Ultimate CA → Books Sell → H/O : Nagpur

- Mumbai branch, Pune Branch → Accounting Staff → Branch - 100% Accoun. → Branch : Total Bal. → **Independent Branch**
- Kashmir Branch → Accounting Staff x → Accoun x → Respons. H/O → **Dependent Branch**
- Dubai Branch → Foreign Branch → AS-11

DEPENDENT BRANCH

Accounting ⇒ by H/O

- Debtor Method
- 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 Books

H/O accounting

Trading a/c

1.

Cash a/c

Debtors a/c

Branch accounting

Branch Trading a/c

1.

Branch cash a/c

Branch Debtors

Branch Expenses

Branch P&L a/c

Transactions

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

Branch Trading a/c Dr. (Stock)
To Trading a/c (H/O) → GISTB

2) Goods returned by Branch to H/O (cost)

Trading a/c Dr. → GISTB
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) Baddebts recovered from Branch Debtors

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

Cr. Sales	B.D.	B.D.R.
Debtors Dr.	B.D (P&L) Dr.	Cash Dr.
To Sales	To Debtors	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.

H/O → Branch
Cost → Cost
100 → 100

H/O → Branch
Cost → Cost, SP
100 → 100, 105
P = 5

Cost → (Loading) → Invoice Price, SP
100, 115 → 115, 150
P = 15, 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	Loading	Invoice Price
			100	45	145
Trading a/c	Dr.	100			
Branch adjustment	Dr.	45			
To, Branch Trading		145			

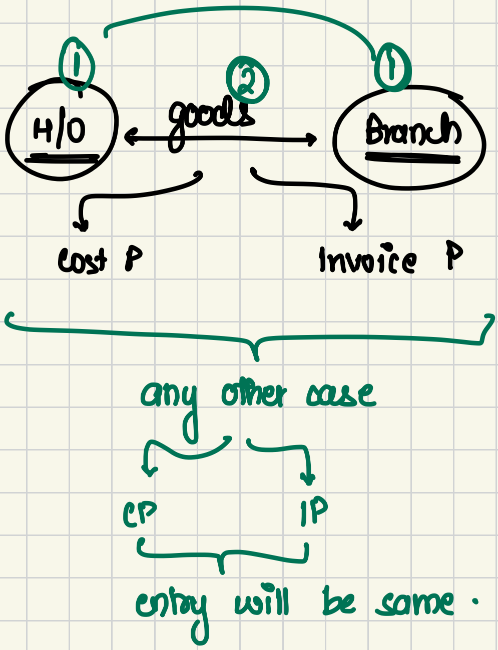
* If goods are transferred by H/O to Branch at Invoice Price, the above two transactions will be recorded.

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

a) Transaction is between H/O and branch.
b) 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.

Papa → Beta → Third Party

COST
100u × 250/u

Loading
100u × 50/u

80u×50/u
↓
realised
↓
sold to outsider by Beta.

200u×50/u
↓
unrealised
↓
still in closing stock of Beta.

Invoice Price
100u × 300/u
↓
Closing Stock
20 u × 300/u

Selling Price
80u × 300/u

50/u ⇒ profit included
↓
unrealised profit : because it charged within the organisation.
↓
This has to be reversed.
↓
Br. Adjustment a/c Dr. 20u × 50/u
To, Closing stock Res. 20u × 50/u

Question 1:-

In the books of H/O

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 (baddebts)	1500
To. branch stock	280000	By. branch cash	270000
		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	58000		

Br. Adjustment a/c (unrealised profit)

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

Goods sent to Branch a/c

To. Trading (H/O)	360000	By. branch stock	360000

Working Notes :-

Cost	Loading (unrealised profit)	Invoice Price
100	33.33	133.33
360000	120000	480000
18000	6000	24000
36000	12000	48000
1500	500	2000
	113500	454000

Branch Stock	Dr.	480000	
To GSTB			360000
To Br. adjustment			120000

Branch P&L	Dr.	1500	
Branch adj	Dr.	500	
Br. Stock	Cr.		2000