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.

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. 4926000	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. 1720000		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

CA Tejas Suchak

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 : IFO)				12400
				9209600	9209600

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.)	1138800		
		Gross Profit b/d	1138800
Depreciation	168000	Exchange Difference	12400
Expenses	375000		
Net Profit (bal. fig.)	608200		

Balance Sheet as on 31.3.11

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

Closing Stock

Treatment before prep of TB

Closing stock a/c Dr. 200
To, purchases 200

Exp Trading

Dr.			
Purch	1000	Sales	800
	-(200)		200 Cr.

Treatment after prep of TB

$\boxed{\text{Closing Stock Dr. 200 / To, Trading 200}}$

Final ac's

10x15

8x20

Tr. CS	X	✓	✓

P= 8x20 ✓
-8x15 ✓
40

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 × 77

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 treat.

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 Verginia (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.	US $ 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 = 466800
B/S

CA Tejas Suchak

Date : 150

Trading & P&L AC

Stock	1052800	Sales	7488000
Purchase	4820000	Closing stock	~~25000~~ 1075000
GST from HO	1580000		
Gross profit			
Carriage Inward	18000		
	1592200		
	7513000		7513000
		By Gross profit	~~560200~~ 1592200
Depreciation	256000		
Salaries	662000		
Carriage	~~18000~~		
Rent	36000		
Insurance	18000		
Exp	18000		
Net profit	~~55200~~ 1102200		

Balance Sheet

Head office	2050000	Office Equipment	2160000
(+) Net profit	~~55200~~ 1102200	Furniture	144000
Creditors	390000	Debtors	480000
Salary o/s	20000	Cash	100000
FCTR	466800	Canara Bank	20000
		Closing stock	~~25000~~ 1075000
	2929000		2929000
	3979000		3979000

G/P, NP, B/S Total

7:36pm

Student Notes

The following further information's are given:

$ Dr. → AR

O/s $ → CR

1. *Salaries outstanding $ 400.*
2. *Depreciate office equipment and furniture & fixtures @10% p.a. at written down value.*

D → CR — HR

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.* ×50 = 1075000
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.*