Closing payable

Creditors
Salary o/s
Rent o/s

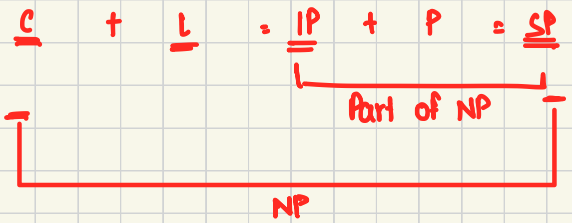
Closing Receivable

Building
Furniture
Stock (C)
Cash
Debtors

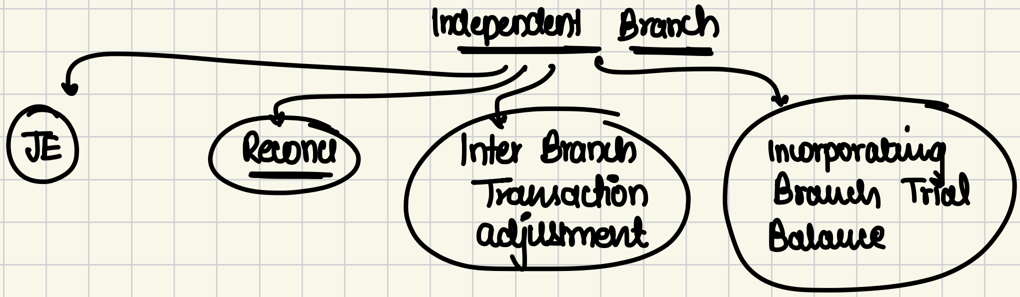
Net Profit of Branch
(SP - C)

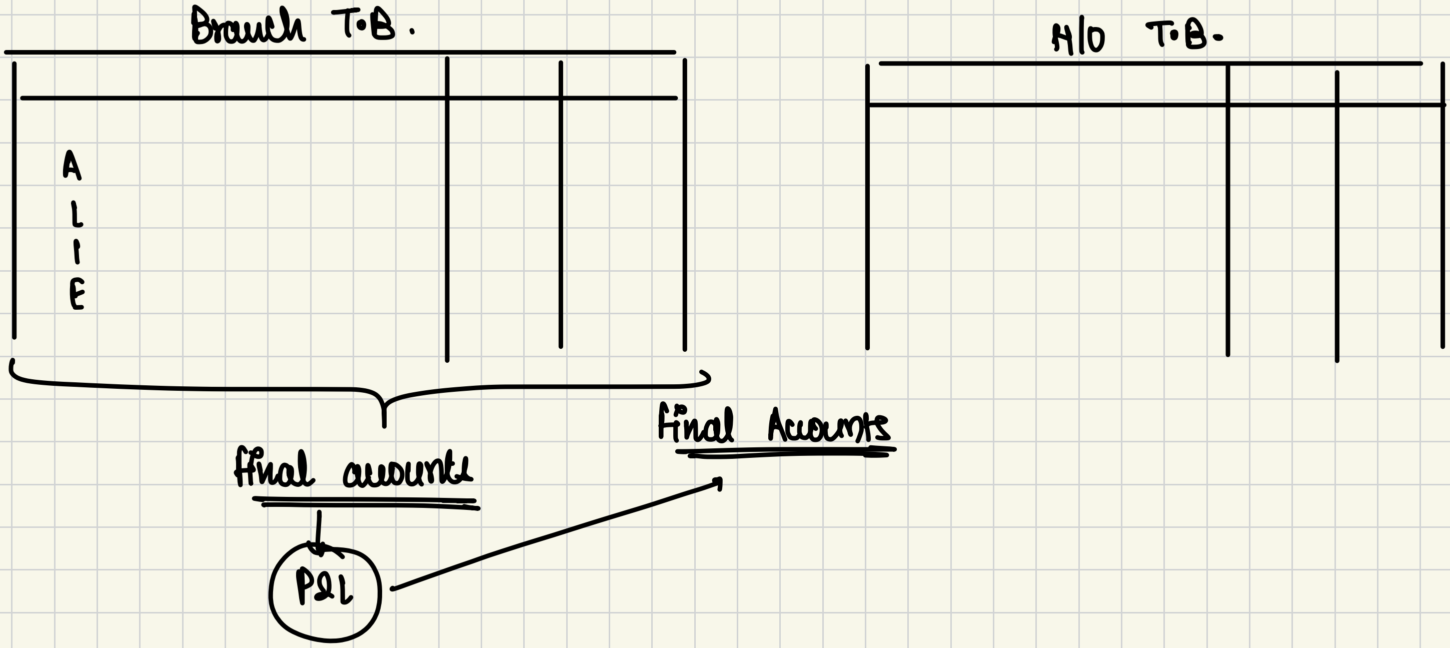
$\underbrace{\text{H/O} \to \text{Branch}}_{\text{Branch a/c Dr. } 100} = 100$

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



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





Incorporating Branch balance with H/O

Separate P&L and Separate B/s

↓

Branch will prepare its own final accounts.

↓

H/O will only takeover the profit /losses of the branch.

↓

JE :- H/O Books

Profit :-

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

Loss :-

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

Separate P&l and consolidated B/s

↓

Branch will prepare its own P&l a/c.

↓

H/O will takeover the P&L of the branch.
JE will be the same as previous method.

H/O will also takeover the assets & liabilities of the branch.

JE :- H/O Books

ASSETS :-

Assets a/c Dr.
To, Branch a/c

LIABILITY

Branch a/c Dr.
To, Liability a/c

Consolidated P&l and Consolidated B/s

↓

H/O will takeover the assets, liabilities, incomes & expenses of branch.

JE :- H/O Books

ASSETS :-

Assets a/c Dr.
To, Branch a/c

LIABILITY

Branch a/c Dr.
To, Liability a/c

Incomes :-

Branch a/c Dr.
To, Incomes

Expenses :-

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

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

H/O

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

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

Student Notes

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			6200000
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	6000000	Sales	36000,000
Goods received from H/O	28800000	Goods returned to H/O	500000
Carriage Inwards	700000		
		Closing Stock	6200,000
Gross Profit c/d	7200000		
		Gross Profit b/d	7200,000
Depreciation	200,000		
Salary	2500000		
Rent	1000000		
Advertising	600000		
Telephone	300000		
Sundry Office Expenses	100000		
Centralised Services	100000		
Net Profit c/d	2400000		

Balance Sheet as on 31·3·13

Head Office	8000,000		Furniture & Equipment	1800,000
+ Goods in Transit	1000000			
+ Centralised Services	100,000		Goods in Transit	1000000
+ Net Profit	2400000	11500000	Stock	6200,000
			Debtors	2000000
Outstanding expenses		300000	Cash at bank & in hand	800,000
		11800000		11800000

3) In the books of H/o

H/W

Opening Stock	Dr.	6000 000
Goods received from H/o	Dr.	28800000
Carriage Inwards	Dr.	700000
Trading a/c (Gross Profit)	Dr.	7200000
To, Sales		36000000
To, Goods returned to H/o		500000
To, closing stock		6200000

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	49810	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.

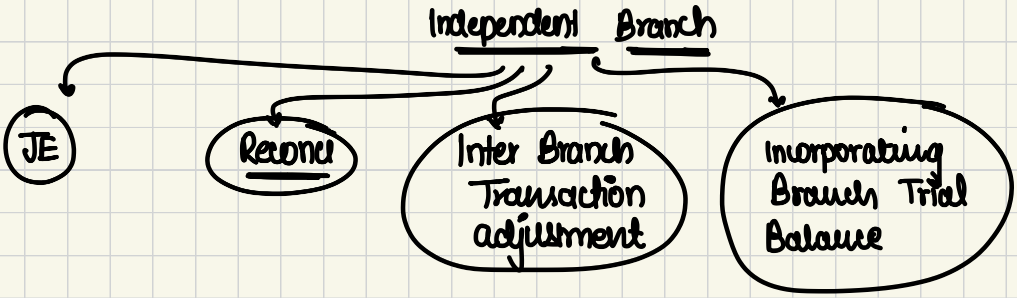
Question 10:-

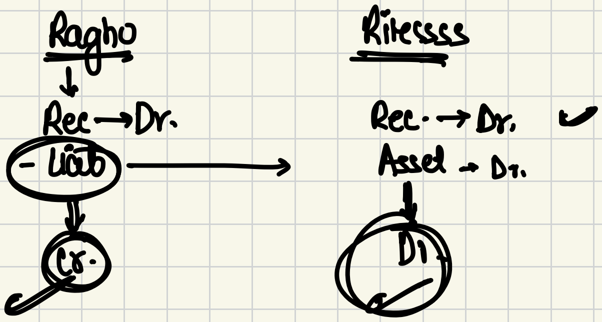
Inter Branch Transactions

Particulars	Delhi	Mumbai	Chennai	Kolkata
Delhi Branch				
1.	50000 Dr.	35000 Cr.	–	15000 Cr.
2.	45000 Cr.	-	25000 Dr.	20000 Dr.
3.	20000 Dr.	–	20000 Cr.	–
4.	35000 Cr.	25000 Dr.	-	10000 Dr.
Mumbai Branch				
1.	20000 Cr.	35000 Dr.	-	15000 Cr.
2.	15000 Dr.	22000 Cr.	-	7000 Dr.
Chennai Branch				
1.	–	-	30000 Dr.	30000 Cr.
2.			30000 Cr.	30000 Dr.
Kolkata Branch				
1.			35000 Dr.	35000 Cr.
2.			15000 Dr.	15000 Cr.
3.			15000 Dr.	15000 Cr.
	15000 Cr.	3000 Dr.	70000 Dr.	58000 Cr.

H/o Books

Chennai Branch	Dr.	70000	
Mumbai Branch	Dr.	3000	
To Delhi Branch			15000
To Kolkata Branch			58000





Student Notes

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

Question 11 :-

Trading and P&L a/c f·y·e·31·3·13

Particulars	H/O	Branch	Particulars	H/O	Branch
			Sales	1280000	820000
Purchases	1969500	-	Goods sent to branch	924000	-
Cost of processing	50500	-	Loss due to shortage	-	16000
Goods received from H/O	-	880000			
			Closing stock : P	56000	208000
Gross Profit	340000	164000	(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 (55000) + Branch net profit 126800 + H/O net profit			
Creditors : H/O 601400 Branch 10800		Debtors :- H/O 309600 Branch 113600	
		Bank balance : H/O 152000 Branch 77500	
		Goods in Tran : Branch 44000 - unrealised pft (4000)	
		Cash in Transit : H/O 84300	
		Closing stock : H/O : P 56000 UP 100000	

B : P 208000

- unrealised profit (18909)

H/O → Branch

C L

18909

4000

HW → $\boxed{1455}$

24364

Branch

1P

1· CS = 208000

2- GIT = 44000

3- A.L. = 16000

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		
		16000		20000

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

H/O Books: Branch a/c

Bal.	389800	By. cash IT	84300
			305500

Branch Books : H/O a/c

		Bal.	261500
		By. GIT	44000
	305500		

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 a/c			84300

3) **Branch Books :-**

Loss due to shortage (I&L)	Dr.	~~20000~~	(SP)	16000
To, Trading		~~20000~~	(SP)	16000

4) **H/O Books :-**

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

Student Notes

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.

FOREIGN BRANCH

Question 13

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)	24,000	
Stock as on 1st April, 2010	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 ₹	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

CA Tejas Suchak

Question 12 :-

Trading and P&L f·t·y·e· 31·3·13

	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 Notes :-

Head Office Cost	→ Profit	Outsider Selling Price
100	80	180
	x =1236000	2781000

H/O
Capital ·
P&L : H/O Ⓑ

Head Office Cost	→ Loading	Branch Invoice Price	→ Profit	Outsider Selling Price
100	80	180	20	200
	x = 424000	954000	y = 95000	950000
	x = 44000	Closing stock 99000		

↓

H/O P&L	Dr.	44000
Br. Closing Stock (B/S)		44000

Aashi / Ishita → Tejas

100 80 180 →

80
↓
Recog
↓
Reverse

$x = 44000$

180
↓
Closing Stock
↓
99,000