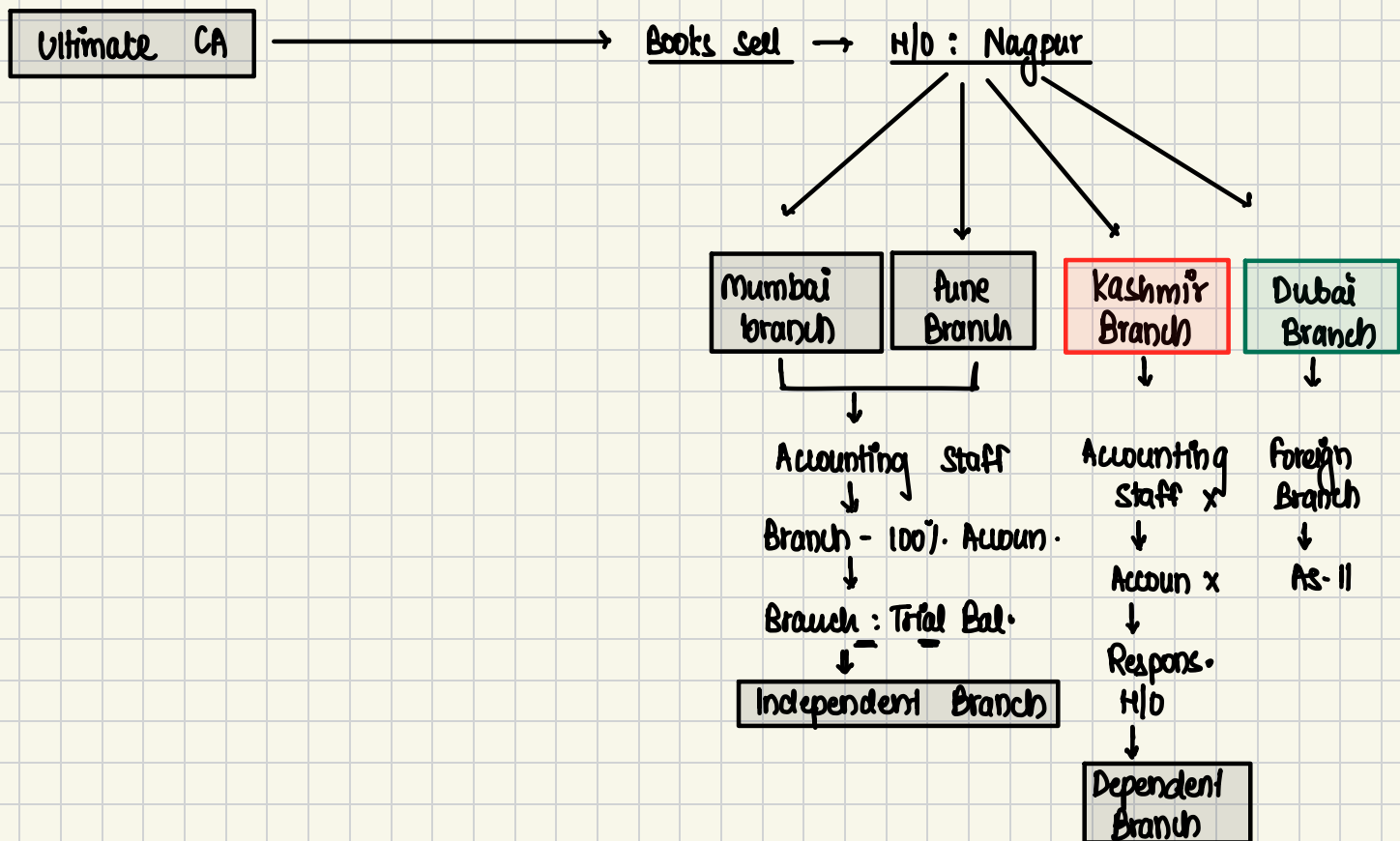




DEPENDENT BRANCH

Accounting ⇒ by H/O

Debtor Method

- * H/O will maintain only 1 account of the branch i.e. Branch a/c.
- * Branch is treated as a debtor of the H/O.
- * This means branch a/c will be treated under personal a/c classification.
- * The opening receivable will be shown on Debit side, the goods/assets supplied will be shown on Debit side.
- * The cash/assets received from branch will be credited to branch a/c and also the closing receivable will be shown on credit side.
- * Unlike other personal a/c's, branch account will also reflect the net profit of the branch.
- * In this account only the transaction between H/O and branch are recorded. Other transac. of the branch are not recorded in Branch a/c.
- * In branch a/c, goods sent to branch, goods returned by branch, opening stk of goods, closing stock of goods are recorded at cost price only not at invoice price.

Stock Debtor Method

- * H/O will do complete accounting of the branch.
- * All transactions of the branch will be recorded by H/O.
- * H/O will maintain the following a/c's in its books for this purpose:
 - a) Branch Stock a/c (trading a/c)
 - b) Goods sent to branch a/c (H/O trading)
 - c) Branch Debtors a/c
 - d) Branch Cash a/c
 - e) Branch Expenses a/c
 - f) Branch P&L a/c
- * All of these accounts related to the branch will be maintained in H/O books.
- * This means H/O books will now show accounting of H/O as well as the branch.

H/o accounting

Trading ac

1.

Cash ac

Debtors ac

H/o Books

Branch accounting

Branch Trading ac

1.

Branch Cash ac

Branch Debtors

Branch Expenses

Branch P&L ac

Transactions

- 1) Goods sent by H/o to the Branch. (cost)

Branch Trading a/c Dr. (Stock)
To Trading a/c (H/o) → GSTB

- 2) Goods returned by Branch to H/o (cost)

Trading a/c Dr. → GSTB
To Branch Trading a/c (Stock)

- 3) Cash sent to Branch by H/o

Branch Cash Dr.
To (H/o) Cash

- 4) Cash sent by Branch to H/o

Cash a/c Dr.
To Branch Cash a/c

- 5) Branch expenses met by branch

Branch expenses a/c Dr.
To Branch cash a/c

- 6) Branch expenses met by H/o

Branch expenses a/c Dr.
To cash a/c

- 7) Goods sold by branch on credit

Branch Debtors a/c Dr.
To Branch Trading (Stock)

- 8) Goods sold by branch for cash

Branch Cash a/c Dr.
To Branch Trading a/c (Stock)

- 9) Branch received cash from debtors

Branch Cash a/c Dr.
To Branch Debtors a/c

- 10) Branch allowed discount to its debtors

Branch Expenses a/c Dr.
To Branch Debtors a/c

- 11) Baddebt recovered from Branch Debtors

Branch cash a/c Dr.
To Branch expenses/P&L a/c

G-Sales

B-D.

B-D-R.

Debtors Dr.
To Sales

B-D (P&L) Dr.
To Debtors

Cash Dr.
B-D-R (P&L)

- 12) Branch expenses transferred to Branch P&L

Branch P&L a/c Dr.
To Branch expenses a/c

*) All the above transactions are done keeping in mind the fact that goods are transferred by H/o to branch at cost.

<u>H/o</u>	→	<u>Branch</u>
<u>Cost</u>	→	<u>Cost</u>
100		100

<u>H/o</u>	→	<u>Branch</u>
<u>Cost</u>	→	<u>Cost</u> <u>SP</u>
100	→	100 105
		└───┬───┘
		P = 5

<u>Cost</u>	→ <u>Loading</u> →	<u>Invoice Price</u> <u>SP</u>
100	45	145 150
	└───┘	└───┘
	P = 45	P = 5

Transactions

1) Goods sent by H/O to the Branch. (invoice)				H/O Cost	loading	Branch Invoice Price
Branch Trading	Dr.	145		100	45	145
To Trading		100				
To Branch adjustment (profit)		45				

2) Goods returned by Branch to H/O (invoice)				Cost 100	loading 45	Invoice Price 145
Trading a/c	Dr.	100				
Branch adjustment	Dr.	45				
To Branch Trading		145				

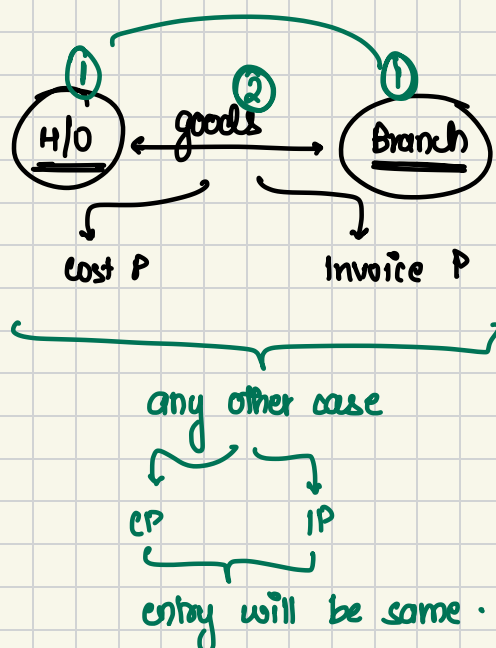
* If goods are transferred by H/O to Branch at Invoice Price, the above two transactions will be recorded.

* The difference in journal entries will be seen when both the below mentioned criteria are satisfied :-

- Transaction is between H/O and branch.
- Transaction is for transfer of goods.

If the transaction does not involve both H/O and branch there will be no difference in Journal Entry between cost price and invoice price.

⊛ transfer of goods between



Treatment of unrealised profit on closing stock with branch

Goods are transferred by H/O to branch at

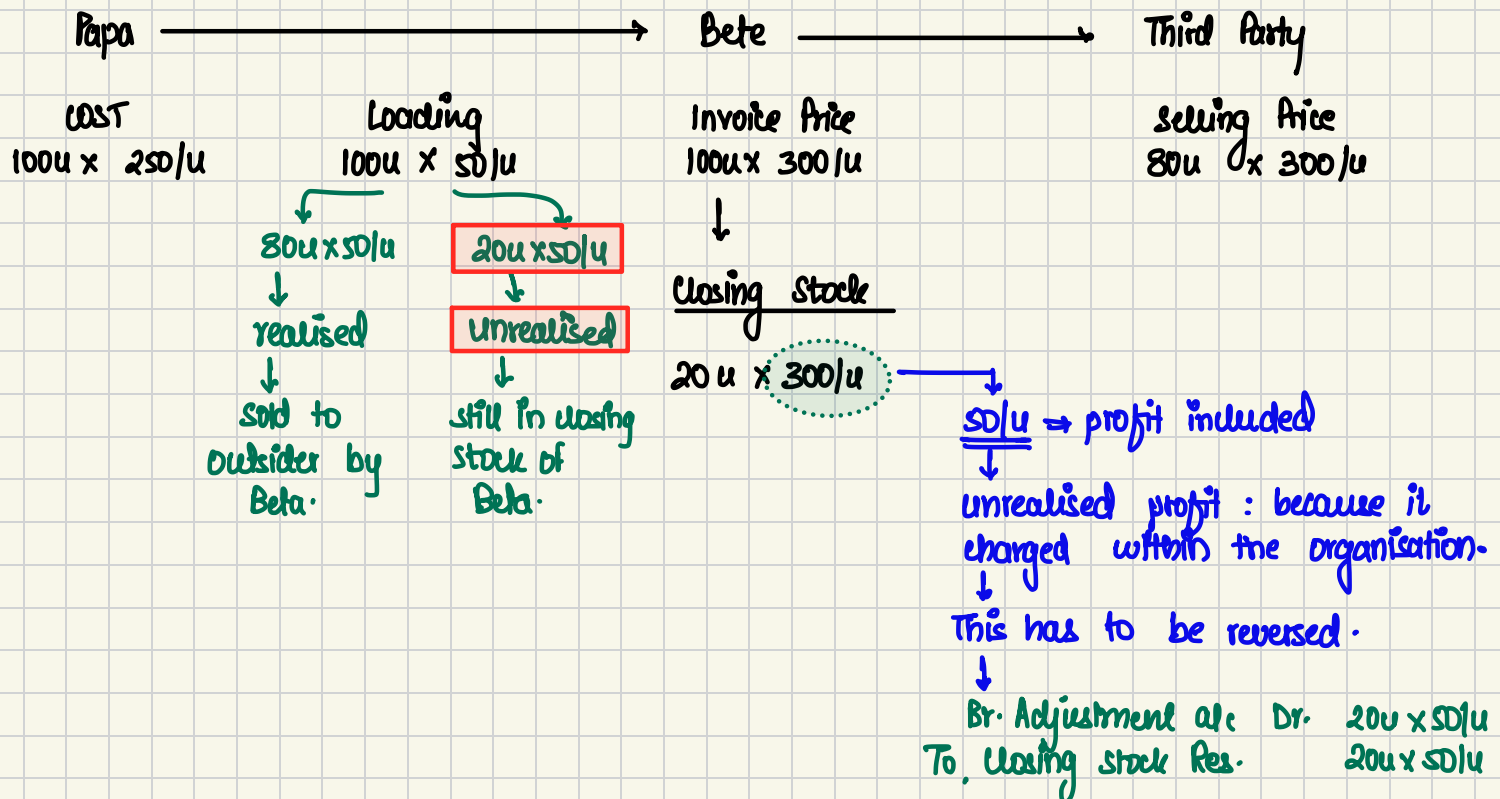
↓
Cost Price
↓

There is no unrealised profit

↓
Invoice Price
↓

The closing stock left with branch reflects unrealised profit.

↓
Such unrealised profit will have to be reversed.



DEBTOR'S METHOD

H/O Books
Branch A/c
(Personal account)

Opening balances

Building
furniture
Stock (c)
Cash
Debtors

To, GSTB (c)
To, Cash

Opening payable

Creditors
Salary o/s
Rent o/s

By, GSTB (c)
By, Cash → SP

Using payable

Creditors
Salary o/s
Rent o/s

Net Profit of Branch
(SP - C)

H/o → Branch = 100

Branch a/c Dr. 100

Using Receivable

Building
furniture
Stock (C)
Cash
Debtors

Branch → Third Party = 150

Branch a/c Cr. 150

$$\underline{C} + \underline{L} = \underline{IP} + P = \underline{SP}$$

Part of NP

NP

WIN : Branch stock a/c
Branch debtors a/c
Branch cash a/c

Independent Branch

JE

Reconcile

Inter Branch
Transaction
adjustment

Incorporating
Branch Trial
Balance

Branch T.B.

A L I E		

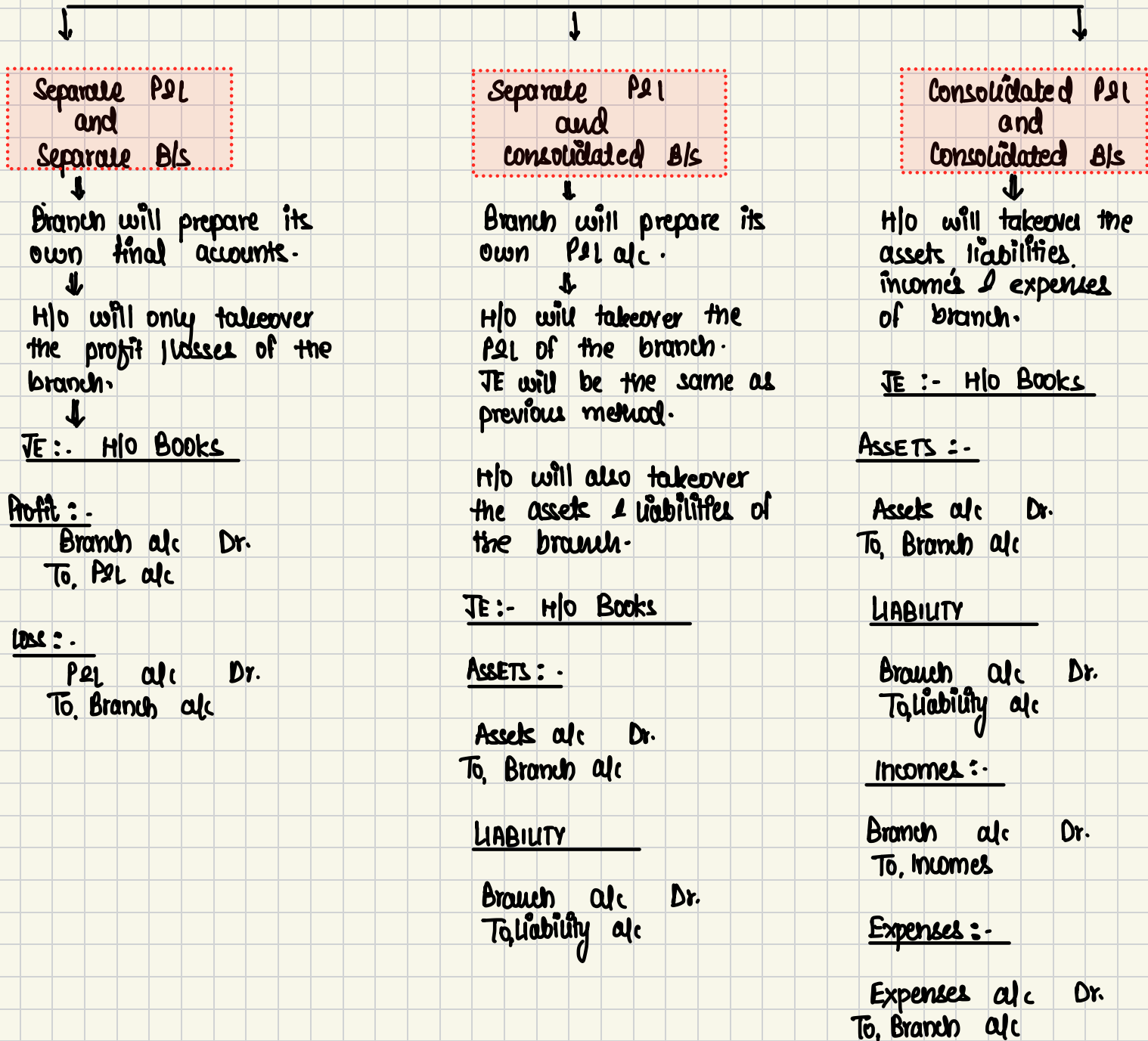
H/o T.B.

Final accounts

Final Accounts

P&L

Incorporating Branch balances with H/O





DEPENDENT BRANCH: STOCK DEBTOR METHOD

Question 1 ICAI SM → Old

Concept, with its Head Office at Mumbai has a branch at Nagpur. Goods are invoiced to the Branch at cost plus 33-1/3%. (IP) H/O → Branch : Goods
The following information is given in respect of the branch for the year ended 31st March, 2013:

✓ Goods sent to Branch (Invoice price)	₹ 4,80,000
✓ Stock at Branch on 1.4.2012 (Invoice price)	24,000
✓ Cash sales	1,80,000
✓ Return of goods by customers to the Branch	6,000
✓ Branch expenses (paid in cash)	53,500
✓ Branch debtors balance on 1.4.2012	30,000
✓ Discount allowed	1,000
✓ Bad debts	1,500
✓ Collection from Debtors	2,70,000
✓ Branch debtors cheques returned dishonoured	5,000
✓ Stock at Branch on 31.3.2013 (Invoice price)	48,000
✓ Branch debtors balance on 31.3.2013	36,500

Prepare, under the Stock and Debtors system, the following Ledger Accounts in the books of the Head Office:

- Nagpur Branch Stock Account
- Nagpur Branch Debtors Account
- Nagpur Branch Adjustment Account.

Also compute shortage of Stock at Branch, if any.

Question 2

Neo with headquarters at Mumbai, maintains a branch at Goa. Goods are invoiced at cost plus 25%. In respect of Goa branch, the following information pertaining to the year ended 31st March, 2013 are made available to you:

✓ Goods sent to Branch (at Invoice price)	₹ 6,75,000
✓ Goods returned by branch during the year (at Invoice price)	24,000
✓ Cash sales effected by branch	1,85,000
✓ Discount allowed to customers	2,500
✓ Amount received from branch debtors	3,25,000
✓ Cheques of customers which got dishonoured	8,000
✓ Branch expenses met in cash	72,500
✓ Sales return at Goa branch	10,000
✓ Bad debts	5,500

Student
Notes



Question 2:-

Branch Stock a/c

Opening Stock (IP)	150000	By. branch adjustment	4800
To. Branch adjustment	135000	By. GISTB	19200
To. GISTB	540000	By. branch cash	185000
To. Branch debtors	10000	By. Branch debtors	390000
		Closing Stock (IP)	236000

Branch Debtors a/c

opening balance	50000	By. branch P&L (discount)	2500
To. Bank	8000	By. branch cash	325000
		By. branch stock	10000
To. Branch stock (bal.)	390000	By. branch P&L (bad debts)	5500
		Closing balance	105000

Branch Adjustment a/c

To. branch stock	4800	By. balance b/d	30000
To. branch P&L (gross profit) (bal.)	113000	By. branch stock	135000
To. balance c/d	47200		

Branch P&L a/c

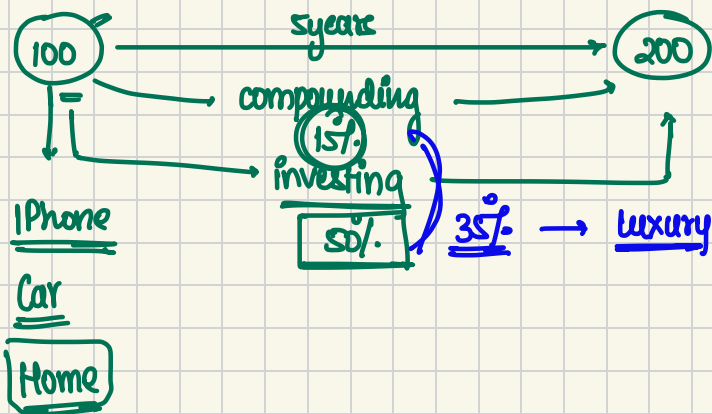
To. branch debtors (discount)	2500	By. branch adjustment	113000
To. branch cash	125000		
To. branch debtors (bad debts)	5500		
To. P&L a/c (Net profit) (bal.)	32500		

GISTB a/c

To. branch stock	19200	By. branch stock	540000
To. Trading a/c (bal.)	520800		

Working Notes :-

<u>Cost</u>	<u>Loading</u>	<u>Invoice Price</u>	
100	25	125	
540000	135000	675000	
19200	4800	24000	
	30000	150000	
	47200	236000	
			Branch Stock Dr. 675000 To GISTB 540000 To Br. adj 135000
			GISTB Br. adj To Br. Stock
			Dr. 19200 Dr. 4800 24000





ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCH

Student
Notes

	On 31st March, 2013	On 31st March, 2012
✓ Branch debtors	1,05,000	50,000
✓ Stock at branch (at Invoice price)	2,36,000	1,50,000

Adopting the Stock and debtors system, you are required to prepare the following Ledger accounts, as appearing in the books of the Head Office:

- Goa branch debtors account;
- Goa branch adjustment account;
- Goa branch profit and loss account.

Question 3

Ram of Chennai has a branch at Nagpur to which office, goods are invoiced at cost plus 25%. The branch makes sales 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 at Nagpur.

From the following details, relating to the year 2013, prepare the accounts in Head Office Ledger and ascertain Branch Profit as per stock and debtors method.

Branch does not maintain any books of accounts, but sends weekly returns to head office:

	₹
✓ Goods received from head office at invoice price	1,20,000
✓ Returns to head office at invoice price	2,400
✓ Stock at Nagpur branch on 1.1.2013 at invoice price	12,000
✓ Sales during the year – Cash	40,000
✓ Credit	72,000
✓ Debtors at Nagpur branch as on 1.1.2013	14,400
✓ Cash received from debtors	64,000
✓ Discounts allowed to debtors	1,200
✓ Bad debts during the year	800
✓ Sales returns at Nagpur branch	1,600
✓ Salaries and wages at branch	12,000
✓ Rent, rates and taxes at branch	3,600
✓ Office expenses at Nagpur branch	1,200
✓ Stock at branch on 31.12.2013 at invoice price	24,000



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Question 3: -

$$\underline{C} + L = \underline{IP} - P \rightarrow SP$$

Branch

Branch stock a/c

Opening stock (IP)	12000	By. branch adjustment	480
To. branch adjustment	24000	By. GSTB	1920
To. GSTB	96000	By. branch cash	40000
To. branch debtors	1600	By. branch debtors	72000
To. branch adjustment (bal.)	4800		
		Closing stock (IP)	24000

Branch Debtors a/c

Opening balance	14400	By. branch cash	64000
To. branch stock	72000	By. branch P&L (discount)	1200
		By. branch P&L (baddebts)	800
		By. branch stock	1600
		By. balance c/d.	18800

Branch Cash a/c

Opening bal	0	By. branch P&L	12000
To. branch stock	40000	By. branch P&L	3600
To. branch debtor	64000	By. branch P&L	1200
		By. bank (H/O)	104000
		Closing balance	0

Branch adjustment a/c

To. branch stock	480	By. balance b/d	2400
To. branch P&L (bal.) (gross profit)	25920	By. branch stock	24000
To. balance c/d	4800	By. branch stock	4800

Branch P&L a/c

To. branch debtors (discount)	1200	By. branch adjustment	25920
To. branch debtors (baddebt)	800		
H/O To. branch cash (salary/wages)	12000		
H/O To. " (rent/taxes)	3600		
H/O To. " (office exp)	1200		
To. P&L (bal.) (net profit)	7120		

GSTB alc

To, branch stock

1920

By, branch stock

96000

To, Trading (bal.)

94080

Working Notes :-

Cost

100

96000
1920

Loading

25

24000
480
2400
4800

Invoice Price

125

120000
2400
12000
24000

Branch Stock

To, GSTB
To, Br. adj

Dr. 120000
96000
24000

GSTB
Br. adj
To, Br. Stock

Dr. 1920
Dr. 480
2400

In the books of H/o

Question 12 -

Branch Stock a/c

Opening stock (IP)	24000	By. branch cash	180000
To branch adjustment	120000	By. branch debtors	280000
To GSTB	360000	By. branch P&L	1500
To branch debtors	6000	By. branch adjustment	500
		Closing stock (IP)	48000

Branch Debtors. a/c

To balance b/d	30000	By. branch stock	6000
To bank	5000	By. branch P&L (discount)	1000
		By. branch P&L (bad debts)	1500
To branch stock	280000	By. branch cash	210000
		By. balance c/d	36500

Branch P&L a/c

To branch cash	53500	By. branch adjustment	113500
To branch debtors	1000		
To branch debtors	1500		
To branch stock	1500		
To (Net Profit) P&L a/c	5000		

Br. Adjustment a/c (unrealized profit)

To branch stock	500	By. balance b/d	6000
To (Gross Profit) Branch P&L	113500	By. branch stock	120000
To balance c/d	12000		

Goods sent to Branch a/c

To Trading (H/o)	360000	By. branch stock	360000
------------------	--------	------------------	--------

working Notes :-

→ unrealised profit

<u>Cost</u>	<u>Loading</u>	<u>Invoice Price</u>
100	33.33	133.33
360000	120000	480000
18000	6000	24000
36000	12000	48000
1500	<u>500</u>	<u>2000</u>
	113500	154000

→	Branch Stock Dr.	480000
	To, GISTB	360000
	To, br. adjustment	120000
	Branch P&L	Dr. 1500
	Branch adj	Dr. 500
	Br. Stock	Cr. 2000



Question 4

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, 2011:

		₹	
✓ Cost of goods sent to Branch at cost		2,00,000	24,000 =
✓ 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 or Loss of the Branch for the year ended 31st December, 2011.



Question 4:-

Branch Stock a/c

Opening Stock (IP)	30000		
To, branch adjustment	40000	By, branch adjustment	3333
To, GSTB	200000	By, GSTB	16667
		By, branch debtors	165000
		By, branch cash	59000
To, branch adjustment	2000	Closing Stock (IP)	28000

Branch Debtors a/c

To, balance c/d	32750		
To, branch stock	165000	By, branch P&L (bad debts)	750
		By, branch cash (bal.)	171000
		By, balance c/d	26000

Branch Cash a/c

To, balance b/d	5000		
To, branch stock	59000	By, cash	222500
To, branch debtors	171000	By, branch P&L (bal.)	10000
		By, balance c/d	2500

Branch adjustment a/c

To, branch stock	3333	By, balance c/d	5000
To, br. ad (gross profit) (bal.)	39000	By, branch stock	40000
To, balance c/d	4667	By, branch stock	2000

Branch P&L a/c

To, branch cash	10000	By, branch adjustment	39000
To, cash (H/O)	12000		
To, branch debtors	750		
To, P&L (net profit) (bal.)	16250		

GSTB a/c

To, branch stock	16667	By. branch stock	200000
To, Trading (bal.)	183333		

Working Notes :-

<u>Cost</u>	<u>loading</u>	<u>Invoice Price</u>			
100	20	120			
200000	40000	240000		→	Branch stock Dr. 240000
16667	3333	20000			To. GSTB 200000
25000	5000	30000			To. Br. adj 40000
	4667	28000		↘	
					GSTB Dr. 16667
					Br. Adj Dr. 3333
					Branch Stock Cr. 20000
					↓
					Same as Goods return



ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCH

Question 5

From the following information, prepare **Madras Branch Account** in the books of head office for the year ending on 31st March 2018:

Particulars	Rs.	Particulars	Rs.
Opening Stock (at cost)	3,56,000	Closing Stock (at cost)	3,76,800
Opening Debtors	28,000	Closing Debtors	1,92,000
Opening Petty Cash	500	Closing Petty Cash	240
Furniture (in the beginning)	12,000	Furniture at the end	Rs.
Opening Creditors	12,000	Closing Creditors	12,000
Goods sent to Branch (at cost)	10,44,000	Cheques sent to Branch for Exp.	99,740
Goods returned by Branch to H.O. (at Cost)	17,200	Cash received from Debtors	12,78,000
Goods returned by Customers to Branch	13,800	Cash Sales	64,000

Depreciate the furniture @ 10% p.a.

Question 6

CA 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:

Particulars	Rs.	Particulars	Rs.
Opening Balances:		Bad Debts	1,000
Imprest Cash	2,000	Discount to Customers	2,000
Sundry Debtors	25,000	Remittances to H.O. (reed, by H.O.)	1,65,000
Stock: Transferred from H.O.	24,000	Remittances to H.O. (not reed, by H.O. so far)	5,000
Stock: Direct Purchases	16,000	Branch Exp. Directly paid by H.O.	30,000
Cash Sales	45,000	Closing Balances:	
Credit Sales	1,30,000	Stock: Direct Purchases	10,000
Direct Purchases Br. Dr.	45,000	Stock: Transfer from H.O.	15,000
Returns from Customers	3,000	Debtors	Rs.
Goods sent to branch from H.O.	60,000	Imprest Cash	Rs.
Transfer from H.O. for Petty Cash Expenses	4,000		

Student Notes



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H/O Books Branch a/c

Opening balance			
Imprest Cash ✓	2000		
Sundry Debtors ✓	25000		
Stock: Transferred by H/O ✓	24000		
Direct purchases ✓	16000		
To, cash (H/O) ✓	45000	By, cash (H/O)	45000 ✗
To, GSTB ✓	60000	By, remit by branch - recd by H/O	165000 ✓
To, cash (H/O) ✓	4000	" " " - not recd by H/O	5000 ✓
To, cash (H/O) ✓	30000	By, cash in transit	
		<u>Closing balances</u>	
		Stock: Direct purchase	10000 ✓
Net Profit (bal.)	60000 ✗	transfer by H/O	15000 ✓
	15000 ✓	Debtors	24000 ✓
		Imprest cash	2000 ✓

Knowledge

Br. Petty Cash a/c

Opening balance	2000	
To, cash (H/O)	4000	By, br. P&L
		Closing bal
		2000

Br. Debtors a/c ✓

Op-bal.	25000	By, cash (H/O)	125000
To, br-stock	130000	By, br-stock	3000
		By, br. P&L	1000
		By, br. P&L	2000
		Cl-bal.	24000

Cash remitted by branch to H/O = 170000
 less: cash sales = (45000)
 collection from debtors = 125000

→ Daily collection → Cash Sales = 45000
 CFD = ✗
 = ✗
125000

Question 5:-

In the books of H/o
Madras Branch A/c

Particulars	Amount	Particulars	Amount
<u>Opening balances</u>		<u>Opening balances</u>	
Stock (i)	356000	Creditors	12000
Debtors	28000		
Petty cash	500		
Furniture	12000		
To, GSTB (i)	1044000	By, GSTB (i)	17200
To, Bank	99740	By, cash	1342460
			1342000
<u>Closing balances</u>		<u>Closing balance</u>	
Creditors	12000	Stock (i)	376800
NP (bal.)	398800	Debtors	192000
		Petty cash	240
		Furniture	10800

Br. Petty Cash a/c

Op. bal.	✓ 500	By, br. P/L	260
To, Debtors	1278000	By, cash (H/o)	1342460
To, Sales (Stock)	64000	0 (cash remit)	0
		U. bal.	✓ 240

Cash a/c

Open. bal.	0	By, cash	1342000
To, debtors	1278000		
To, Sales	64000		
		U. bal.	0



ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCH

Student
Notes

Question 7

From the following information, prepare Delhi Branch Account in the books of head office for the year ending on 31st March 2018:

Particulars	Rs.	Particulars	Rs.
✓ Opening Stock (at cost)	1,78,000	Discount allowed to Customers <u>Debtors a/c</u>	500 x
✓ Opening Debtors	14,000	Bad Debts written off <u>Debtors a/c</u>	1,000 x
✓ Opening Petty Cash	250	Credit sales <u>Debtors a/c</u>	7,29,400 x
✓ Furniture (in the beginning)	6,000	Cash Sales <u>Cash a/c</u>	32,000 x
✓ Opening Creditors	6,000	Petty Expenses paid by Branch <u>P. Cash a/c</u>	8,000 x
ⓑ Goods sent to Branch (at Cost)	5,22,000	Cheques sent to Branch for exp.:	ⓑ
ⓑ Goods returned by Branch to H.O (at cost)	7,800	Salaries	30,000
x Goods returned by Customers to Branch <u>Debtors a/c</u>	5,700	Rent and Insurance	12,000
7 Cash received by Branch from its Customers <u>Debtors a/c</u>	6,11,000	Petty Cash <u>P. Cash a/c</u>	7,870

Goods are sold to customers at cost plus 50%. Depreciate the furniture @ 10% p.a.

Question 8

most important → ***

Widespread invoices goods to its branch at cost plus 20%. The branch sells goods for cash as well as on credit.

The branch meets its expenses out of cash collected from its debtors and cash sales and remits the balance of cash to head office after withholding ₹ 10,000 necessary for meeting immediate requirements of cash. On 31st March, 2012 the assets at the branch were as follows:

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

During the accounting year ended 31st March, 2013 the invoice price of goods dispatched by the head office to the branch amounted to ₹1 crore 32 lakhs.

Out of the goods received by it, the branch sent back to head office goods invoiced at ₹72,000.

Other transactions at the branch during the year were as follows:

Q6 : petty cash : explanation pending

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Question 8:.

In the books of H/O Branch a/c

Particulars	Amount	Particulars	Amount
<u>Opening balances</u>			
Cash	10000		
Debtors	384000		
stock (CP)	900000		
furniture	500000		
To, GISTB (CP)	1100000	By, GISTB	60000
To, bank	100000	By, cash	1170000
<u>Closing balance</u>		<u>Closing balances</u>	
expenses outstanding	6000	Cash	10000
		furniture	516000
		Debtors	485000
		Stock	1225000
<u>Net Profit (bal.)</u>	<u>1096000</u>		

Branch Cash a/c

Op. bal.	10000	By, br. P&L	842000
To, br. stock	970000		
To, br. debtors	2842000	By, cash	1170000
		(bal.)	
		Cl. bal.	10000

Trade Debtors a/c

Op. bal.	384000	By, br. cash	2842000
To, br. cash	3140000	By, br. P&L	58000
		By, br. stock	102000
		By, br. P&L	37000
		<u>Cl. bal. (bal.)</u>	<u>485000</u>

Br. stock a/c

Op. stock	900000	By, br. cash	970000
		By, br. debtors	3140000
To, GISTB	1100000	By, GISTB	60000
To, br. debtors	102000		
		<u>Closing stock (bal.)</u>	<u>1225000</u>
Gross Profit	2123000		

Br. furniture a/c

Op. bal.	500000	By, br. P&L	84000
To, bank	100000		
		<u>Cl. bal.</u>	<u>516000</u>

Cost loading Invoice Price

100	20	120	
900000		1080000	
1100000		13200000	
60000		72000	
	2123000	12738000	

ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCH

Student
Notes

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

On 1st January, 2013 the branch purchased new furniture for ₹ 1 lakh for which payment was made by head office through a cheque. → Bx

On 31st March, 2013 branch expenses amounting to ₹ 6,000 were outstanding and cash in hand was again ₹10,000.

Furniture is subject to depreciation @ 16% per annum on diminishing balance method.

Prepare **Branch Account** in the books of head office for the year ended 31st March, 2013

INDEPENDENT BRANCH

Question 9

On 31st March, 2013 Kanpur Branch submits the following Trial Balance to its Head Office at Lucknow :

Debit Balances	₹ in lacs
✓ Furniture and Equipment	✓ 18
✓ Depreciation on furniture	✓ 2
✓ Salaries	✓ 25
✓ Rent	✓ 10
✓ Advertising	✓ 6
✓ Telephone, Postage and Stationery	✓ 3
✓ Sundry Office Expenses	✓ 1
✓ Stock on 1st April, 2012	✓ 60
✓ Goods Received from Head Office	✓ 288
✓ Debtors	✓ 20
✓ Cash at bank and in hand	✓ 8
✓ Carriage Inwards	✓ 7
	448
Credit Balances	
✓ Outstanding Expenses	✓ 3
✓ Goods Returned to Head Office	✓ 5
✓ Sales	✓ 360
✓ Head Office	✓ 80
	448



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Additional Information:

- Stock on 31st March, 2013 was valued at ₹ 62 lacs.
- On 29th March, 2013 the Head Office despatched goods costing ₹ 10 lacs to its branch. Branch did not receive these goods before 1st April, 2013.
- ✕ Hence, the figure of goods received from Head Office does not include these goods.
- Also the head office has charged the branch ₹ 1 lac for centralised services for which the branch has not passed the entry.

You are required to:

- ✓ Pass Journal Entries in the books of the Branch to make the necessary adjustments
- ✓ Prepare Final Accounts of the Branch including Balance Sheet, and
- ✓ Pass Journal Entries in the books of the Head Office to incorporate the whole of the Branch Trial Balance.

Question 10

Show adjustment Journal entry in the books of Head Office at the end of April, 2013 for incorporation of inter-branch transactions assuming that only Head Office maintains different branch accounts in its books.

Delhi Branch:

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

Mumbai Branch (apart from the above):

- ✓ 1. Received goods from Kolkata – ₹ 15,000, Delhi – ₹ 20,000.
- ✓ 2. Cash sent to Delhi – ₹ 15,000, Kolkata – ₹ 7,000.

Chennai Branch (apart from the above):

1. Received goods from Kolkata – ₹ 30,000.
- ✓ 2. Acceptances and Cash sent to Kolkata – ₹ 20,000 and ₹ 10,000 respectively.

Kolkata Branch (apart from the above):

- ✓ 1. Sent goods to Chennai – ₹ 35,000.
2. Paid cash to Chennai – ₹ 15,000.
3. Acceptances sent to Chennai – ₹ 15,000.



Question 9 :-

Adjustment Entries

- 1) ✓ Closing Stock a/c Dr. 6200.000
✓ To Trading a/c 6200.000
- 2) ✓ Goods in Transit a/c Dr. 1000.000
✓ To Head Office a/c 1000.000
- 3) ✓ P&L (Centralised Services) Dr. 100.000
✓ To Head Office a/c 100.000

2) Final Accounts of Branch

Trading and P&L a/c f.t.y.e. 31.3.13

Opening Stock	6000.000	Sales	36000.000
Goods received from H/O	28800.000	Goods returned to H/O	500.000
Carriage Inwards	700.000	Closing Stock	6200.000
Gross Profit c/d	<u>7200.000</u>	Gross Profit b/d	<u>7200.000</u>
Depreciation	200.000		
Salary	2500.000		
Rent	1000.000		
Advertising	600.000		
Telephones	300.000		
Sundry Office Expenses	100.000		
Centralised Services	100.000		
Net Profit c/d	<u>2400.000</u>		

Balance Sheet as on 31.3.13

Head Office	8000.000	furniture & Equipment	1800.000
+ Goods in Transit	1000.000	Goods in Transit	1000.000
+ Centralised Services	100.000	Stock	6200.000
+ Net Profit	<u>2400.000</u>	Debtors	2000.000
Outstanding expenses	300.000	Cash at bank & in hand	800.000
	<u>11800.000</u>		<u>11800.000</u>

3) In the books of H/o

H/W

Opening Stock
Goods received from H/o
Carriage Inwards
Trading a/c (Gross Profit)
To, Sales
To, Goods returned to H/o
To, Closing Stock

Dr. 6000000
Dr. 28800000
Dr. 700000
Dr. 7200000
36000000
500000
6200000

Question 7:

In the books of H/O
Delhi Branch a/c

Particulars	Amount	Particulars	Amount
<u>Opening balances</u>		<u>Opening balances</u>	
Stock	178000	Creditors	6000
Debtors	14000		
Petty cash	250		
Furniture	6000		
To, GISTB	522000	By, GISTB	7800
To, Bank	49870	By, cash	637000
To, P&L (net profit) (bal.)	199800	<u>Closing balance</u>	
		furniture	5400
		stock	188400
		Debtor	125200
		Petty cash	120

Working Notes:-

Stock a/c (Trading)

Opening Stock	178000	Sales : Credit	729400
GISTB	522000	Cash	32000
Gross Profit	251900	- SR	(5100)
		GISTB	7800
		<u>Closing stock</u>	<u>188400</u>

Petty cash a/c

Op. bal.	250	By, Br. P&L	8000
To, bank	7870		
		<u>Closing bal.</u>	<u>120</u>

Debtors a/c

Op. bal.	14000	By, br. stock	5700
To, br. stock	729400	By, br. cash	611000
		By, br. P&L	500
		By, br. P&L	1000
		<u>Closing bal.</u>	<u>125200</u>

Branch cash a/c

To Br. debtors	611000	By, br. creditors	6000
To, br. stock	32000	By, cash	637000
		(H/O → Branch)	

Cost
100

Profit
50

Sales
150

2
= 251900

755700

NOTE:- It is assumed that creditors at the beginning are paid off during the year.

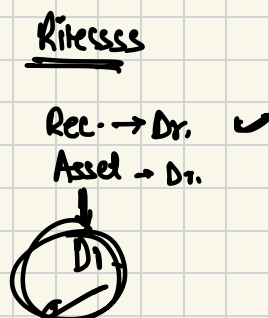
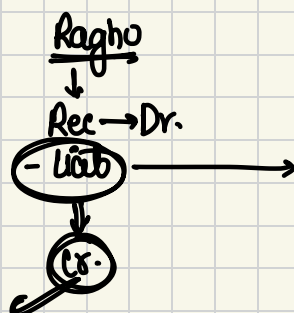
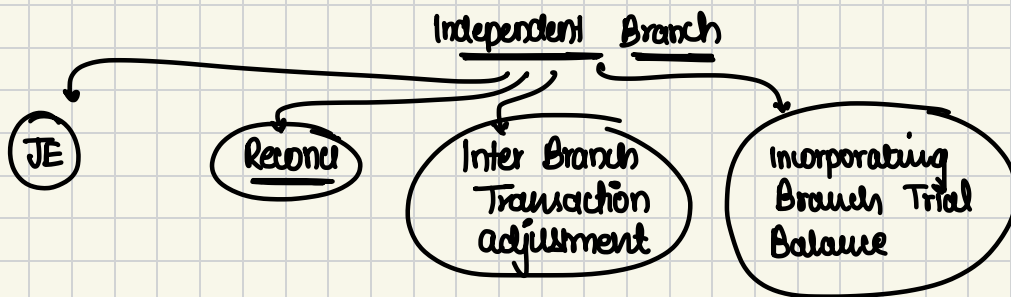
Question 10:-

Inter Branch Transactions

Particulars	Delhi	Mumbai	Chennai	Kolkata
<u>Delhi Branch</u>				
1. 5000 Dr.	5000 Dr.	3500 Cr.	-	1500 Cr.
2. 4500 Cr.	4500 Cr.	-	2500 Dr.	2000 Dr.
3. 2000 Dr.	2000 Dr.	-	2000 Cr.	-
4. 3500 Cr.	3500 Cr.	2500 Dr.	-	1000 Dr.
<u>Mumbai Branch</u>				
1. 2000 Cr.	2000 Cr.	3500 Dr.	-	1500 Cr.
2. 1500 Dr.	1500 Dr.	2500 Cr.	-	700 Dr.
<u>Chennai Branch</u>				
1. -	-	-	3000 Dr.	3000 Cr.
2. -	-	-	3000 Cr.	3000 Dr.
<u>Kolkata Branch</u>				
1. -	-	-	3500 Dr.	3500 Cr.
2. -	-	-	1500 Dr.	1500 Cr.
3. -	-	-	1500 Dr.	1500 Cr.
	<u>1500 Cr.</u>	<u>3000 Dr.</u>	<u>7000 Dr.</u>	<u>5800 Cr.</u>

H/o Books

Chennai Branch Dr. 7000
 Mumbai Branch Dr. 3000
 To Delhi Branch 1500
 To Kolkata Branch 5800





ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCH

Question 11

M/s Shah commenced business on 1.4.2012 with Head Office at Mumbai and a Branch at Chennai. Purchases were made exclusively by the Head Office, where the goods were processed before sale.

There was no loss or wastage in processing.

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

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

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

Following is the Trial Balance as on 31.3.2013.

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

Following further information is provided:

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

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

Student
Notes



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Question 11 :-

Trading and P/L at f.t.y.e. 31.3.13

Particulars	H/o	Branch	Particulars	H/o	Branch
Purchases	1969500	-	Sales	1280000	820000
Cost of processing	50500	-	Goods sent to branch	924000	-
Goods received from H/o	-	880000	Loss due to shortage	-	16000
Gross Profit	340000	164000	Closing stock : P	56000	208000
			(bal. fig.) UP	100000	-
Administrative expenses	139000	15000	Gross Profit b/d	340000	164000
Selling expenses	50000	6200			
Loss due to shortage	-	16000			
Unrealised Profit	24364				
Net Profit (bal. fig.)		126800			

Balance Sheet as on 31.3.13

Liabilities		Amount	Assets		Amount
Capital : Op-bal.	310000				
- Drawings	(5000)				
+ Branch net profit	126800				
+ H/o net profit					
Creditors : H/o	601400		Debtors :- H/o	309600	
Branch	10800		Branch	113600	
			Bank balance : H/o	152000	
			Branch	71500	
			Goods in Tran : Branch	44000	
			- unrealised pft	(4000)	
			Cash in Transit : H/o	84300	
			Closing stock : H/o : P	5000	
			UP	100000	

$$\begin{array}{c} \text{H/O} \\ \text{C} \end{array}$$

L

18909

4000

1455

24364

Branch

1P

1. CS

2 12

2-011

3. A.1

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
---	---	---	---	---	---	---	---	---	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	-----

= 208000

= 44000

= 16000

B:P

208000

- unrealised profit

(18909)

HW

Working Notes :-

H/o		Branch		Outsider
Cost	Loading	Invoice Price	Profit	Selling Price
100	10	110	27.5	137.5
	84000	924000	$x = 164000$	820000
	24364	268000		20000
		16000		

H/o		Outsider
Cost	Profit	Selling Price
100	25	125
	256000	1280000

H/o Books: Branch a/c	
Bal.	389800
By. cash IT	84300
	<u>305500</u>

Branch Books : H/o a/c	
Bal.	261500
By. GIT	44000
	<u>305500</u>

1) Branch Books :-

Goods in Transit a/c	Dr.	44000
To, H/o		44000

2) H/o Books :-

Cash in Transit a/c	Dr.	84300
To, Branch		84300

3) Branch Books :-

Loss due to shortage (121)	Dr.	20000	(SP)	16000
To, Trading		20000	(SP)	16000

4) H/o Books :-

Closing Stock (Unprocessed goods)	Dr.	100000
To, Trading		100000



ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCH

Question 12

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, 2013:

	Head Office (₹)	Branch (₹)
✓ Opening stock (as on 1.4.2012)	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, 2013.

Question 13

FOREIGN BRANCH

DM Delhi has a branch in London which is an integral foreign operation of DM. At the end of the year 31st March, 2011, the branch furnishes the following trial balance in U.K. Pound:

Particulars		£	£
		Dr	Cr
✓ Fixed assets (Acquired on 1st April, 2007)	HR 70	24,000	
✓ Stock as on 1st April, 2010	OR 76	11,200	
✓ Goods from head Office (H/O → Br.)	Ad. 4926,000	64,000	
✓ Expenses	AR 75	4,800	
✓ Debtors	M CR 77	4,800	
✓ Creditors	M CR		77 3,200
✓ Cash at bank	M CR 77	1,200	
✓ Head Office Account	Ad. 1720,000		22,800
✓ Purchases	AR 75	12,000	
✓ Sales	AR		75 96,000
		1,22,000	1,22,000

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

London Branch A/c

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

Student
Notes



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Question 13 :- Trial Balance of London Branch in Indian Rupees

Particulars	£ amount	Exch. R.	Debit	Credit
✓ 1. Fixed Asset	24000	70	1680000	-
✓ 2. Opening Stock	11200	76	851200	-
✓ 3. Goods from H/o	64000	-	4926000	-
✓ 4. Expenses (4800+400-200)	5000	75	375000	-
✓ 5. Debtors	4800	77	369600	-
✓ 6. Creditors	3200	77	-	246400
✓ 7. Cash at Bank	1200	77	92400	-
✓ 8. H/o a/c	22800	-	-	1720000
✓ 9. Purchase	12000	75	900000	-
✓ 10. Sales	96000	75	-	7200000
✓ 11. Expenses outstanding	400	77	-	30800
✓ 12. Prepaid expenses	200	77	15400	-
13. Exchange Difference (Translation Diff) (Treated in P&L a/c : 100)				12400
			<u>9209600</u>	<u>9209600</u>

Trading and P&L a/c f.t.y.e. 31.3.11

Opening Stock	851200	Sales	7200000
Goods received from H/o	4926000	Closing Stock	616000
Purchase	900000		
Gross Profit (bal. fig.)	<u>1138800</u>	Gross Profit b/d	<u>1138800</u>
Depreciation	168000	Exchange Difference	12400
Expenses	375000		
Net Profit (bal. fig.)	<u><u>608200</u></u>		

Balance Sheet as on 31.3.11

Head Office	1720000	Fixed Asset	1680000
+ Net Profit	<u>608200</u>	- Depreciation	<u>(168000)</u>
	2328200		1512000
Creditors	246400	Debtors	369600
Expenses outstanding	30800	Cash at Bank	92400
		Prepaid expenses	15400
		Closing Stock	616000
	<u><u>2605400</u></u>		<u><u>2605400</u></u>

Closing Stock

Treatment before
prep of TB

Treatment after prep
of TB

Tr.	X	✓
CS		✓

Closing Stock a/c
To, purchases

Dr. 200
200

Closing Stock
To, Trading

Dr. 200
200

Final a/c

<u>Exp</u>		<u>Trading</u>	
Purch	Dr. 1000 - (200)	Sales	800 <u>200 Cr.</u>

10x15

8x20

P = 8x20 ✓
- 8x15 ✓
40



ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCH

Student
Notes

The following further information are given:

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

On 31st March, 2010 :

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

Expenses a/c Dr. → AR
To, expenses o/s → CR

Prepaid Exp Dr. → CR
To, expenses → AR

Rate of Exchange :

1st April, 2007	-	₹ 70 to £ 1
1st April, 2010	-	₹ 76 to £ 1
31st March, 2011	-	₹ 77 to £ 1
Average	-	₹ 75 to £ 1

Dr. 10,00,000
Cr. 10,20,000

Exch. Diff → P&L head

You are required to prepare:

- Trial balance, incorporating adjustments of outstanding and prepaid expenses, converting U.K. pound into Indian rupees.
- Trading and profit and loss account for the year ended 31st March, 2011 and the Balance Sheet as on that date of London branch as would appear in the books of Delhi head office of DM..

Question 14

Moon Star has a branch at Virginia (USA). The Branch is a non-integral foreign operation of the Moon Star. The trial balance of the Branch as at 31st March, 2012 is as follows:

Particulars		US \$	
		Dr.	Cr.
Office equipment	CR	SD 48,000	
Furniture and Fixtures	CR	SD 3,200	
Stock (April 1, 2011)	OR	47 22,400	
Purchases	→ AR	45 96,000	
Sales	AR	45	1,66,400
Goods sent from H.O	Actual	32,000	
Salaries	AR	45 3,200	
Carriage inward	AR	45 400	
Rent, Rates & Taxes	AR	45 800	
Insurance	AR	45 400	
Trade Expenses	— AR	45 400	
Head Office Account	Actual		45,600
Sundry Debtors	CR	SD 9,600	
Sundry Creditors	CR	SD	6,800
Cash at Bank	CR	SD 2,000	
Cash in Hand	CR	SD 400	
		2,18,800	2,18,800

Exchange Difference → Foreign Currency Trans. Res.

→ Gain = 466,800

ALC

CA Tejas Suchak



BRANCH

Date: 1/49

Q1.14
PN-100

Trading A/c

	For US	Rate	Debit	Credit
Office Equipment (48000-4800)	43200	50	2160000	
Furniture Fixtur (3200-320)	2880	50	144000	
Depreciation (480+320)	800	50	40000	
Stock	22400	47	1052800	
Purchase	36000	45	4320000	
Sales	166400	45		7488k
Cost Set from 4/9	3200		580000	
Salaries (3200+400)	3600	45	162000	
Carriage Inward	400	45	18000	
Rent	800	45	36000	
Insurance	400	45	18000	
Expenses	400	45	18000	
Head office	45600			2050000
Debtors	3600	50	480000	
Creditors	6800	50		340000
Cash at Bank	2000	50	100000	
Cash in hand	400	50	20000	
Salary O/S	400	50		20000
F.C.T.R.				466800
(Foreign Currency Translation Revenue)				

Trading & P&L AC

✓ Stock
✓ Purchase
✓ 1st FWHQ
Gross profit

Carriage Inward

✓ Depreciation
✓ Salaries
Carriage X
Rent
Insurance
✓ Exp.
Net profit

1052800
4220000
1580000

18000
1592200

7513000

✓ Sales
Closing stock

7488000
25000
1075000

By Gross profit

7513000
560200
1592200

1102200

Balance Sheet

✓ Head office
(+) Net profit
✓ Add: F&W
✓ Salary & FCTR

2050000
552000
3400000
20000
466800

✓ Office Equipment
✓ Furniture
✓ Creditors
✓ Cash
✓ Bank Balance
Closing stock

2160000
144000
480000
100000
20000
25000

1075000

2929000

3979000

2929000

3979000



7:36pm

Student
Notes

The following further information's are given:

1. ✓ Salaries outstanding \$ 400. S Dr. → AR
O/S S → CR
 2. ✓ Depreciate office equipment and furniture & fixtures @10% p.a. at written down value. → D → CR → AR
Asset → CR → HR
 3. ✓ The Head Office sent goods to Branch for ₹15,80,000
 4. ✓ The Head Office shows an amount of ₹ 20,50,000 due from Branch.
 5. Stock on 31st March, 2012 - \$21,500. ✓ X 50 = 1,07,50,000
 6. ✓ There were no transit items either at the start or at the end of the year.
7. On April 1, 2010 when the fixed assets were purchased the rate of exchange was ₹ 43 to one \$. On April 1, 2011, the rate was 47 per \$. On March 31, 2012 the rate was ₹50 per \$. Average rate during the year was ₹45 to one \$.

Prepare:

- Trial balance incorporating adjustments given converting dollars into rupees.
- Trading, Profit and Loss Account for the year ended 31st March, 2012 and Balance Sheet as on date depicting the profitability and net position of the Branch as would appear in the books of Moon Star for the purpose of incorporating in the main Balance Sheet.



Question 12 :-

Trading and P&L p.t.y.e. 31.8.12

	H/O	Branch		H/O	Branch
Opening Stock	225000	-	Goods sent to branch	954000	-
Purchases	2550000	-	Sales	2781000	950000
Goods received from H/O	-	954000			
Gross Profit	1660000	95000	Closing stock (bal.)	700000	99000
			By, Gross profit b/d	1660000	95000
Office Expenses	90000	8500			
Selling Expenses	72000	6300			
Staff Salary	65000	12000			
To, unrealised profit	44000				
To, P&L (general i.e. H/O)	-	68200			
To, Net Profit (bal.)	1389000				

Working Note :-

Head Office Cost	Profit	Outsider Selling Price
100	80	180
	$\times$	2781000
	= 1236000	

H/O
Capital
P&L: H/O
(B)

Head Office Cost	Loading	Branch Invoice Price	Profit	Outsider Selling Price
100	80	180	20	200
	$\times$	954000	y	950000
	= 424000		= 95000	
	$\times$			
	= 44000			
	$\downarrow$			

Closing stock
99000

H/O P&L Dr.	44000
Br. closing stock (B/s)	44000

Aashi / Ishita

100



Tejāl

180



80

Recog

Reverse

$x = 44000$



Closing Stock



99,000