balance c/d	94,000
	4,32,000		4,32,000

Branch Expenses Account

	Rs.		Rs.
To Bank A/c (Rent, Rates & Taxes)	18,000	By Branch Profit & Loss A/c (Transfer)	84,000
To Bank A/c (Salaries & Wages)	60,000		
To Bank A/c (office exp.)	6,000		
	84,000		84,000

Branch Profit & Loss Account for the year ending 31st Dec. 20X1

	Rs.		Rs.
To Branch Expenses A/c (60,000+6,000+18,000)	84,000	By Branch Stock Adj. A/c	1,05,600
Discount 6,000 Bad debts 4,000	10,000	By Branch stock A/c	24,000
To Net Profit transferred to Profit & Loss A/c	35,600	(Sale over invoice price)	
	1,29,600		1,29,600

Q.BRN.RMP.304(A): (MTP May'18)

Ayan Ltd. Invoices goods to its branch at cost plus $33\frac{1}{3}\%$ From the following Particulars prepare Branch Stock Account, Branch Stock Adjustment Account and Branch Profit and Loss Account as they would appear in the books of head office.



	Rs
Stock at commencement at Branch at invoice Price	3,60,000
Stock at close at Branch at Invoice Price	2,88,000
Goods sent to Branch during the year at invoice price (including goods invoiced at Rs. 48,000 to Branch on 31.03.2018 but not received by Branch before close of the year).	24,00,000
Return of goods to head office (invoice Price)	1,20,000
Credit Sales at Branch	1,20,000
Invoice value of goods pilfered	24,000
Normal loss at Branch due to wastage and deterioration of stock (at invoice price)	36,000
Cash Sales at Branch	21,60,000

Ayan closes its books on 31st March, 2018.

SOLUTION

In the books of Head Office Branch Stock Account

Particulars	Rs	Particulars	Rs
To Balance b/d	3,60,000	By Bank A/c (cash Sales)	21,60,000
To Goods sent to Branch A/c	24,00,000	By Branch Debtors A/c (Credit Sales)	1,20,000
To Branch Adjustment A/c – balancing	36,000	By Goods sent to Branch A/c	1,20,000

fig. (Surplus)***		(Returns to H.O.)	
		By Branch Adjustment A/c* (Rs. 24,000 x25/100)	6,000
		By Branch P&L A/c * (Cost of Abnormal Loss)	18,000
		By Branch Adjustment A/c** (Invoice price of normal loss)	36,000
		By Balance c/d:	
		In hand	2,88,000
		in transit	48,000
	27,96,000		27,96,000

- Alternatively, combined posting for the amount of Rs. 24,000 may be passed through Goods pilfered account.
- Alternatively, it may first be transferred to normal Loss account which may ultimately be closed by transfer to Branch Adjustment account. The final amount of net profit will however remain same.
- It has been considered that the surplus may be due to sale of goods by branch at price higher than invoice price.

Branch Stock Adjustment Account

Particulars	(Rs)	Particulars	(Rs)
To Branch Stock A/c (Loading on Abnormal Loss)	6,000	By Stock Reserve A/c (Rs. 3,60,000 x 25/100)	90,000
To Branch Stock A/c (Normal Loss)	36,000	By Goods Sent to Branch A/c (Rs. 24,00,000 – Rs. 1,20,000) x 25/100	5,70,000
To Stock Reserve A/c (Rs. 3,36,000x25/100)	84,000	By Branch Stock A/c (Surplus)	36,000
To Gross Profit t/f to P & L A/c	5,70,000		
	6,96,000		6,96,000

Branch Profit and Loss Account

Particulars	Rs	Particulars	Rs
To Branch Stock A/c (Cost of Abnormal Loss)	18,000	By Branch Adjustment A/c (Gross Profit)	5,70,000
To Net Profit t/f to General P & LA/c	5,52,000		
	5,70,000		5,70,000

SERIES 400**Dependent Branch – Debtors Method****Q.BRN.SM.401(A):**

Harrison of Chennai has a branch at New Delhi to which goods are sent @ 20% above cost. The branch makes both cash and credit sales. Branch expenses are met partly from H.O. and partly by the branch. The statement of expenses incurred by the branch every month is sent to head office for recording.

Following further details are given for the year ended 31st December, 20X1:

	Rs.	
Cost of goods sent to Branch at cost	2,00,000	
Goods received by Branch till 31-12-20X1 at invoice price	2,20,000	
Credit Sales for the year @ invoice price	1,65,000	
Cash Sales for the year @invoice price	59,000	
Cash Remitted to head office	2,22,500	
Expenses paid by H.O.	12,000	
Bad Debts written off	750	
Balances as on	1-1-20X1	31-12-20X1
Stock	25,000 (Cost)	28,000 (invoice price)
Debtors	32,750	26,000
Cash in Hand	5,000	2,500

prepare branch account following debtors' method.

SOLUTION

Books of Harrison New Delhi
Branch Account

	Rs.		Rs.
To Balance b/d		By Balance b/d	5,000
Stock	30,000	Stock Reserve	
Debtors	32,750	By Goods Sent to Branch A/c	40,000
Cash	5,000	By Bank-Remittance received from the	2,22,500
To Goods Sent to Branch A/c (2,00,000 + 20%of2,00,000)	2,40,000	Branch:	
To Bank (Exp. paid by H.O.)	12,000	Cash sales	59,000
To Net Profit Transferred to H.O. Profit & Loss A/c	16,250	Debtors Collection	<u>1,63,500</u>
To Balance c/d (Stock reserve on closing stock)	8,000	(W.N.1) (Net of expense)	
		By Balance c/d	
		Stock (including Transit) (W.N.2)	48,000
		Debtors	26,000
		Cash	2,500
	3,44,000		3,44,000

Working Note:

- Collection from debtors = Total collection – Cash sales
= 2,22,500 – 59,000 = 1,63,500
- Closing stock = Stock at branch + Goods sent by H.O. – Goods received by Branch
= 28,000 + 2,40,000 – 2,20,000 = 48,000



Q.BRN.SM.402(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.

	Rs.		Rs.
Opening balance (1-1-20X1)		Bad Debts	1,000
Imprest Cash	2,000		
Sundry Debtors	25,000	Discount to Customers	2,000
Stock: Transferred from H.O.	24,000	Remittances to H.O.	
Direct Purchases	16,000	(recd. by H.O.)	1,65,000
Cash Sales	45,000	remittances to H.O.	
Credit Sales	1,30,000	(Not recd. by H.O. so far)	5,000
Direct Purchases	45,000	Branch Exp. directly paid by H.O.	30,000
Returns from Customers	3,000	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
Petty Cash expenses	4,000	Debtors	?
		Imprest Cash	?

SOLUTION

**In the Books of Buckingham Bros,
Bombay Nagpur Branch Account**

Particular	Amount	Particular	Amount	Amount
To Opening Branch Assets Stock (24,000+16,000)	40,000	By Bank – Remittances received from branch		
Debtors	25,000	Cash Sales	45,000	
Imprest Cash	2,000	Cash from Debtors	1,20,000	
		Cash from Debtors in transit	5,000	1,70,000
To Goods sent to Branch A/c	60,000	By Stock:		
		Transfer from H.O.		15,000
		Direct Purchase		10,000
To Creditors (Direct Purchases)	45,000	By Sundry Debtors (W.N. 2)		24,000
To Bank (Sundry exp.)	30,000	By Imprest Cash (W.N. 3)		2,000
To Bank (Petty cash exp.)	4,000			
To Net Profit transferred to General Profit & Loss A/c	15,000			
	2,21,000			2,21,000

Working Notes:

(1) Memorandum Debtors A/c

Particulars	Amount Rs.	Particulars	Amount Rs.
To Balance b/d	25,000	By Sales Return	3,000
To sales	1,30,000	By Bad Debts	1,000
		By Discount	2,000
		By Cash	1,25,000

		By Balance c/d	24,000
	1,55,000		1,55,000

(2) Memorandum Petty Cash

Particulars	Amount Rs.	Particulars	Amount Rs.
To Balance b/d	2,000	By Expenses (met by Br.)	4,000
To transfer from H.O	4,000	By Balance c/d	2,000
	6,000		6,000

Q.BRN.SM.403(A): (Similar in RTP Nov'23)

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 with-holding Rs. 10,000 necessary for meeting immediate requirements of cash. On 31st March, 20X1 the assets at the branch were as follows:

	Rs. ('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 Rs. 1 crore 32 lakhs. Out of the goods received by it, the branch sent back to head office goods invoiced at Rs. 72,000. Other transactions at the branch during the year were as follows:

	(Rs. '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 Rs. 6,000 were outstanding and cash in hand was again Rs. 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.

SOLUTION

**In the Head Office Books
Branch Account
for the year ended 31st March, 20X2**

	Rs.'000		Rs.'000
To Balance b/d		By Balance b/d	
Cash in hand	10	Stock reserve Rs. 1,080 × 1/6	180
Trade debtors	384	By Goods sent to branch A/c (Returns to H.O.)	72
Stock	1,080	By Goods sent to branch A/c (Loading on net goods sent to branch - 13,128X1/6	2,188
Furniture and fittings	500		

To Goods sent to branch A/c	13,200	Bank A/c (Remittance from branch to H.O.) (W.N.5)	11,700
To Bank A/c (Payment for furniture)	100	By Balance c/d	
To balance c/d stock reserve $1,470 \times 1/6$	245	Cash in hand	10
To Outstanding expenses	6	Trade debtors (W.N.3)	485
To Net profit transferred to General P/L account	1,096	Stock (W.N.1)	1,470
		Furniture & fittings (W.N.4)	516
	16,621		16,621

Working Notes:		
1. Invoice price and cost		
Let cost be		100
So, invoice price		120
Loading		20
Loading: Invoice price	$= 20 : 120 = 1 : 6$	

2. Invoice price of closing stock in branch

Branch Stock Account

	Rs. '000		Rs. '000
To Balance b/d	1,080	By Goods sent to branch	72
To Goods sent to branch	13,200	By Branch Cash	9,700
To Branch debtors	102	By Branch debtors	3,140
		By Balance c/d	1,470
	14,382		14,382

3. Closing balance of branch debtors

Branch Debtors Account

	Rs. '000		Rs. '000
To Balance b/d	384	By Branch cash	2,842
To Branch stock	3,140	By Branch expenses discount	58
		By branch stock (Returns)	102
		By Branch expenses (Bad debts)	37
		By Balance b/d	485
	3,524		3,524

4. Closing balance of furniture and fittings

Branch Furniture and Fittings Account

	Rs. '000		Rs. '000
To Balance b/d	500	By depreciation [(500x16%) (100x16%x3/12)]	84
To Bank	100	By Balance c/d	516
	600		600

Note: Since the new furniture was purchased on 1st Jan 20X2 depreciation will be for 3 months.

5. Remittance by branch to head office

Branch Cash Account

	Rs. '000		Rs. '000
To Balance b/d	10	By Branch expenses	842
To Branch stock	9,700	By Remittances to H.O. (b.f)	11,700
To Branch debtors	<u>2,842</u>	By Balance b/d	<u>10</u>
	12,552		12,552

Q.BRN.SM.404(A):

Sell Well who carried on a retail business opened a branch X on January 1st, 20X1 where all sales were on credit basis. All goods required by the branch were supplied from the Head Office and were invoiced to the branch at 10% above cost.



The following were the transactions:

	Jan. 20X1	Feb. 20X1	March 20X1
	Rs.	Rs.	Rs.
Goods sent to Branch (Purchase Price)	40,000	50,000	60,000
Sales as shown by the branch monthly report	38,000	42,000	55,000
Cash received from Debtors and remitted to H.O.	20,000	51,000	35,000
Returns to H.O. (Invoice price to Branch)	1,200	600	2,400

The stock of goods held by the branch on March 31, 20X1 amounted to Rs. 53,400 at invoice to branch.

Record these transactions in the Head Office books, showing balances as on 31st March, 20X1 and the branch gross profit for the three months ended on that date.

All workings should form part of your solution.

SOLUTION

**Books of Sell Well
Branch Account**

	Rs.		Rs.
To Goods sent to Branch A/c (1,50,000 + 10%)	1,65,000	By Cash-collected from debtors	1,06,000
To goods sent to Branch A/c (4,200 X 10/100)	382	By Goods sent to Branch-returns	4,200
To Stock Reserve (W.N.2)	4,855	By Goods sent to Branch (W.N.1)	15,000
To Profit (bal.) transferred to General Profit & Loss A/c	37,363	By Balance c/d	82,400
		Stock	53,400
		Debtors	29,000
	2,07,600		2,07,600

Memorandum Branch Debtors Account

	Rs.		Rs.
To Balance b/d	—	By Cash/Bank	1,06,000
To Sales	1,35,000	By Balance c/d	29,000
	1,35,000		1,35,000

Goods Sent to Branch Account

	Rs.		Rs.
To Branch A/c (Returns)	4,200	By Branch A/c	1,65,000
To Branch A/c (Loading) (W.N.1)	15,000	By Branch A/c –Loading on returns	382

To Purchases A/c	1,46,182		
	1,65,382		1,65,382

Q.BRN.SM.405(A):

Arnold of Delhi, trades in Ghee and Oil. It has a branch at Lucknow. He dispatches 25 tins of Oil @ Rs. 1,000 per tin and 15 tins of Ghee @ Rs. 1,500 per tin on 1st of every month. The branch incurs some expenditure which is met out of its collections; this is in addition to expenditure directly paid by Head Office.

Following are the other details:

		Delhi	Lucknow
		Rs.	Rs.
Purchases	Ghee	14,75,000	-
	Oil	29,32,000	-
Direct expenses		3,83,275	-
Expenses paid by H.O.		-	14,250
Sales	Ghee	18,46,350	3,42,750
	Oil	27,41,250	3,15,730
Collection during the year		-	6,47,330
Remittance by Branch to Head Office		-	6,13,250

	(Delhi)	
Balance as on:	1-1-20X1	31-12-20X1
Stock: Ghee	1,50,000	3,12,500
Oil	3,50,000	4,17,250
Debtors	7,32,750	-
Cash on Hand	70,520	55,250
Furniture & Fittings	21,500	19,350
Plant/Machinery	3,07,250	7,73,500

	(Lucknow)	
Balance as on:	1-1-20X1	31-12-20X1
Stock: Ghee	17,000	13,250
Oil	27,000	44,750
Debtors	75,750	?
Cash on Hand	7,540	12,350
Furniture & Fittings	6,250	5,625
Plant/Machinery	-	

- Addition to Plant/Machinery on 1-1-20X1 Rs. 6,02,750.
- Rate of Depreciation: Furniture / Fittings @ 10% and Plant / Machinery @ 15% (already adjusted in the above figures).
- The Branch Manager is entitled to 10% commission after charging such commission whereas, the General Manager is entitled to 10% commission on overall company profits after charging such commission. General Manager is also entitled to a salary of Rs. 2,000 p.m. General expenses incurred by H.O. Rs. 24,000.

Prepare Branch Account in the head office books and also prepare the Arnold's Trading and Profit and Loss A/c (excluding branch transactions).

SOLUTION

**In the books of Arnold
Lucknow Branch Account**

To Balance b/d		By Bank (Remittance to H.O.)	6,13,250
To Opening stock:		By Balance c/d	
Ghee	17,000	Closing stock:	
Oil	27,000	Ghee	13,250
Debtors	75,750	Oil	44,750
Cash on hand	7,540	Debtors (W.N. 1)	86,900
Furniture & fittings	6,250	Cash on hand (W.N. 2)	12,350
To Goods sent to Branch A/c		Furniture & fittings	5,625
Ghee (15 x 1500 x 12)	2,70,000		
Oil (25 x 1000 x 12)	3,00,000		
To Bank (Expenses paid by H.O.)	14,250		
To Branch Manager commission (Rs. 58,335 x 1/11)	5,303		
To Net Profit transferred			
to General P & L A/c	53,032		
	7,76,125		7,76,125

**Arnold Trading and Profit and Loss account for the year ended
31st December, 20X1 (Excluding branch transactions)**

	Rs.		Rs.
To Opening Stock:		By Sales:	
Ghee	1,50,000	Ghee	18,46,350
Oil	3,50,000	Oil	27,41,250
To Purchases:		By Closing Stock:	
Ghee	12,05,000	Ghee	3,12,500
14,75,000		Oil	4,17,250
Less: Goods sent to Branch (2,70,000)			
Oil	29,32,000		
Less: Goods sent To Branch (3,00,000)	26,32,000		
To Direct Expenses	3,83,275		
To Gross Profit	5,97,075		
	53,17,350		53,17,350
To Manager's Salary	24,000	By Gross Profit	5,97,075
To General Expenses	24,000	By Branch Profit transferred	53,032
To Depreciation			
Furniture @10% 2,150			
Plant & Machinery @ 15% (W.N.3) 1,36,500	1,38,650		
To General Manager's Commission @ 10% (i.e., 4,63,457 x 1/11)	42,132		
To Net profit	4,21,325		
	6,50,107		6,50,107

Working Notes:

1. Debtors Account

	Rs.		Rs.
To Balance b/d	75,750	By Cash Collections	6,47,330
To Sales made during the		By Balance c/d	86,900

year:			
Ghee	3,42,750		
Oil	3,15,730		
	7,34,230		7,34,230

2. Branch Cash Account

	Rs.		Rs.
To Balance b/d	7,540	By Remittance	6,13,250
To Collections	6,47,330	By Exp. (Balance fig.)	29,270
		By Balance c/d	12,350
	6,54,870		6,54,870

3. Depreciation on Plant & Machinery 3,07,250 x 15% + 6,02,750 x 15% = Rs. 1,36,500

Q.BRN.RMP.406(A): (RTP May'18, May'21)

Alpha Ltd. has a retail shop under the supervision of a manager. The ratio of gross profit at selling price is constant at 25 per cent throughout the year to 31st March, 2017.



Branch manager is entitled to a commission of 10 percent of the profit earned by his branch, calculated before charging his commission but subject to a deduction from such commission equal in 25 percent of any ascertained deficiency of branch stock. All goods were supplied to the branch in head office.

The following details for the year ended 31st March, 2017 are given as follows:

	Rs		Rs
Opening Stock (at cost)	74,736	Chargeable expenses	49,120
Goods sent to branch (at cost)	2,89,680	Closing Stock (Selling Price)	1,23,328
Sales	3,61,280		
Manager's commission paid on account	2,400		

From the above details, you are required to calculate the commission due to manager for the year ended 31st March, 2017.

SOLUTION

Step 1: Calculation of Deficiency

Branch stock account (at invoice price)

Particulars	Rs	Particulars	Rs
To Opening Stock (Rs. 74,736 + 1/3 of Rs. 74,736)	99,648	By Sales	3,61,280
To Goods sent to Branch A/c (Rs. 2,89,680 + 1/3 of Rs. 2,89,680)	3,86,240	By Closing Stock	1,23,328
		By Deficiency at sale price [Balancing figure]	1,280
	4,85,888		4,85,888

Step 2: Calculation of Net Profit before Commission

Branch account

Particulars	Rs	Particulars	Rs
To Opening [Rs. 74,736 + 1/3 of Rs. 74,736]	99,648	By Sales	3,61,280

To Gross sent to Branch A/c (Rs. 2,89,680 + 1/3 of Rs. 2,89,680)	3,86,240	By Closing Stock	1,23,328
To Expenses	49,120	By Stock Reserve A/c	24,912
To Stock Reserve A/c (Rs. 1,23,328 x 25/100)	30,832	By goods sent to Branch A/c	96,560
To Net Profit – subject to manager’s commission	40,240		
	6,06,080		6,06,080

Step 3: Calculation of Commission still due to manager

		Rs
A	Calculation at 10% profit before charging his commission [Rs. 40,240 x 10/100]	4,024
B	Less: 25% of cost of deficiency in stock (25% of (75% of Rs. 1,280))	(240)
C	Commission for the year [A-B]	3,784
D	Less: Paid on account	(2,400)
E	Balance due (C-D)	1,384

SERIES 500
Independent Branch

Q.BRN.SM.501(A):

Messrs Ramchand & Co., Hyderabad have a branch in Delhi. The Delhi Branch deals not only in the goods from Head Office but also buys some auxiliary goods and deals in them. They, however, do not prepare any Profit & Loss Account but close all accounts to the Head Office at the end of the year and open them afresh on the basis of advice from their Head Office. The fixed assets accounts are also maintained at the Head Office.

The goods from the Head Office are invoiced at selling prices to give a profit of 20 per cent on the sale price. The goods sent from the branch to Head Office are at cost. From the following prepare Branch Trading and Profit & Loss Account and Branch Assets Account in the Head Office Books.

Trial Balance of the Delhi Branch as on 31-12-20X1

Debit	Rs.	Credit	Rs.
Head office opening balance on 1-1-20X1	15,000	Sales	1,00,000
Goods from H.O.	50,000	Goods to H.O.	3,000
Purchases	20,000	Head Office Current A/c	15,000
Opening Stock		Sundry Creditors	3,000
(H.O. supplies goods at invoice prices)	4,000		
Opening Stock of other goods	500		
Salaries	7,000		
Rent	3,000		
Office expenditure	2,000		
Cash on Hand	500		
Cash at Bank	4,000		
Sundry Debtors	15,000		

	1,21,000		1,21,000
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The Branch balances as on 1st January, 20X1, were as under: Furniture Rs. 5,000; Sundry Debtors Rs. 9,500; Cash Rs. 1,000, Creditors Rs. 30,000. The closing stock at branch of the head office goods at invoice price is Rs. 3,000 and that of purchased goods at cost is Rs. 1,000. Depreciation is to be provided at 10 per cent on branch assets.

SOLUTION

**Delhi Branch Trading and Profit & Loss Account
for the year ended 31st Dec., 20X1**

		Rs.				Rs.	
To	Opening Stock:			By	Sales		1,00,000
	Head office Goods (4,000 x 80%)	3,200		By	Goods from Branch		3,000
	Others	500	3,700	By	Closing Stock:		
					Head Office goods (3,000 x 80%)	2,400	3,400
To	Goods to Branch (50,000 x 80%)		40,000		Others	1,000	
To	Purchases		20,000				
To	Gross Profit c/d		42,700				
			1,06,400				1,06,400
To	Salaries		7,000	By	Gross profit b/d		42,700
To	Rent		3,000				
To	Office Expenses		2,000				
To	Dep. On furniture @ 10%		500				
To	Net profit		30,200				
			42,700				42,700

Branch (Fixed) Assets Account (In Head Office Books)

20X1			Rs.	20X1			Rs.
Jan. 1	To	Balance b/d	5,000	Dec . 31	By	Delhi Branch A/c (Depreciation)	500
					By	Balance c/d	4,500
			5,000				5,000
20X2 Jan. 1	To	Balance b/d	4,500				

Note: Furniture A/c is maintained in Head office books; it is not a part of either opening or closing balance.

Q.BRN.RMP.502(A): (RTP Nov'18)

Pass necessary Journal entries in the books of an independent Branch of M/s TPL Sons, wherever required, to rectify or adjust the following transactions:

- (i) Branch paid Rs. 5,000 as salary to a Head Office Manager, but the amount paid has been debited by the Branch to Salaries Account.
- (ii) A remittance of Rs. 1,50,000 sent by the Branch has not received by Head Office on the date of reconciliation of Accounts.



- (iii) Branch assets accounts retained at head office; depreciation charged for the year Rs. 15,000 not recorded by Branch.
- (iv) Head Office expenses Rs. 75,000 allocated to the Branch, but not yet been recorded by the Branch.
- (v) Head Office collected Rs. 60,000 directly from a Branch Customer. The intimation of the fact has not been received by the Branch.
- (vi) Goods dispatched by the Head office amounting to Rs. 50,000, but not received by the Branch till date of reconciliation.
- (vii) Branch incurred advertisement expenses of Rs. 10,000 on behalf of other Branches, but not recorded in the books of Branch.

Head office made payment of Rs. 16,000 for purchase of goods by branch, but not recorded in branch books.

SOLUTION

**Books of Branch
Journal Entries**

		Amounts Rs		
		Dr.	Cr.	
(i)	Head Office Account To Salaries Account (Being rectification of salary paid on behalf of Head Office)	Dr.	5,000	5,000
(ii)	No entry in Branch Books is required.			
(iii)	Depreciation A/c To Head Office Account (Being depreciation of assets accounted for)	Dr.	15,000	15,000
(iv)	Expenses Account To Head Office Account (Being allocated expenses of Head Office recorded)	Dr.	75,000	75,000
(v)	Head Office Account To Debtors Account (Being adjustment entry for collection from Branch Debtors directly by Head Office)	Dr.	60,000	60,000
(vi)	Goods in-transit Account To Head Office Account (Being goods sent by Head Office still in-transit)	Dr.	50,000	50,000
(vii)	Head Office Account To expenses Account / To Cash (Being expenditure incurred, wrongly recorded in books)	Dr.	10,000	10,000
(viii)	Purchases account A/c / Creditors To Head Office Account (Being purchases booked)	Dr.	16,000	16,000

Q.BRN.SM.503(A):

Show adjustment journal entry in the books of head office at the end of April, 20X1 for incorporation of inter – branch transactions assuming that only head office maintains different branch accounts in its books.



A. Delhi branch:

- (1) Received goods from Mumbai – Rs. 35,000 and Rs. 15,000 from Kolkata.
- (2) Sent goods to Chennai – Rs. 25,000, Kolkata – Rs. 20,000.
- (3) Bill Receivable received – Rs. 20,000 from Chennai.
- (4) Bill Acceptances sent to Mumbai – Rs. 25,000, Kolkata – Rs. 10,000.



B. Mumbai Branch (apart from the above):

- (1) Received goods from Kolkata – Rs. 15,000, Delhi – Rs. 20,000.
- (2) Cash sent to Delhi – Rs. 15,000, Kolkata – Rs. 7,000.

C. Chennai Branch (apart from the above):

- (3) Received goods from Kolkata – Rs. 30,000.
- (4) Acceptances and Cash sent to Kolkata – Rs. 20,000 and Rs.10,000 respectively.

D. Kolkata Branch (apart from the above):

- (5) Sent goods to Chennai – Rs. 35,000.
- (6) Paid cash to Chennai – Rs.15,000.
- (7) Acceptances sent to Chennai – Rs.15,000.

SOLUTION

(a) Journal entry in the books of Head Office

Date	Particulars	Dr.	Cr.
		Rs.	Rs.
30th April, 20X1	Mumbai Branch Account Dr. Chennai Branch Account Dr. To Delhi Branch Account To Kolkata Branch Account (Being adjustment entry passed by head office in respect of inter-branch transactions for the month of April, 20X1)	3,000 70,000	15,000 58,000

Working Note:

		Delhi	Mumbai	Chennai	Kolkata
		Rs.	Rs.	Rs.	Rs.
A.	Delhi Branch				
1	Received goods	50,000(Dr.)	35,000(Cr.)		15,000(Cr.)
2	Sent goods	45,000(Cr.)		25,000(Dr.)	20,000(Dr.)
3	Received Bills receivable	20,000(Dr.)		20,000(Cr.)	
4	Sent Acceptance	35,000(Cr.)	25,000 (Dr.)		10,000(Dr.)
B.	Mumbai Branch				
5	Received goods	20,000(Cr.)	35,000 (Dr.)		15,000(Cr.)
6	Sent cash		22,000 (Cr.)		
C.	Chennai Branch				
7	Received goods			30,000 (Dr.)	30,000(Cr.)
8	Sent cash and acceptances			30,000(Cr.)	30,000 (Dr.)
D.	Kolkata Branch				
9	Sent goods			35,000(Dr.)	35,000(Cr.)
10	Sent cash			15,000(Dr.)	15,000(Cr.)
11	Sent acceptances			15,000(Dr.)	15,000(Cr.)
		15,000 (Cr.)	3,000(Dr.)	70,000(Dr.)	58,000(Cr.)

Q.BRN.SM.504(A):

Ring Bell Ltd. Delhi has a branch at Bombay where a separate set of books is used. The following is the Trail balance extracted on 31st Dec.,2010:



Particulars	HO		Branch	
	Dr.	Cr.	Dr.	Cr.
Equity Share capital	-	8,00,000	-	-
Profit & Loss a/c (01/01/2010)	-	25,310	-	-
Profit for 2010	-	82,200	-	31,700
Interim dividend paid	30,000	-	-	-

General Reserve	-	1,00,000	-	-
Fixed Assets	5,30,000	-	95,000	-
Stock	2,22,470	-	50,460	-
Debtors and Creditors	50,500	21,900	19,100	10,400
Cash Balance	62,730	-	6,550	-
HO a/c in branch books	-	-	-	1,29,010
Branch a/c in HO books	1,33,710	-	-	-

The difference between the balance of HO a/c and Branch a/c in both set of books is accounted for as follows:

- (1) Cash remitted by the branch on 31st Dec 2010 but received by the HO on 1st Jan. 2011- 3,000/-
- (2) Stock Stolen in transit from HO and charged to branch by the HO, but not credited to HO a/c in the branch books as the branch manager declined to admit any liability (not covered by insurance)- 1,700/-.

Give the Branch a/c in the HO books after incorporating the branch Trail balance through journal entries. Also prepare company's Balance Sheet as on 31st Dec., 2010.

(Answer: 10,39,810/-)

SOLUTION

The Branch Current Account in the Head Office Books and Head Office Current Account in the Branch Books do not show the same balances. Therefore, in order to reconcile them, the following journal entries will be passed in the Head Office books:

Journal Entries

		Dr.	Cr.
		Rs.	Rs.
20X1			
Dec., 31	Cash in Transit A/c Dr. To Branch Current A/c (Cash sent by the Branch on 31 st Dec., 20X1 but received at H.O. on 1st Jan.,20X2)	3,000	3,000
	Loss by theft A/c Dr. To Branch Current A/c (Stock lost in transit from H.O. to Branch)	1,700	1,700

In order to incorporate, in the H.O. books, the given Branch trial balance which has been drawn up after preparing the Branch Profit & Loss Account, the following journal entries will be necessary:

Journal Entries

20X1			Rs.	Rs.
Dec. 31	Branch Current Account Dr. To Profit & Loss Account (Branch Profit for the year)		31,700	31,700
	Branch Fixed Assets Dr. Branch Stock Dr. Branch Debtors Dr. Branch Cash Dr. To Branch Current Account (Branch assets brought into H.O. Books)		95,000 50,460 19,100 6,550	1,71,110
	Branch Current A/c Dr. To Branch Creditors (Branch creditors brought into H.O. Books)		10,400	10,400

Branch Current Account

	Rs.		Rs.
To Balance b/d	1,33,710	By Cash in transit	3,000
To Profit & Loss A/c	31,700	By Loss of theft	1,700
To Branch Creditors	10,400	By Sundry Branch Assets	1,71,110
	1,75,810		1,75,810

Profit and Loss Account for 20X1

	Rs.		Rs.
To Loss by Theft	1,700	By Balance b/d	25,310
To Balance c/d	1,07,510	By Year's Profit: H.O.	52,200
		Branch	31,700
	1,09,210		1,09,210

Q.BRN.SM.505(A):

KP manufactures a range of goods which it sells to wholesale customers only from its head office. In addition, the H.O. transfers goods to branch at factory cost plus 15%. The branch then sells these goods to the general public on only cash basis. The selling price to wholesale customers is designed to give a factory profit which amounts to 30% of the sales value. The selling price to the general public is designed to give a gross margin (i.e., selling price less cost of goods from H.O.) of 30% of the sales value. KP operates from rented premises and leases all other types of fixed assets. The rent and hire charges for these are included in the overhead costs shown in the trial balances. From the information given below, you are required to prepare for the year ended 31st Dec., 20X1 in columnar form.



- (a) A Profit & Loss account for (i) H.O. (ii) the branch (iii) the entire business.
- (b) Balance Sheet as on 31st Dec., 20X1 for the entire business.

	H.O.		Branch	
	Rs.	Rs.	Rs.	Rs.
Raw materials purchased	35,000			
Direct wages	1,08,500			
Factory overheads	39,000			
Stock on 1-1-20X1				
Raw materials	1,800			
Finished goods	13,000		9,200	
Debtors	37,000			
Cash	22,000		1,000	
Administrative Salaries	13,900		4,000	
Salesmen Salaries	22,500		6,200	
Other administrative & selling overheads	12,500		2,300	
Inter-unit accounts	5,000			2,000
Capital		50,000		
Sundry Creditors		13,000		
Provision for unrealized profit in stock		1,200		
Sales		2,00,000		65,200
Goods sent to Branch		46,000		
Goods received from H.O.			44,500	
	3,10,200	3,10,200	67,200	67,200

Notes:

- (8) On 28th Dec., 20X1 the branch remitted Rs. 1,500 to the H.O. and this has not yet been recorded in the H.O. books. Also, on the same date, the H.O. dispatched goods to the branch invoiced at Rs. 1,500 and these too have not yet been entered into the branch books. It is the company's policy to adjust items in transit in the books of the recipient.
- (9) The stock of raw materials held at the H.O. on 31st Dec.,20X1 was valued at Rs. 2,300.
- (10) You are advised that:
- There were no stock losses incurred at the H.O. or at the branch.
 - It is KP's practice to value finished goods stock at the H.O. at factory cost.
 - There were no opening or closing stock of work-in-progress.
- (11) Branch employees are entitled to a bonus of Rs. 156 under a bilateral agreement.

SOLUTION

In the books of KP

Trading and Profit & Loss Account for the year ended 31st Dec., 20X1

	H.O.	Branch	Total		H.O.	Branch	Total
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Material consumed (W.N.1)	34,500	-	34,500	By Sales	2,00,000	65,200	2,65,200
To Wages	1,08,500	-	1,08,500	By Goods Sent to Branch	46,000	-	-
To Factory Overheads	39,000	-	39,000				
To Opening stock of finished goods	13,000	9,200	22,200	By Closing stock including transit (W.N.2)	15,000	9,560	24,560
To Goods from H.O.		46,000					
To Gross Profit c/d (W.N.3)	66,000	19,560	85,560				
	2,61,000	74,760	2,89,760		2,61,000	74,760	2,89,760
To Admn. Salaries	13,900	4,000	17,900	By Gross Profit b/d	66,000	19,560	85,560
To Salesmen Salaries	22,500	6,200	28,700				
To Other Admn. & Selling Overheads	12,500	2,300	14,800				
To Stock Reserve (W.N.4)	47	-	47				
To Bonus to Staff	-	156	156				
To Net Profit	17,053	6,904	23,957				
	66,000	19,560	85,560		66,000	19,560	85,560

Balance Sheet as on 31st Dec., 20X1

	H.O.	Branch	Total		H.O.	Branch	Total
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
Capital	50,000	-	50,000	Fixed Assets	-	-	-
Profit: H.O. 17,053 Branch 6,904	17053		23,957	Current Assets:			
				Raw material	2,300		2,300
Trade Creditors	13,000		13,000	Finished	15,000	9,560	23,313

				Goods (Less Stock Res.)			*
Bonus Payable		156	156	Debtors	37,000	-	37,000
H.O. Account*		3500		Cash (including transit item)	23,500	1,000	24,500
Stock Reserve (W.N.4)	1,247			Branch A/c	3500		
	88,204	10,560	87,113		88,204	10,560	87,113

* $9,560 \times 100/115$ i.e., $(8,313 + 15,000) = \text{Rs.}23,313$

** $(5,000 + 6,904) - 1500 = \text{Rs. } 10,404.$

Working Notes:

(1) Material Consumed

Opening raw material + Raw Material Purchased – Closing raw material
 $= 1,800 + 35,000 - 2,300 = 34,500$

(2) Closing stock at head office

(a) Calculation of total factor cost = Material consumed + Wages + Factory overhead
 $= 34,500 + 1,08,500 + 39,000 = 1,95,000$

(b) Cost (factory cost) of goods sold = Sales – Gross profit
 $= 2,00,000 - 2,00,000 \times 70\% = 1,40,000$

(c) Stock transferred to branch = $46,000 \times 100/115 = 40,000$

(d) Closing stock = $1,95,000 - 1,40,000 - 40,000 = 15,000$

(3) Gross profit of Branch = Sales x Gross profit ratio

$= 65,200 \times 30\% = 19,560$

(4) Closing stock reserve = $9,560 \times 15/115 = 1,246$

Charge to profit and loss = $1,247 - 1,200 = 47$

SERIES 600
Foreign Branch

Q.BRN.SM.601(A):

S & M Ltd., Bombay, have a branch in Sydney, Australia. Sydney branch is an integral foreign operation of S & M Ltd.

At the end of 31st March, 20X2, the following ledger balances have been extracted from the books of the Bombay Office and the Sydney Office

	Bombay (Rs. thousands)		Sydney (Austr dollars thousands)	
	Debit	Credit	Debit	Credit
Share Capital	-	2,000	-	-
Reserves & Surplus	-	1,000	-	-
Land	500	-	-	-
Buildings (Cost)	1,000	-	-	-
Buildings Dep. Reserve	-	200	-	-
Plant & Machinery (Cost)	2,500	-	200	-
Plant & Machinery Dep. Reserve	-	600	-	130
Debtors / Creditors	280	200	60	30
Stock (1.4.20X1)	100	-	20	-
Branch Stock Reserve	-	4	-	-
Cash & Bank Balances	10	-	10	-
Purchases / Sales	240	520	20	123
Goods sent to Branch	-	100	5	-
Managing Director's salary	30	-	-	-
Wages & Salaries	75	-	45	-
Rent	-	-	12	-
Office Expenses	25	-	18	-
Commission Receipts	-	256	-	100
Branch / H.O. A/c Balances	120	-	-	7
	4,880	4,880	390	390

The following information is also available:

Stock as at 31.3.20X2: Bombay Rs. 1,50,000 Sydney A \$3,125

You are required to convert the Sydney Branch Trial Balance into rupees; (use the following rates of exchange:

Opening rate	1 \$ = Rs.20
Closing rate	1 \$ = Rs.24
Average rate	1 \$ = Rs.22
For Fixed Assets	1 \$ = Rs.18).

SOLUTION**Sydney Branch Trial Balance (in Rupees)**

As on 31st March, 20X2

(Rs. '000)

Conversion	rate per A\$	Dr.	Cr.
Plant & Machinery (cost)	Rs. 18	36,00	
Plant & Machinery Dep. Reserve	Rs. 18		23,40
Debtors / Creditors	Rs. 24	14,40	7,20
Stock (1.4.20X1)	Rs. 20	4,00	
Cash & Bank Balances	Rs. 24	2,40	
Purchase / Sales	Rs. 22	4,40	27,06
Goods received from H.O.	-	1,00	

Wages & Salaries	Rs. 22	9,90	
Rent	Rs. 22	2,64	
Office expenses	Rs. 22	3,96	
Commission Receipts	Rs. 22		22,00
H.O. Current A/c			1,20
Exchange loss (balancing figure)		2,16	-
		80,86	80,86

Q.BRN.RMP.602(A): (MTP May'22)

DM Delhi has a branch in London which is an integral foreign operation of DM. At the end of the year 31st March, 2021, the branch furnishes the following trial balance in U.K. Pound:



Particulars	£	£
	Dr.	Cr.
Fixed assets (Acquired on 1st April, 2017)	24,000	
Stock as on 1st April, 2020	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 Rs.	Particulars	Amount Rs.
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 is given:

- (a) Fixed assets are to be depreciated @ 10% p.a. on WDV.
- (b) On 31st March, 2021:

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

- (c) Rate of Exchange:

1st April, 2017	-	Rs. 70 to £ 1
1st April, 2020	-	Rs. 76 to £ 1
31st March, 2021	-	Rs. 77 to £ 1
Average	-	Rs. 75 to £ 1

You are required to prepare: (1) Trial balance, incorporating adjustments of outstanding and prepaid expenses, converting U.K. pound into Indian rupees; and (2) Trading and profit and loss account for the year ended 31st March, 2021 of London branch as would appear in the books of Delhi head office of DM.

SOLUTION**Trial Balance of London Branch as on 31st March, 2021**

Particulars	U.K. Pound	Rate Per U.K. Pound	Dr. (Rs.)	Cr. (Rs.)
Fixed Assets	24,000	70	16,80,000	
Stock (as on 1st April, 2020)	11,200	76	8,51,200	
Goods from Head Office	64,000	-	49,26,000	
Sales	96,000	75		72,00,000
Purchases	12,000	75	9,00,000	
Expenses (4,800 + 400 – 200)	5,000	75	3,75,000	
Debtors	4,800	77	3,69,600	
Creditors	3,200	77		2,46,400
Outstanding Expenses	400	77		30,800
Prepaid expenses	200	77	15,400	
Cash at Bank	1,200	77	92,400	
Head office Account		-		17,20,000
Difference in Exchange				12,400
			92,09,600	92,09,600

Closing stock will be $(8,000 \times 77) = \text{Rs. } 6,16,000$

Trading and Profit & Loss A/c for the year ended 31st March, 2021

Particulars		Amount (Rs.)	Particulars		Amount (Rs.)
To	Opening Stock	8,51,200	By	Sales	72,00,000
To	Purchases	9,00,000	By	Closing Stock	6,16,000
To	Goods from H.O.	49,26,000			
To	Gross Profit	11,38,800			
		78,16,000			78,16,000
To	Expenses	3,75,000	By	Gross Profit	11,38,800
To	Depreciation	1,68,000	By	Profit due to Exchange difference	12,400
To	Net Profit	6,08,200			
		11,51,200			11,51,200

Working Note:

Since London Branch is an integral foreign operation. Hence, (1) Fixed assets (cost and depreciation) are translated using the exchange rate at the date of purchase of the assets. (2) Exchange difference arising on translation of the financial statement is charged to Profit and Loss Account.

Q.BRN.SM.603(A):

The Washington branch of XYZ Mumbai sent the following trial balance as on 31st December, 20X1:



	\$	\$
Head office A/c	–	22,800
Sales	–	84,000
Debtors and creditors	4,800	3,400
Machinery	24,000	–
Cash at bank	1,200	–
Stock, 1 January, 20X1	11,200	–
Goods from H.O.	64,000	–
Expenses	5,000	–



	1,10,200	1,10,200
--	-----------------	-----------------

In the books of head office, the Branch A/c stood as follows:

Washington Branch A/c

		Rs.			Rs.
To	Balance b/d	8,10,000	By	Cash	28,76,000
To	Goods sent to branch	29,26,000	By	Balance c/d	8,60,000
		37,36,000			37,36,000

Goods are sent to the branch at cost plus 10% and the branch sells goods at invoice price plus 25%. Machinery was acquired on 31st January, 2007, when \$ 1.00 = Rs.40.

Rates of exchange were:

1 th January, 20X1	\$ 1.00	=	Rs. 46
31 st December, 20X1	\$ 1.00	=	Rs.48
Average	\$ 1.00	=	Rs. 47

Machinery is depreciated @ 10% and the branch manager is entitled to a commission of 5% on the profits of the branch.

You are required to:

- (i) Prepare the Branch Trading & Profit & Loss A/c in dollars.
- (ii) Convert the Trial Balance of branch into Indian currency and prepare Branch Trading & Profit and Loss A/c and the Branch A/c in the books of head office.

SOLUTION

(i)

**In the Books of Head Office
Branch Trading and Profit & Loss A/c (in Dollars)
for the year ended 31st December, 20X1**

Opening stock	11200	By sales	84000
Goods from H.O.	64000	By closing stock	8000
Gross profit c/d	16800		
	92000		92000
Expenses	5,000	By Gross Profit b/d	16,800
To depreciation (24000X10%)	2400		
To manager commission	470		
To net profit C/d	8930		
	16800		16800

(i) (a)

Converted Branch Trial Balance (into Indian Currency)

Particulars	Rate per \$	Dr. (Rs.)	Cr. (Rs.)
Machinery	40	9,60,000	-
Stock January 1, 20X1	46	5,15,200	-
Goods from head office	Actual	29,26,000	-
Sales	47	-	39,48,000
Expenses	47	2,35,000	-
Debtors & creditors	48	2,30,400	1,63,200
Cash at bank	48	57,600	-
Head office A/c	Actual	-	8,60,000
Difference in exchange rate (b.f.)		47,000	-
		49,71,200	49,71,200
Closing stock \$ 8,000 (W.N. 2)	48		Rs. 3,84,000

(b) Branch Trading and Profit & Loss A/c for the year ended 31st December, 20X1

	Rs.		Rs.
To Opening stock	5,15,200	By Sales	39,48,000
To Goods from head office	29,26,000	By Closing stock (W.N.2)	3,84,000
To Gross profit c/d	8,90,800		
	43,32,000		43,32,000
To Expenses	2,35,000	By Gross profit b/d	8,90,800
To Depreciation @ 10% on Rs. 9,60,000	96,000		
To Exchange difference	47,000		
To Manager's commission (W.N.1)	22,560		
To Net Profit c/d	4,90,240		
	8,90,800		8,90,800

(c)

Branch Account

To Balance b/d	8,60,000	By Machinery	9,60,000	
To Net profit	4,90,240	Less:		
To Creditors	1,63,200	By Depreciation	(96,000)	8,64,000
To Outstanding		By Closing stock		3,84,000
To commission	22,560	By Debtors		2,30,400
		By Cash at bank		57,600
	15,36,000			15,36,000

Working Notes:

1. Calculation of manager's commission @ 5% on profit

i.e.,	5% of \$[16,800 - (5,000 + 2,400)]
Or	5% × \$9,400 = \$ 470
Manager's commission in Rupees = \$ 470 x Rs. 48 = Rs. 22,560	

2. Calculation of closing stock

	\$
Opening stock	11,200
Add: Goods from head office	<u>64,000</u>
	75,200
Less: Cost of goods sold (at invoice price) 84000X100/125	<u>(67,200)</u>
Closing stock	<u>8,000</u>
Closing stock in Rupees = \$8,000 x Rs. 48 = Rs.3,84,000.	

Note: Manager is entitled to commission on profits earned at the end of the year.

Q.BRN.RMP.604(A): (MTP Nov'19) (RTP Nov'20, Nov'22)

M & S Co. of Lucknow has a Branch in Canberra, Australia (as an integral foreign operation of M & S Co.). At the end of 31st March 2019, the following ledger balances have been extracted from the books of the Lucknow office and the Canberra.



	Lucknow office (Rs. In thousands)		Canberra Branch (Aust. Dollars in thousands)	
	Dr.	Cr.	Dr.	Cr.
Capital		2,000		
Reserves & Surplus		1,000		

Land	500			
Buildings (Cost)	1,000			
Buildings Dep. Reserves		200		
Plant and Machinery (Cost)	2,500		200	
Plant and Machinery Dep. Reserves		600		130
Debtors/Creditors	280	200	60	30
Stock as on 1- 4-2018	100		20	
Branch Stock Reserve		4		
Cash & Bank Balances	10		10	
Purchases/Sales	240	520	20	123
Goods sent to Branch		100	5	
Managing Partner's Salary	30			
Wages and Salary	75		45	
Rent			12	
Office Expenses	25		18	
Commission Receipts		256		100
Branch/HO Current Account	120			7
	4,880	4,880	390	390

The following information is also available:

(i) Stock as at 31st March, 2019

Lucknow Rs. 1,50,000

Canberra A\$ 3125 (all stock are out of purchases made at Abroad)

(ii) Head Office always sent goods to the Branch at cost plus 25%

(iii) Provision is to be made for doubtful debts at 5%

(iv) Depreciation is to be provided on Buildings at 10% and on Plant and Machinery at 20% on written down value.

You are required to:

(1) Convert the Branch Trial Balance into rupees by using the following exchange rates:

Opening rate	1 A \$ = Rs. 50
Closing rate	1 A \$ = Rs. 53
Average rate	1 A \$ = Rs. 51.00
For Fixed Assets	1 A \$ = Rs. 46.00

Prepare Trading and Profit and Loss Account for the year ended 31st March 2019 showing to the extent possible H.O. results and Branch results separately.

SOLUTION

M & S Co. Ltd.

Canberra, Australia Branch Trial Balance As on 31st March 2019

	(\$ 'thousands)			(Rs.' thousands)	
	Dr.	Cr.	Conversion rate per \$	Dr.	Cr.
Plant & Machinery (cost)	200		Rs. 46	9,200	
Plant & Machinery Dep. Reserve		130	Rs. 46		5,980
Trade receivable/payable	60	30	Rs. 53	3,180	1,590
Stock (1.4.2018)	20		Rs. 50	1,000	
Cash & Bank Balances	10		Rs. 53	530	
Purchase / Sales	20	123	Rs. 51	1,020	6,273
Goods received from H.O.	5		Actual	100	
Wages & Salaries	45		Rs. 51	2,295	
Rent	12		Rs. 51	612	
Office expenses	18		Rs. 51	918	

Commission Receipts		100	Rs. 51		5,100
H.O. Current A/c		7	Actual		120
				18,855	19,063
Foreign Exchange Loss (bal. fig.)				208	
	390	390		19,063	19,063
Closing stock	3.125		53	165.625	

Trading and Profit & Loss Account for the year ended 31st March, 2019

								(Rs.'000)		
		H.O.	Branch	Total			H.O.	Branch	Total	
To	Opening Stock	100	1,000.000	1,100.000	By	Sales	520	6,273.000	6,793.000	
To	Purchases	240	1,020.000	1,260.000	By	Goods sent to Branch	100	-	100.000	
To	Goods received from Head Office	-	100.000	100.000	By	Closing Stock	150	165.625	315.625	
To	Wages & Salaries	75	2,295.000	2,370.000						
To	Gross profit c/d	355	2,023.625	2,378.625						
		770	6,438.625	7,208.625			770	6,438.625	7,208.625	
To	Rent	-	612.000	612.000	By	Gross profit b/d	355	2,023.625	2,378.625	
To	Office expenses	25	918.000	943.000	By	Commission receipts	256	5,100.000	5,356.000	
To	Provision for doubtful debts @ 5%	14	159.000	173.000						
To	Depreciation (W. N.)	460	644.000	1,104.000						
To	Balance c/d	112	4,790.625	4,902.625						
		611	7,123.625	7,734.625			611	7,123.625	7,734.625	
To	Managing Partner's Salary			30.000	By	Balance b/d			4,902.625	
To	Exchange Loss			208.000	By	Branch stock reserve			4.000	
To	Balance c/d			4,668.625						
				4,906.625					4,906.625	

Working Note:

Calculation of Depreciation

	H.O Rs. '000	Branch Rs. '000
Building – Cost	1,000	
Less: Dep. Reserve	<u>(200)</u>	
	<u>800</u>	
Depreciation @ 10% (A)	<u>80</u>	
Plant & Machinery Cost	2,500	9,200
Less: Dep. Reserve	<u>(600)</u>	<u>(5,980)</u>
	<u>1,900</u>	<u>3,220</u>
Depreciation @ 20% (B)	<u>380</u>	<u>644</u>
Total Depreciation (A+B)	460	644

Note: As the closing stock of Branch does not consist any stock transferred from M&S Co., there is no need to create closing stock reserve. But the opening branch stock reserve has to be reversed in the P&LA/c.

Q.BRN.RMP.605 (A): (Exam May'24)

Smart Limited is an Indian Company and has its Branch at New York. The following balances in respect of Smart Limited's USA Branch office are provided:

(i) Debit Balances (in USD)

Expenditure (excluding Depreciation)	1,03,095
Cash & bank balances	2,175
Debtors	7,365
Fixed Assets (Gross) (Rate of Depreciation on Fixed Assets : 20%)	34,200
Inventory – Stock 'P'	5,520
Inventory – Stock 'Q'	1,035

(ii) Credit Balances (in USD)

Incomes	1,32,000
Creditors	15,570
HO Control a/c	5,820

The following additional information is provided:

- (1) The average exchange rate during the above financial year was 1 USD = Rs. 56.
- (2) The fixed assets were purchased when the exchange rate was 1 USD = Rs. 55.
- (3) The closing exchange rate on reporting date is 1 USD = Rs. 58.
- (4) Stock item 'P' is valued at cost of USD 5,520 purchased when the exchange rate was Rs. 56.50. the present net realizable value of this item is Rs. 2,85,000.
- (5) Stock item 'Q' is carried at net realizable value of USD 1,035. But its cost in USD is 1,065. It was purchased when exchange rate was 1 USD = Rs. 53.
- (6) Branch Control Account as per HO books was Rs. 2,66,265.

You are required to show how it will be reflected in the books of Head office in the form of Trial Balance, if the USA Branch Office is classified as an integral Foreign Operation.

SOLUTION

Converted branch trail balance (in the books of head office)

Particular	Dr. \$	Cr. \$	Rate per \$	₹ Dr.	₹ Cr.
Expenditure	1,03,095		56	57,73,320	
Cash & bank balance	2,175		58	1,26,150	
Debtors	7,365		58	4,27,170	
Fixed assets	27,360		55	15,04,800	
Depreciation 20%	6,840		55	3,76,200	
Inventory P	5,520		Direct	2,85,000	
Inventory Q	1,065		53	56,445	
Income		1,32,000	56		73,92,000
Creditors		15,570	58		9,03,060
HO control A/c		5,820			2,66,265
Exchange difference				12,240	
				85,61,325	85,61,325

Working Note:

Inventory P	\$ 5,520	Inventory Q	\$ 1,065
Purchased Cost rate	56.50	NRV	\$ 1,035
NRV	₹2,85,000	Closing rate	58
Cost	₹3,11,880	Purchased Cost rate	53
Value at cost or NRV whichever is less	₹2,85,000	Value at cost or NRV whichever is less	\$ 1,035 @ ₹ 58 or \$1,065 @ ₹53 = 56,445 or 60,030

SECTION B – HOMEWORK QUESTIONS

(Self-Practice Questions)

SERIES 100

Dependent Branch - Final Account System Cost Basis

Q.BRN.RMP.101(B): (MTP Nov'20, May'22)

L Ltd. has its head office at Mumbai and two branches at Pune and Goa. The branches purchase goods independently. Pune branch makes a profit of one third on cost and Goa branch makes a profit of 20% on sales. Goods are also supplied by one branch to another at the respective sales price. From the following particulars, prepare the Trading and Profit and Loss Account of Pune branch and find out the profit or loss made by it considering the reserve for unrealized profits:



Particulars	Pune Branch Rs.	Goa Branch Rs.
Opening Stock	40,000	30,000
Purchases (Including Inter Branch transfers)	2,00,000	2,50,000
Sales	2,80,000	2,95,625
Chargeable Expenses	15,000	27,500
Closing Stock	30,000	43,500
Office and Administration Expenses	13,250	7,000
Selling and Distribution Expenses	15,000	10,000

Information:

- (i) Opening stock at Pune Branch includes goods of Rs. 10,000 (invoice price) taken from Goa Branch,
- (ii) Opening stock at Goa Branch includes goods of invoice price Rs. 17,000 taken from Pune Branch,
- (iii) The Pune Branch sales includes transfer of goods to Goa Branch at selling price Rs. 20,000
- (iv) The sales of Goa Branch include transfer of goods to Pune Branch at selling price Rs. 15,000.
- (v) Closing stock at Pune Branch includes goods received from Goa Branch (invoice price Rs. 5,000).

Closing stock at Goa Branch includes goods of Rs. 4,000 (invoice price).

SOLUTION

Pune Branch Trading and Profit and Loss Account

Particulars		Rs.	Particulars		Rs.
To	Opening Stock (including Rs. 10,000 from Goa Branch)	40,000	By	Sales (including Rs. 20,000 to Goa Branch)	2,80,000
To	Purchases	2,00,000	By	Closing Stock (including Rs. 5,000 from Goa Branch)	30,000
To	Chargeable Expenses	15,000			
To	Gross Profit c/d (before making adjustment for unrealized profit)	55,000			
		3,10,000			3,10,000
To	Stock Reserve (For unrealized profit in Closing Stock lying at Goa Branch) (Rs. 4,000 x 25/100)	1,000	By	Gross Profit b/d	55,000

To	Office & Adm. Expenses	13,250	By	Stock Reserve (For unrealized profit in Opening Stock lying at Goa Branch) (Rs. 17,000 x 25/100)	4,250
To	Selling & Distribution Expenses	15,000			
To	Net Profit	<u>30,000</u>			
		59,250			59,250

SERIES 200

Dependent Branch - Final Account System IP / WP Basis

Q.BRN.SM.201(B):

Following is the information of the Jammu branch of Best New Delhi for the year ending 31st March, 20X2 from the following:

- (1) Goods are invoiced to the branch at cost plus 20%.
- (2) The sale price is cost plus 50%.
- (3) Other information:

	Rs.
Stock as on 01.04.20X1 (invoice price)	2,20,000
Goods sent during the year (invoice price)	11,00,000
Sales during the year	12,00,000
Expenses incurred at the branch	45,000

Ascertain

- (i) the profit earned by the branch during the year.
- (ii) branch stock reserve in respect of unrealized profit.

SOLUTION

- (i) **Calculation of profit earned by the branch
In the books of Jammu Branch
Trading Account and Profit and Loss Account**

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Opening stock	2,20,000	By Sales	12,00,000
To Goods received by Head office	11,00,000	By Closing stock (Refer W.N.)	3,60,000
To Expenses	45,000		
To Net profit	<u>1,95,000</u>		
	<u>15,60,000</u>		<u>15,60,000</u>

- (ii) **Stock reserve in respect of unrealized profit**
= Rs. 3,60,000 x (20/120) = Rs. 60,000
- (iii) Opening Stock = 36,667/-

Working Note:

	Rs.
Cost Price	100
Invoice Price	120
Sale Price	150
Calculation of closing stock at invoice price	Rs.
Opening stock at invoice price	2,20,000
Goods received during the year at invoice price	11,00,000
	13,20,000

Less: Cost of goods sold at invoice price [12,00,000 x (120/150)]	(9,60,000)
Closing stock	3,60,000

SERIES 300

Dependent Branch – Stock & Debtors Method

Q.BRN.SM.301(B):

M/s Rahul operates a number of retail outlets to which goods are invoiced at wholesale price which is cost plus 25%. These outlets sell the goods at the retail price which is wholesale price plus 20%.

Following is the information regarding one of the outlets for the year ended 31.3.20X2:



	Rs.
Stock at the outlet 1.4.20X1	30,000
Goods invoiced to the outlet during the year	3,24,000
Gross profit made by the outlet	60,000
Goods lost by fire	?
Expenses of the outlet for the year	20,000
Stock at the outlet 31.3.20X2	36,000

You are required to prepare the following accounts in the books of Rahul Limited for the year ended 31.3.20X2:

- (a) Outlet Stock Account.
- (b) Outlet Profit & Loss Account.
- (c) Stock Reserve Account.

SOLUTION

Outlet Stock Account

	Rs.		Rs.
To Balance b/d	30,000	By Sales (Working Note 1)	3,60,000
To Goods sent to outlet	3,24,000	By Goods lost by fire (b.f.)	18,000
To Gross Profit c/d	60,000	By Balance c/d	36,000
	4,14,000		4,14,000

Outlet Profit & Loss Account

	Rs.		Rs.
To Expenses	20,000	By Gross Profit b/d	60,000
To Goods lost by fire (W.N. 2)	18,000		
To Profit transferred	22,000		
	60,000		60,000

Stock Reserve Account

	Rs.		Rs.
To HO P & L A/c –Transfer	6,000	By Balance b/d	6,000
To Balance c/d (Stock Res. required)	7,200	By HO P&L A/c (W.N. 3)	7,200
	13,200		13,200

Working Notes:

WN 1

Whole sale Price	100+25	= 125
Retail Price	125 + 20%	= 150
Gross Profit at the outlet		
Wholesale Price – Retail Price	(150 – 125)	25

Retail sales value = 60,000 X 150/25= 3,60,000

WN 2: Goods lost by fire

Opening Stock + Goods Sent + Gross Profit – Sales – Closing Stock
 30,000 + 3,24,000 + 60,000 – 3,60,000 – 36,000 = Rs. 18,000

WN 3: Stock Reserve

Opening Stock= 30000 X25/125=6000
 Closing stock=36000 X25/125=7200

Q.BRN.SM.302(B):

M/s Marena, Delhi has a branch at Bangalore to which office goods are invoiced at cost plus 25%. The branch sells both for cash and on credit. Branch Expenses are paid direct from head office and the Branch has to remit all cash received into the Head Office Bank Account.



From the following details, relating to calendar year 20X1, prepare the accounts in the Head Office Ledger and ascertain the Branch Profit under **Stock and Debtors Method**. Branch does not maintain any books of account, but sends weekly returns to the Head Office.

	Rs.
Goods received from Head Office at invoice price	45,00,000
Returns to Heads Office at invoice price	90,000
Stock at Bangalore as on 1st January, 20X1	4,50,000
Sales during the year - Cash	15,00,000
- Credit	27,00,000
Sundry Debtors at Bangalore as on 1st January, 20X1	5,40,000
Cash received from Debtors	24,00,000
Discount allowed to Debtors	45,000
Bad Debts in the year	30,000
Sales returns at Bangalore Branch	60,000
Rent, Rates and Taxes at Branch	1,35,000
Salaries, Wages and Bonus at Branch	4,50,000
Office Expenses	45,000
Stock at Branch on 31st December, 20X1 at invoice price	9,00,000

SOLUTION

Bangalore Branch Stock Account

Particulars	Amount Rs.	Particulars	Amount Rs.
To Balance b/d	4,50,000	By Goods sent to branch A/c (Returns)	90,000
To Goods sent to branch A/c	45,00,000	By Bank A/c (Cash sales)	15,00,000
To Branch debtor's A/c (Returns)	60,000	By Branch debtor's A/c (credit sales)	27,00,000
To Branch adjustment A/c (Surplus over invoice price) *	1,80,000	By Balance c/d	9,00,000
	51,90,000		51,90,000

*Alternatively, this may directly be transferred to Branch P&L A/c without routing it through

Branch Adjustment Account.

Bangalore Branch Adjustment Account

Particulars	Amount Rs.	Particulars	Amount Rs.
To Stock reserve - 20% of Rs. 9,00,000 (closing stock)	1,80,000	By Stock reserve - 20% of Rs. 4,50,000 (Opening stock)	90,000
To Branch profit & loss A/c (Gross profit)	9,72,000	By Goods sent to branch A/c - 20% of Rs. 44,10,000 (45,00,000 - 90,000)	8,82,000
		By Branch stock A/c	1,80,000
	11,52,000		11,52,000

Branch Profit & Loss Account

Particulars	Amount Rs.	Particulars	Amount Rs.
To Branch expenses A/c	6,30,000	By Branch adjustment A/C (Gross Profit)	9,72,000
To Branch debtors A/c (Discount)	45,000		
To Branch Debtors A/c (Bad debts)	30,000		
To Net profit (transferred to Profit & Loss A/c)	2,67,000		
	9,72,000		9,72,000

Branch Expenses Account

Particulars	Amount Rs.	Particulars	Amount Rs.
To Balance b/d	5,40,000	By Bank A/c	24,00,000
To Branch stock A/c	27,00,000	By Branch profit and loss A/c (Bad debts and discount)	75,000
		By Branch stock A/c (Sales returns)	60,000
		By Balance c/d (bal. fig.)	7,05,000
	32,40,000		32,40,000

Goods sent to Branch Account

Particulars	Amount Rs.	Particulars	Amount Rs.
To Branch stock A/c	90,000	By Branch stock A/c	45,00,000
To Branch adjustment A/c	8,82,000		
To Purchases A/c	35,28,000		
	45,00,000		45,00,000

Q.BRN.RMP.303(B): (RTP Nov'21)

Lal & Co. of Jaipur has a branch in Patna to which goods are sent @ 20% above cost. The branch makes both cash & credit sales. Branch expenses are paid direct from Head office and the branch has to remit all cash received into the bank account of Head office. Branch doesn't maintain any books of accounts but sends monthly returns to the head office.



Following further details are given for the year ended 31st March, 2020:

	Amount (Rs.)
Goods received from Head office at Invoice Price	4,20,000
Goods returned to Head office at Invoice Price	30,000
Cash sales for the year 2019-20	92,500
Credit Sales for the year 2019-20	3,12,500
Stock at Branch as on 01-04-2019 at Invoice price	36,000
Sundry Debtors at Patna branch as on 01-04-2019	48,000
Cash received from Debtors	2,19,000
Discount allowed to Debtors	3,750
Goods returned by customer at Patna Branch	7,000
Bad debts written off	2,750
Amount recovered from Bad debts previously written off as Bad	500
Rent, Rates & taxes at Branch	12,000
Salaries & wages at Branch	36,000
Office Expenses (at Branch)	4,600
Stock at Branch as on 31-03-2020 at cost price	62,500

Prepare necessary ledger accounts in the books of Head office by following Stock and Debtors method and ascertain Branch profit.

SOLUTION

Branch Stock Account

date	particular	Amt	date	particular			Amt
1.4.19	To Balance B/d (opening stock)	36,000	31.3.20	By Sales:			
				Cash		92,500	
31.3.20	To Goods sent to branch a/c	4,20,00		Credit	3,12,500		
	To Branch P&L	47,000		Less: returns	(7,000)	3,05,500	3,98,000
				By Goods sent to branch - returns			30,000
				By Balance c/d (closing stock)			75,000
		5,03,000					5,03,000
1.4.20	To Balance b/d	75,000					

Branch Debtors Account

	To		Rs.		By		Rs.
1.4.19	To	Balance b/d	48,000	31.3.20	By	Cash	2,19,000
31.3.20	To	Sales	3,12,500		By	Returns	7,000
					By	Discounts	3,750
					By	Bad debts	2,750
					By	Balance c/d	1,28,000
			3,60,500				3,60,500
1.4.20	To	Balance b/d	1,28,000				

Branch Expenses Account

	To		Rs.		By		Rs.
31.3.20	To	Salaries & Wages	36,000	31.3.20	By	Branch P&L A/c	59,100
	To	Rent, Rates & Taxes	12,000				
	To	Office Expenses	4,600				
	To	Discounts	3,750				

	To	Bad Debts	2,750				
			59,100				59,100

Branch Profit & Loss Account for year ended 31.3.20

			Rs.				Rs.
31.3.20	To	Branch Expenses A/c	59,100	31.3.20	By	Branch stock	47,000
	To	Net Profit transferred to General P & L A/c	46,900		By	Branch Stock Adjustment account	58,500
					By	Bad debts recovered	500
			1,06,000				106,000

Branch Stock Adjustment Account for year ended 31.3.20

			Rs.				Rs.
31.3.20	To	Goods sent to branch - returns (30,000x1/6)	5,000	31.3.20	By	Balance b/d (36,000x1/6)	6,000
	To	Branch P & L A/c	58,500		By	Goods sent to branch (4,20,000x1/6)	70,000
	To	Balance c/d (75,000x1/6)	12,500				
			76,000				76,000

SERIES 400

Dependent Branch – Debtors Method

Q.BRN.SM.401(B):

Prepare branch account and find out profit earned by branch if transactions are as under:

Goods sent to branch	Rs. 50,000
Furniture sent to branch	Rs. 10,000 (at the beginning of year)
Credit sales at branch	Rs. 62,000
Bad Debts	Rs. 1,000

Other information:

Closing stock at branch	Rs. 10,000
Closing Debtor	Rs. 61,000
Furniture (after depreciation@20%)	Rs. 8,000

SOLUTION

Branch Account

Particulars	Amount Rs.	Particulars	Amount Rs.
To Opening branch assets: (Furniture)	10,000	By Closing branch assets	
To Goods sent to branch	50,000	Stock	10,000
To Net Profit	19,000	Debtor	61,000
	79,000	Furniture	8,000
			79,000

Q.BRN.RMP.402(B): (RTP Nov'19 & Sep'24)

From the following particulars relating to Pune branch for the year ending December 31, 2018, prepare Branch Account in the books of Head office.

		Rs.
Stock at Branch on January 1, 2018		10,000
Branch Debtors on January 1, 2018		4,000
Branch Debtors on Dec. 31, 2018		4,900
Petty cash at branch on January 1, 2018		500
Furniture at branch on January 1, 2018		2,000
Prepaid fire insurance premium on January 1, 2018		150
Salaries outstanding at branch on January 1, 2018		100
Good sent to Branch during the year		80,000
Cash Sales during the year		1,30,000
Credit Sales during the year		40,000
Cash received from debtors		35,000
Cash paid by the branch debtors directly to the Head Office		2,000
Discount allowed to debtors		100
Cash sent to branch for Expenses:		
Rent	2,000	
Salaries	2,400	
Petty Cash	1,000	
Annual Insurance up to March 31, 2019	600	6,000
Goods returned by the Branch		1,000
Goods returned by the debtors		2,000
Stock on December 31,2018		5000
Petty Cash spent by branch		850
Provide depreciation on furniture 10% p.a.		

Goods costing Rs. 1,200 were destroyed due to fire and a sum of Rs. 1,000 was received from the Insurance Company.

SOLUTION

Pune Branch Account

Particulars		Rs.	Particulars	Rs.	Rs.
To Opening Balance			By Opening Balance:		
Stock		10,000	Salaries outstanding		100
Debtors		4,000	By Remittances:		
Petty Cash		500	Cash sales	1,30,000	
Furniture		2,000	Cash received from debtors	35,000	
Prepaid Insurance		150	Cash paid by Debtors directly to H.O	2,000	
To Goods sent to Branch Account		80,000	Received from Insurance Company	1,000	1,68,000
To Bank (expenses)			By Goods sent to branch (Return of goods by the branch to H.O.)		1,000
Rent	2,000		By Closing Balances:		
Salaries	2,400		Stock		5,000
Petty Cash	1,000		Petty Cash		650
Insurance	600	6,000	Debtors		4,900
To Net Profit		78,950	Furniture (2,000 - 10% depreciation)		1,800
			Prepaid insurance (1/4 x Rs. 600)		150
		1,81,600			1,81,600

Working Note:

Calculation of petty cash balance at the end:	Rs.
Opening balance	500
Add: Cash received from the Head Office	1,000
Total Cash with branch	1,500
Less: Spent by the branch	850
Closing balance	650

Q.BRN.RMP.403(B): (RTP May'22)

Mr. Chena Swami of Chennai trades in Refined Oil and Ghee. It has a branch at Salem. He despatches 30 tins of Refined Oil @ Rs. 1,500 per tin and 20 tins of Ghee @ Rs. 5,000 per tin on 1st of every month. The Branch has incurred expenditure of Rs. 45,890 which is met out of its collections; this is in addition to expenditure directly paid by Head Office.



Following are the other details:

	Chennai H.O.	Salem B.O.
	Amount (Rs.)	Amount (Rs.)
Purchases:		
Refined Oil	27,50,000	
Ghee	48,28,000	
Direct Expenses	6,35,800	
Expenses paid by H.O.		76,800
Sales:		
Refined Oil	24,10,000	5,95,000
Ghee	38,40,500	14,50,000
Collection during the year		20,15,000
Remittance by Branch to Head Office		19,50,000

Chennai H.O.		
Balance as on	01-04-2020 Amount (Rs.)	31-03-2021 Amount (Rs.)
Stock:		
Refined Oil	44,000	8,90,000
Ghee	10,65,000	15,70,000
Building	5,10,800	7,14,780
Furniture & Fixtures	88,600	79,740

Salem Brach Office		
Balance as on	01-04-2020 Amount (Rs.)	31-03-2021 Amount (Rs.)
Stock:		
Refined Oil	22,500	19,500
Ghee	40,000	90,000
Sundry Debtors	1,80,000	?
Cash in hand	25,690	?

Furniture & Fixtures	23,800	21,420
----------------------	--------	--------

Additional information:

- (i) Addition to Building on 01-04-2020 Rs. 2,41,600 by H.O.
- (ii) Rate of depreciation: Furniture & Fixtures @ 10% and building @ 5% (already adjusted in the above figure)
- (iii) The Branch Manager is entitled to 10% commission on Branch profits (after charging his commission).
- (iv) The General Manager is entitled to a salary of Rs. 20,000 per month.
- (v) General expenses incurred by Head Office is Rs. 1,86,000.

You are requested to prepare Branch Account in the Head Office books and also prepare Chena Swami's Trading and Profit & loss Account (excluding branch transactions) for the year ended 31st March, 2021.

SOLUTION

**In the books of Mr. Chena Swami Salem
Branch Account**

		Rs.			Rs.
To	Balance b/d		By Bank (Remittance to H.O.)		19,50,000
	Opening stock:				
	Ghee	40,000	By Balance c/d		
	Refined Oil	22,500	Closing stock:		
	Debtors	1,80,000	Refined oil		19,500
	Cash on hand	25,690	Ghee		90,000
	Furniture & fittings	23,800	Debtors (W.N. 1)		2,10,000
To	Goods sent to Branch A/c		Cash on hand (W.N. 2)		44,800
	Refined Oil (30 x Rs. 1,500x12)	5,40,000	Furniture & fittings		21,420
	Ghee (20 x Rs. 5,000 x12)	12,00,000			
To	Bank (Expenses paid by H.O.)	76,800			
To	Manager's commission in profits 10% (2,26,930x10/110)	20,630			
To	Net Profit transferred to General P & L A/c	2,06,300			
		23,35,720			23,35,720

Mr. Chena Swami

Trading and Profit and Loss account for the year ended 31st March, 2021 (Excluding branch transactions)

		Rs.			Rs.
To	Opening Stock:		By	Sales:	
	Refined Oil	44,000		Refined Oil	24,10,000
	Ghee	10,65,000		Ghee	38,40,500
To	Purchases:		By	Closing Stock:	
	Refined Oil 27,50,000			Refined Oil	8,90,000
	Less: Goods sent to Branch (5,40,000)	22,10,000		Ghee	15,70,000
	Ghee 48,28,000				
	Less: Goods sent to Branch (12,00,000)	36,28,000			
To	Direct Expenses	6,35,800			
To	Gross Profit	11,27,700			
		87,10,500			87,10,500

To Manager's Salary	2,40,000	By Gross Profit	11,27,700
To General Expenses	1,86,000	By Branch Profit transferred	2,06,300
To Depreciation			
Furniture (88,600 - 79,740)	8,860		
Building (5,10,800 + 2,41,600 - 7,14,780)	37,620		
To Net profit	8,61,520		
	13,34,000		13,34,000

Working Notes:

(1)

Debtors Account

	Rs.		Rs.
To Balance b/d	1,80,000	By Cash Collections	20,15,000
To Sales made during the year:		By Balance c/d (Bal. Figure)	2,10,000
Refined oil	5,95,000		
Ghee	14,50,000		
	22,25,000		22,25,000

(2)

Branch Cash Account

	Rs.		Rs.
To Balance b/d	25,690	By Remittance	19,50,000
To Collections	20,15,000	By Exp.	45,890
		By Balance c/d (Bal. Figure)	44,800
	20,40,690		20,40,690

Q.BRN.RMP.404(B): (MTP May'18, May'19)

XYZ is having its Branch at Kolkata. Goods are invoiced to the branch at 20% profit on sale. Branch has been instructed to send all cash daily to head office. All expenses are paid by head office except petty expenses which are met by the Branch Manager. From the following particulars, you are required to prepare branch account in the books of Head Office.



	(Rs.)		(Rs.)
Stock on 1 st April 2017 (Invoice price)	30,000	Discount allowed to debtors	160
Sundry Debtors on 1 st April, 2017	18,000	Expenses paid by head office:	
Cash in hand as on 1 st April, 2017	-	Rent	1,800
Office furniture on 1 st April, 2017	3,000	Salary	3,200
Goods invoiced from the head office (invoice price)	1,60,000	Stationery & Printing	800
Goods returned to Head Office (invoice price)	2,000	Petty expenses paid by the branch	600
Goods returned by debtors	960	Depreciation to be provided on branch furniture at 10% p.a.	
Cash received from debtors	60,000	Stock on 31 st March, 2018 (At invoice price)	28,000
Cash Sales	1,00,000		
Credit sales	60,000		

SOLUTION

**In the books of Head Office – XYZ
Kolkata Branch Account (at invoice)**

	Rs.		Rs.
To Balance b/d		By Stock reserve (opening)	6,000
Stock	30,000	By Remittances:	
Debtors	18,000	Cash Sales	1,00,000
Furniture	3,000	Cash from Debtors	60,000
To Goods sent to		Less-:	1,59,400
Branch	1,60,000	Petty expenses	<u> (600)</u>
To Goods returned by	400	By Goods sent to branch	32,000
branch (loading)		(loading)	
To Bank (expenses paid by		By Goods returned by	
H.O.)		branch (Return to H.O.)	2,000
Rent	1,800	By Balance c/d	
Salary	3,200	Stock	28,000
Stationary & printing	<u> 800</u>	Debtors	16,880
	5,800	Furniture (3,000-300)	2,700
To Stock reserve (closing)	5,600		
To Profit transferred to			
General Profit & Loss A/c	24,180		
	2,46,980		2,46,980

Working Note:

Debtors Account

	Rs.		Rs.
To Balance b/d	18,000	By Cash account	60,000
To Sales account (credit)	60,000	By Sales return account	960
		By Discount allowed account	160
		By Balance c/d	16,880
	78,000		78,000

Note: In the absence of opening cash balance, remittance to Head Office has been made after payment of petty expenses.

SERIES 500
Independent Branch

Q.BRN.SM.501(B):

Goods worth Rs. 50,000 sent by head office but the branch has received till the closing date goods for worth Rs. 40,000 only. Give journal entry in the books of H.O. and branch for goods in transit.

SOLUTION

Journal entry in the books of Head Office No entry

Journal entry in the books of Branch

Goods-in-transit account	Dr.	10,000	
To Head Office account			10,000
(Being goods sent by head office is still in transit)			

Q.BRN.SM.502(B):

Alpha having head office in Mumbai has a branch in Nagpur. The branch at Nagpur is an independent branch maintaining separate books of account. On 31.3.20X1, it was found that the goods dispatched by head office for Rs. 2,00,000 was received by the branch only to the extent of Rs. 1,50,000. The balance goods are in transit. What is the accounting entry to be passed by the branch for recording the goods in transit, in its books?

SOLUTION

Nagpur branch must include the inventory in its books as goods in transit.			
The following journal entry must be made by the branch:			
Goods in transit A/c	Dr.	50,000	
To Head office A/c			50,000
[Being Goods sent by Head office is still in transit on the closing date]			

Q.BRN.SM.503(B):

Give Journal Entries in the books of Branch A to rectify or adjust the following:

- (i) Head Office expenses Rs. 3,500 allocated to the Branch, but not recorded in the Branch Books.
- (ii) Depreciation of branch assets, whose accounts are kept by the Head Office not provided earlier for Rs. 1,500.
- (iii) Branch paid Rs. 2,000 as salary to a H.O. Inspector, but the amount paid has been debited by the Branch to Salaries account.
- (iv) H.O. collected Rs. 10,000 directly from a customer on behalf of the Branch, but no intimation to this effect has been received by the Branch.
- (v) A remittance of Rs. 15,000 sent by the Branch has not yet been received by the Head Office.
- (vi) Branch A incurred advertisement expenses of Rs. 3,000 on behalf of Branch B.

**SOLUTION**

Books of Branch A Journal Entries

Particulars		Dr.	Cr.
		Amount	Amount
(i) Expenses account	Dr.	3,500	
To Head office account			3,500
(Being the allocated expenditure by the head office recorded in branch books)			

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

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

Q.BRN.SM.504(B): (EXAM JAN'21)

Give Journal Entries in the books of an independent Branch to rectify or adjust the following:

1. Branch paid Rs. 5,000 as salary to H.O supervisor, but the amount paid by branch has been debited to salary account in the books of branch.
2. Assets Purchased by branch for Rs. 25,000, but the Asset account was retained in H.O Books.
3. A remittance of Rs. 8,000 sent by the branch has not been received by H.O.
4. H.O collected Rs. 25,000 directly from the customer of branch but fails to give the intimation to branch.
5. Remittance of funds by H.O to branch Rs. 5,000 not entered in branch books.

SOLUTION

Journal entries in Books of Branch

	Particulars		Dr. Amt (Rs.)	Cr. Amt (Rs.)
(i)	Head office account To salaries account (Being the rectification of salary paid on behalf of H.O.)	Dr.	5,000	5,000
(ii)	Head office account To bank / Liability A/c (Being Asset purchased by branch but Asset account retained at head office books)	Dr.	25,000	25,000
(iii)	No entry in Branch Books			
(iv)	Head office account To Debtors account (Being the amount of branch debtor collected by H.O.)	Dr.	25,000	25,000
(v)	Bank A/c To Head Office (Remittance of Funds by H.O. to Branch)	Dr.	5,000	5,000

Q.BRN.RMP.505(B): (MTP Nov'21)

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

- (i) Branch incurred travelling expenses of Rs. 4,000 on behalf of other Branches, but not recorded in the books of Branch.



- (ii) Goods dispatched by the Head office amounting to Rs. 8,000, but not received by the Branch till date of reconciliation. The Goods have been received subsequently.
- (iii) Provision for doubtful debts, whose accounts are kept by the Head Office, not provided earlier for Rs. 2,000.
- (iv) Branch paid Rs. 2,000 as salary to a Head Office Manager, but the amount paid has been debited by the Branch to Salaries Account.

SOLUTION

Journal Entries in Books of Branch

			Amount in Rs.	
			Dr.	Cr.
(i)	Head Office Account To Cash Account (Being expenditure incurred on account of other branch, now recorded in books)	Dr.	4,000	4,000
(ii)	Goods -in- transit Account To Head Office Account (Being goods sent by Head Office still in-transit)	Dr.	8,000	8,000
(iii)	Profit & Loss A/c To Head Office Account (Being the provision for doubtful debts not provided earlier, now provided for)	Dr.	2,000	2,000
(iv)	Head Office Account To Salaries Account (Being rectification of salary paid on behalf of Head Office)	Dr.	2,000	2,000

Q.BRN.SM.506(B):

AFFIX of Kolkata has a branch at Delhi to which the goods are supplied from Kolkata but the cost thereof is not recorded in the Head Office books. On 31st March, 20X1 the Branch Balance Sheet was as follows:



Branch Balance Sheet

Liabilities	Rs.	Assets	Rs.
Creditors Balance	40,000	Debtors Balance	2,00,000
Head Office	1,68,000	Building Extension A/c closed by transfer to H.O. A/c	—
		Cash at Bank	8,000
	2,08,000		2,08,000

During the six months ending on 30-9-20X1, the following transactions took place at Delhi.

	Rs.		Rs.
Sales	2,40,000	Manager's Salary	4,800
Purchases	48,000	Collections from Debtors	1,60,000
Wages paid	20,000	Discounts allowed	8,000
Salaries (inclusive of advance of Rs. 2,000)	6,400	Discount earned	1,200
General Expenses	1,600	Cash paid to Creditors	60,000
Fire Insurance (paid for one	3,200	Building Account (further payment)	4,000
		Cash in Hand	1,600

year)			
Remittance to H.O.	38,400	Cash at Bank	28,000

Set out the Head Office Account in Delhi books and the Branch Balance Sheet as on 30-9-20X1. Also give journal entries in the Delhi books.

SOLUTION

Journal Entries

20X1		Dr.	Cr.
30 Sept.		Rs.	Rs.
Salary Advance A/c To Salaries A/c (The amount paid as advance adjusted by debit to Salary Advance Account)	Dr.	2,000	2,000
Prepared Insurance A/c (3,200 x 6/12) To Fire Insurance A/c (Six months premium transferred to the Prepaid Insurance A/c)	Dr.	1,600	1,600
Head Office Account To Purchases A/c To Wages A/c To Salaries A/c (6,400 – 2,000) To General Expenses A/c To Fire Insurance A/c (3,200 x 6/12) To Manager’s Salary A/c To Discount Allowed A/c (Transfer of various revenue accounts (Dr.) to the H.O. Account for closing the accounts)	Dr.	88,400	48,000 20,000 4,400 1,600 1,600 4,800 8,000
Sales Accounts Discount Earned A/c To Head Office A/c [Revenue accounts (Cr.) transferred to H.O.]	Dr. Dr.	2,40,000 1,200	2,41,200
Head Office Account To Building Account (Transfer of amounts spent on building extension to H.O. A/c)	Dr.	4,000	4,000

Head Office Account

20X1		Rs.	20X1		Rs.
Sep. 30	To Cash-remittance	38,400	April 1	By Balance b/d	1,68,000
	To Sundries (Revenue A/cs)	88,400	Sep. 30	By Sundries (Revenue A/c s)	2,41,200
	To Building A/c	4,000			
	To Balanced c/d	2,78,400			
		4,09,200			4,09,200

Balance Sheet of Delhi Branch as on Sept. 30,20X1

Liabilities	Rs.	Assets	Rs.
Creditors Balances	26,800	Debtors Balances	2,72,000
Head Office Account	2,78,400	Salary Advance	2,000
		Prepaid Insurance	1,600
		Building Extension A/c transferred to H.O.	—
		Cash in Hand	1,600

		Cash at Bank	28,000
	3,05,200		3,05,200

Cash and Bank Account

		Rs.			Rs.
To	Balance b/d	8,000	By	Wages	20,000
To	Collection from Debtors	1,60,000	By	Salaries	6,400
			By	Insurance	3,200
			By	General Exp.	1,600
			By	H.O. A/c	38,400
			By	Manager's Salary	4,800
			By	Creditors	60,000
			By	Building A/c	4,000
			By	Balance c/d	
			By	Cash in Hand 1,600	
			By	Cash at Bank 28,000	29,600
		1,68,000			1,68,000

Debtors Account

		Rs.			Rs.
To	Balance b/d	2,00,000	By	Cash Collection	1,60,000
To	Sales	2,40,000	By	Discount (allowed)	8,000
			By	Balance c/d	2,72,000
		4,40,000			4,40,000
To	Balance b/d	2,72,000			

Creditors Account

		Rs.			Rs.
To	Cash	60,000	By	Balance b/d	40,000
To	Discount (earned)	1,200	By	Purchases	48,000
To	Balance c/d	26,800			
		88,000			88,000
			By	Balance b/d	26,800

Q.BRN.SM.507(B):

The following Trial balances as at 31st December, 20X1 have been extracted from the books of Major Ltd. and its branch at a stage where the only adjustments requiring to be made prior to the preparation of a Balance Sheet for the undertaking as a whole.



	Head Office		Branch	
	Dr.	Cr.	Dr.	Cr.
	Rs.	Rs.	Rs.	Rs.
Share Capital		1,50,000		
Fixed Assets	75,125		18,901	
Current Assets	1,21,809		23,715	(Note 3)
Current Liabilities		34,567		9,721
Stock Reserve, 1st Jan., 20X1 (Note 2)		693		
Revenue Account		43,210		10,250
Branch Account	31,536			
Head Office Account				22,645

	2,28,470	2,28,470	42,616	42,616
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You are required to record the following in the appropriate ledger accounts in both sets of books:

Notes:

1. Goods transferred from Head Office to the Branch are invoiced at cost plus 10% and both Revenue Accounts have been prepared on the basis of the prices charged.
2. Relating to the Head Office goods held by the Branch on 1st January, 20X1.
3. Includes goods received from Head Office at invoice price Rs.4,565.
4. Goods invoiced by Head Office to Branch at Rs. 3,641 were in transit at 31st December, 20X1, as was also a remittance of Rs. 3,500 from the Branch.
5. At 31st December, 20X1, the following transactions were reflected in the Head Office books but unrecorded in the Branch books.

The purchase price of lorry, Rs. 2,500, which reached the Branch on December 25th; a sum received on December 30, 20X1 from one of the Branch debtors, Rs. 750.

SOLUTION

H.O. Books

Branch Account

20X1			Rs.	20X1			Rs.
Dec. 31	To	Balance b/d	31,536	Dec. 31	By	Cash in transit	3,500
					By	Balance C/d	28,036
			31,536				31,536

Cash in transit Account

20X1			Rs.	20X1			Rs.
Dec. 31	To	Branch A/c	3,500	Dec. 31	By	Balance c/d	3,500

Stock Reserve Account

20X1			Rs.	20X1			Rs.
Dec. 31	To	Balance c/d (4,565 + 3,641) x 10 / 110	746	Jan. 1	By	Balance c/d	693
						By Revenue A/c (b.f.)	53
			746				746

Revenue Account

20X1			Rs.	20X1			Rs.
Dec. 31	To	Stock Reserve	53	Dec. 31	By	Balance b/d	43,210
		Balance c/d	43,157				
			43,210				43,210

Branch Books Head Office Account

20X1			Rs.	20X1			Rs.
Dec. 31	To	Current Assets	750	Dec. 31	By	Balance b/d	22,645
		(Debtors) Balance c/d	28,036			By Goods in transit	3,641
						By Motor Vehicle	2,500
			28,786				28,786

Goods in Transit Account

20X1			Rs.	20X1			Rs.
Dec. 31	To	Head Office	3,641	Dec. 31	By	Balance c/d	3,641



Motor Vehicle Account

20X1		Rs.	20X1		Rs.
Dec. 31	To Head Office	2,500	Dec. 31	By Balance c/d	2,500

Sundry Current Assets A/c

20X1		Rs.	20X1		Rs.
Dec. 31	To Balance b/d	23,715	Dec. 31	By H.O. (Remittance by Debtor)	750
				By Balance c/d	22,965
		23,715			23,715

SERIES 600

Foreign Branch

Q.BRN.SM.601(B): (MTP May'18, Nov'18, May'19)

On 31st December, 20X2 the following balances appeared in the books of Chennai Branch of an English firm having its HO office in New York:



	Amount in Rs.	Amount in Rs.
Stock on 1st Jan., 20X2	2,34,000	
Purchases and Sales	15,62,500	23,43,750
Debtors and Creditors	7,65,000	5,10,000
Bills Receivable and Payable	2,04,000	1,78,500
Salaries and Wages	1,00,000	-
Rent, Rates and Taxes	1,06,250	-
Furniture	91,000	-
Bank A/c	5,68,650	
New York Account	-	5,99,150
	36,31,400	36,31,400

Stock on 31st December, 20X2 was Rs. 6,37,500.

Branch account in New York books showed a debit balance of \$13,400 on 31st December, 20X2 and Furniture appeared in the Head Office books at \$ 1,750.

The rate of exchange for 1 \$ on 31st December, 20X1 was Rs. 52 and on 31st December, 20X2 was Rs. 51. The average rate for the year was Rs.50.

Prepare in the Head Office books the Profit and Loss a/c and the Balance Sheet of the Branch assuming integral foreign operation.

SOLUTION

**In the books of English Firm (Head Office in New York)
Chennai Branch Profit and Loss Account
for the year ended 31st December, 20X2**

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

To Net Profit c/d	17,500		
	23,625		23,625

**Balance Sheet of Chennai Branch
as on 31st December, 20X2**

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

Working Note:

Calculation of Exchange Translation Loss

Chennai Branch Trial Balance (converted in \$) as on 31st December, 20X2

	Dr.	Cr.	Conversion	Dr.	Cr.
	Rs.	Rs.	Rate	(\$)	(\$)
Stock on 1 st Jan., 20X2	2,34,000		52	4,500	
Purchases & Sales	15,62,500	23,43,750	50	31,250	46,875
Debtors & creditors	7,65,000	5,10,000	51	15,000	10,000
Bills Receivable and Bills Payable	2,04,000	1,78,500	51	4,000	3,500
Salaries and wages	1,00,000		50	2,000	
Rent, Rates and Taxes	1,06,250		50	2,125	
Furniture	91,000			1,750	
Bank A/c	5,68,650		51	11,150	
New York Account		5,99,150			13,400
Exchange translation loss (bal. fig.)				2,000	
	36,31,400	36,31,400		73,775	73,775

Q.BRN.SM.602(B):

M/s Carlin has head office at New York (U.S.A.) and branch at Mumbai (India). Mumbai branch is an integral foreign operation of Carlin & Co. Mumbai branch furnishes you with its trial balance as on 31st March, 20X2 and the additional information given thereafter:



	Dr.	Cr.
	Rupees in thousands	
Stock on 1st April, 20X1	300	-
Purchases and sales	800	1,200
Sundry Debtors and creditors	400	300
Bills of exchange	120	240
Wages and salaries	560	-
Rent, rates and taxes	360	-
Sundry charges	160	-
Computers	240	
Bank balance	420	-
New York office a/c	-	1,620
	3,360	3,360

Additional information:

- (a) Computers were acquired from a remittance of US \$ 6,000 received from New York head office and paid to the suppliers. Depreciate computers at 60% for the year.
- (b) Unsold stock of Mumbai branch was worth Rs. 4,20,000 on 31st March, 20X2.
- (c) The rates of exchange may be taken as follows:
 - on 1.4.20X1 @ Rs. 40 per US\$
 - on 31.3.20X2 @ Rs. 42 per US\$
 - average exchange rate for the year @ Rs. 41 per US\$
 - conversion in \$ shall be made up to two decimal accuracy.

You are asked to prepare in US dollars the revenue statement for the year ended 31st March, 20X2 and the balance sheet as on that date of Mumbai branch as would appear in the books of New York head office of Carlin & Co. You are informed that Mumbai branch account showed a debit balance of US \$ 39609.18 on 31.3.20X2 in New York books and there were no item spend in reconciliation.

SOLUTION

M/s Carlin

Mumbai Branch Trial Balance in (US \$) as on 31st March, 20X2

	Conversion rate per US \$ (Rs.)	Dr. US \$	Cr. US \$
Stock on 1.4.X1	40	7,500.00	–
Purchases and sales	41	19,512.20	29,268.29
Sundry debtors and creditors	42	9,523.81	7,142.86
Bills of exchange	42	2,857.14	5,714.29
Wages and salaries	41	13,658.54	–
Rent, rates and taxes	41	8,780.49	–
Sundry charges	41	3,902.44	–
Computers	–	6,000.00	–
Bank balance	42	10,000.00	–
New York office A/c	–	–	39,609.18
		81,734.62	81,734.62

**Trading and Profit & Loss Account for
the year ended 31st March, 20X2**

	US \$		US \$
To Opening Stock	7,500.00	By Sales	29,268.29
To Purchases	19,512.20	By Closing stock (4,20,000/42)	10,000.00
To Wages and salaries	13,658.54	By Gross Loss c/d	1,402.45
	40,670.74		40,670.74
To Gross Loss b/d	1,402.45	By Net Loss	17,685.38
To Rent, rates and taxes	8,780.49		
To Sundry charges	3,902.44		
To Depreciation on computers (US \$ 6,000 × 0.6)	3,600.00		
	17,685.38		17,685.38

**Balance Sheet of Mumbai Branch
as on 31st March, 20X2**

Liabilities		US \$	Assets	US \$	US \$
New York Office A/c	39,609.18		Computers	6,000.00	
Less: Net Loss	(17,685.38)	21,923.80	Less: Depreciation	(3,600.00)	2,400.00
Sundry creditors		7,142.86	Closing stock		10,000.00
Bills payable		5,714.29	Sundry debtors		9,523.81
			Bank balance		10,000.00
			Bills receivable		2,857.14
		34,780.95			34,780.95

Q.BRN.RMP.603(B): (MTP May'21 & Nov'22)

Moon Star has a branch at Virginia (USA). The Branch is non-integral for operation of the Moon Star. The trail balance of the Branch as at 31st March, 2020 is as follows:



Particulars	US \$	
	Dr.	Cr.
Office equipment's	48,000	
Furniture and Fixtures	3,200	
Stock (April 1, 2019)	22,400	
Purchase	96,000	
Sales	---	1,66,400
Goods sent from H.O	32,000	
Salaries	3,200	
Carriage inwards	400	
Rent, Rates & Taxes	800	
Insurance	400	
Trade Expenses	400	
Head Office Account	---	45,600
Sundry Debtors	9,600	
Sundry Creditors	---	6,800
Cash at Bank	2,000	
Cash in Hand	400	
	2,18,800	2,18,800

The following further information is given:

- (1) Salaries outstanding \$ 400.
- (2) Depreciate office equipment and furniture & Fixture @ 10% p.a. at written down value.
- (3) The Head Office sent goods to Branch for Rs. 15,80,000
- (4) The Head Office shows an amount of Rs. 20,50,000 due from Branch.
- (5) Stock on 31st March, 2020 -\$21,500.
- (6) There were no transit items either at the start or at the end of the year.
- (7) On April 1, 2018 when the fixed assets were purchased the rate of exchange was Rs. 43 to one \$. On April 1, 2019, the rate was 47 per\$. On March 31, 2020 the rate was Rs. 50 per \$. Average rate during the year Rs. 45 to one \$.

Prepare Trail balance incorporating adjustments given converting dollars into rupees and Trading, Profit and LOSS Account for the year ended 31st March, 2020 of the Branch as would appear in the books of Moon Star for the purpose of incorporating in the main Balance Sheet.

SOLUTION

In the books of Moon Star

Trial Balance (in Rupees) of Virginia (USA) Branch as on 31st March, 2022



ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCHES

	Dr.	Cr.	Conversion	Dr.	Cr.
	US \$	US \$	rate	Rs.	Rs.
Office Equipment	43,200		50	21,60,000	
Depreciation on Office Equipment	4,800		50	2,40,000	
Furniture and fixtures	2,880		50	1,44,000	
Depreciation on furniture and fixtures	320		50	16,000	
Stock (1st April, 2021)	22,400		47	10,52,800	
Purchases	96,000		45	43,20,000	
Sales		1,66,400	45		74,88,000
Goods sent from H.O.	32,000			15,80,000	
Carriage inward	400		45	18,000	
Salaries (3,200+400)	3,600		45	1,62,000	
Outstanding salaries		400	50		20,000
Rent, rates and taxes	800		45	36,000	
Insurance	400		45	18,000	
Trade expenses	400		45	18,000	
Head Office A/c		45,600			20,50,000
Trade debtors	9,600		50	4,80,000	
Trade creditors		6,800	50		3,40,000
Cash at bank	2,000		50	1,00,000	
Cash in hand	400		50	20,000	
Exchange gain (bal. fig.)					4,66,800
	2,19,200	2,19,200		1,03,64,800	1,03,64,800

Trading and Profit and Loss Account of Virginia Branch for the year ended 31st March, 2022

	Rs.		Rs.
To Opening stock	10,52,800	By Sales	74,88,000
To Purchases	43,20,000	By Closing stock	10,75,000
To Goods from Head Office	15,80,000	(21,500 US \$ × 50)	
To Carriage inward	18,000		
To Gross profit c/d	15,92,200		
	85,63,000		85,63,000
To Salaries	1,62,000	By Gross profit b/d	15,92,200
To Rent, rates and taxes	36,000		
To Insurance	18,000		
To Trade expenses	18,000		
To Depreciation on office equipment	2,40,000		
To Depreciation on furniture and fixtures	16,000		
To Net Profit c/d	11,02,200		
	15,92,200		15,92,200