Ultimate CA → Books sell → H/O : Nagpur

- Mumbai branch, Pune Branch → Accounting Staff → Branch - 100% Accoun. → Branch : Trial 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

* 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 recored 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.

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 ⟶ Bete ⟶ Third Party

COST	Loading	Invoice Price	Selling Price
100u × 250/u	100u × 50/u	100u × 300/u	80u × 300/u

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

$\boxed{\text{20u × 50/u}}$
↓
$\boxed{\text{Unrealised}}$
↓
still in closing stock of Beta.

↓
Closing Stock

20 u × 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

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	

Closing payable

Creditors
Salary o/s
Rent o/s

Closing Receivable

Building
Furniture
Stock (C)
Cash
Debtors

Net Profit of Branch
(SP - C)

$\underbrace{\text{H/o} \rightarrow \text{Branch}}_{\text{Branch a/c Dr. } \underline{100}} = 100$

$\underbrace{\text{Branch} \rightarrow \text{Third Party}}_{\text{Branch a/c Cr. } \underline{\underline{150}}} = 150$

$\underbrace{\underline{C} + \underline{L} = \overbrace{\underline{\underline{IP}} + P = \underline{\underline{SP}}}^{}}_{\text{NP}}$

Part of NP

NP

W/N : Branch Stock a/c
Branch Debtors a/c
Branch Cash a/c

Student Notes

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 D	1,000
Imprest Cash	2,000	Discount to Customers D	2,000
Sundry Debtors D	25,000	Remittances to H.O. (reed, by H.O.)	1,65,000
Stock: Transferred from H.O.	24,000	Remittances to H.O.	
Stock: Direct Purchases	16,000	(not reed, by H.O. so far)	5,000
Cash Sales included in 170000	45,000	Branch Exp. Directly paid by H.O.	30,000
Credit Sales Br Deb a/c	1,30,000	Closing Balances:	
Direct Purchases Br. Dr.	45,000	Stock: Direct Purchases	10,000
Returns from Customers D a/c	3,000	Stock: Transfer from H.O.	15,000
Goods sent to branch from H.O. Br. a/c	60,000	$\boxed{\text{Debtors}}$ D	Rs.
Transfer from H.O. for Petty Cash Expenses	4,000	Imprest Cash	Rs.

170000

45000 included

CA Tejas Suchak

H/O Books

Branch a/c

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

knowledge

Br. Petty Cash a/c

Opening balance	2000	By. br. P&L	4000
To cash (H/O)	4000	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. (x)	24000

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

170000 → Daily collection → cash sales = 45000

CFD = x = 125000

Question 5:-

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

Particulars	Amount	Particulars	Amount
Opening balances		Opening balances	
Stock (C)	356000	Creditors	12000
Debtors	28000		
Petty cash	500		
Furniture	12000		
To, GSTB (C)	1044000	By, GSTB (C)	17200
To, Bank	99740	By. cash	~~1342260~~ 1342000
Closing balances		Closing balance	
Creditors	12000	Stock (C)	376800
		Debtors	192000
		Petty cash	240
NP (bal)	398800	Furniture	10800

Br. Petty cash a/c

Op. bal.	500	By. br. P&L	260
~~To, Debtors~~	~~1278000~~	~~By. cash (H/o)~~ (cash remit)	~~1342260~~
~~To, Sales (Stock)~~	~~64000~~	Cl. bal.	240

Cash a/c

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

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 Debtors a/c	500
Opening Debtors	14,000	Bad Debts written off D a/c	1,000
Opening Petty Cash	250	Credit sales Debtors a/c	7,29,400
Furniture (in the beginning)	6,000	Cash Sales Cash a/c	32,000
Opening Creditors	6,000	Petty Expenses paid by Branch P.Cash a/c	8,000
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
Goods returned by Customers to Branch Debtors a/c	5,700	Rent and Insurance	12,000
Cash received by Branch from its Customers Debtors a/c	6,11,000	Petty Cash P.cash a/c	7,870

49780

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

Question 8:.

In the books of H/O
Branch a/c

Particulars	Amount	Particulars	Amount
Opening balances			
Cash	10000		
Debtors	384000		
stock (CP)	900000		
furniture	500000		
To, GSTB (CP)	11000000	By. GSTB	60000
To, bank	100000	By. cash	11700000
closing balance		closing balances	
		cash	10000
expenses outstanding	6000	furniture	516000
		Debtors	485000
		Stock	1225000
Net Profit (bal.)	1096000		

Branch Cash a/c

Op. bal.	10000	By. br. P&L	842000
To, br. stock	9700000	By. cash (bal.)	11700000
To, br. debtors	2842000	Clo. 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
		cl. bal. (bal.)	485000

Br. stock a/c

Op. Stock	900000	By. br. cash	9700000
		By. br. debtors	3140000
To, GSTB	11000000	By, GSTB	60000
To, br. debtors	102000		
		closing stock (bal.)	1225000
Gross Profit	2123000		

Br. furniture a/c

Op. bal.	500000	By, br. P&L	84000
To, bank	100000		
		cl. bal.	516000

Cost	Loading	Invoice Price
100	20	120
900000		1080000
11000000		13200000
60000		72000
	2123000	12738000

Student Notes

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

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

H/O

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

Question 7 :-

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

Particulars	Amount	Particulars	Amount
Opening balances		**Opening balances**	
Stock	178000	Creditors	6000
Debtors	14000		
Petty cash	250		
Furniture	6000		
To GSTB	522000	By GSTB	7800
To Bank	49870	By cash	637000
		Closing balance	
To P&L (net profit) (bal.)	199800	Furniture	5400
		Stock	188400
		Debtor	125200
		Petty cash	120

Working Notes :-

Stock a/c (Trading)

Opening Stock	178000	Sales : Credit	729400
		Cash	32000
GSTB	522000	- SR	(5700)
Gross Profit	251900	GSTB	7800
		Closing stock	188400

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
		Closing bal.	125200

Petty Cash a/c

Op. bal.	250	By Br. P&L	8000
To bank	7870		
		Closing bal.	120

Branch Cash a/c

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

Cost	Profit	Sales
100	50	150
	x = 251900	755700

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