

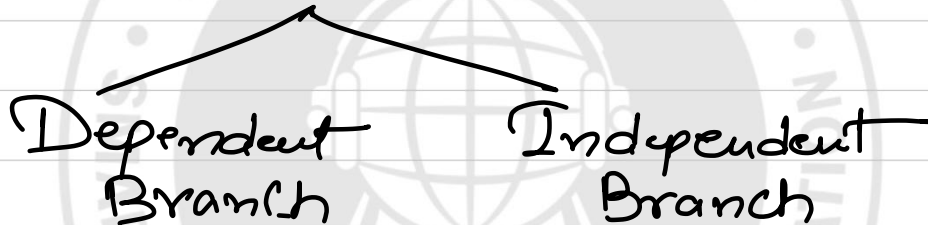
Branch Accounts

1) Types of Branches :-

a) Domestic Branch

b) Foreign Branch (out of Country)
→ always Independent

2) Domestic Branch



Which does not
prepare its
own Books of A/c

↓
No Journal entry
No Ledger A/c
No Trial Bal.
No B/s P&L

Which maintains
its own Books
of A/c

Journal entry ✓
Ledger ✓
TB ✓
B/s P&L ✓

It only maintains Rough
Records.

HO has to maintain
Branch Books of
A/c.

3) Prices in HO & Branch Transactions

a) Cost price = Cost From Head office
(Cost) point of view
(It's price Pe HO ne Goods purchase Kiye)

b) Invoice = Price at which Goods are
Price (IP) sent by HO
(Cost price + HO margin) to Branch
IP also known as Wholesale price

HO purchased goods at 100000 & sent to
Branch at 10% above Cost.

$$\text{Cost to HO} = 100000$$

$$\begin{aligned}\text{IP} &= 100000 + 10\% \\ &= 110000\end{aligned}$$

IP is Cost for Branch Pov.

c) Sale price :- Price at which goods are sold to customers.

Ex:- Cost = 100 HO sends goods to Branch at Cost + 20%.

Branch sells the goods at IP + 50%.
HO sells goods to outside customers at Cost + 50%.

$$\text{Cost (For HO)} = 100$$

$$\text{IP} = 120 \text{ (Goods sent to Branch at 120)}$$

$$\text{SP by Branch} = 120 + 50\% = 180/-$$

$$\text{SP by HO} = 100 + 50\% = 150/-$$

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Dependent Branch

Here, HO shall find out Branch profit or Loss for the year.

HO has 4 different methods to find out Branch profit/Loss :-

- a) Final A/c System (Cost method)
- b) Final A/c System (IP method)
- c) Stock & Debtors method
- d) Debtors method.

Class

Ex:-1

Opening Stock = 100000

Purchases = 620000

Sales = 840000

Margin \Rightarrow 20% above Cost

Closing Stock = ?

Prepare Trading a/c

Solution:—

$$\begin{aligned} \text{Open Stock} &= 100000 \\ (+) \text{ purchase} &= 620000 \end{aligned}$$

$$\text{Cost of Total Stock} = 720000$$

COGS \leftarrow (-) Cost of Goods Sold = (700000)

$$\frac{\text{Sale } 840000}{\text{Sale } 120} \times \frac{\text{To price Change}}{100}$$

$$\text{Cost Closing of Stock } 20000$$

Assuming Cost = 100
SP = 120

Trading a/c

OpSt 100000	Sales 840000
Purch. 620000	Cl stock 20000
<u>GP 140000</u>	

$$\text{(or) GP} = \text{Sale} - \text{COGS} = 840000 - 700000 = 140000$$

$$\text{COGS} \Rightarrow \text{Op} + \text{Pur.} - \text{Clos.}$$

Ex:-2

Op. Stock = 70000 (Cost)

Purchases = 560000 (Cost)

Sales = 862500 (Sale price)

Clos. stock = 50000 (Cost)

Goods are sold at 50% margin above cost.

Calculate GP

Trading a/c

Op. 70000	Sale 862500
purch 560000	Shortage 5000
GP 287500	Clos. stock 50000

(or) Direct Calculation \Rightarrow

$$\frac{862500}{150} \times 100 = 575000$$

(-) COGS 575000

Sale 862500

287500

$$\text{Cost} = 100$$

$$\text{SP} = 150$$

$$\text{Opng Stock} = 70000 \checkmark$$

$$(+)\text{ purchase cost} = 560000 \checkmark$$

$$\text{Total Cost of Stock} = 630000$$

$$(-)\text{ Cost of Goods Sold} = (575000)$$

$$\frac{862500 \text{ Sale}}{150 \text{ Sale}} \times 100$$

$$\text{Balance Stock} = 55000$$

$$(-)\text{ Clorg Stock} = (50000)$$

$$\text{Goods Lost (Shortage)} \Rightarrow 5000$$

(Normal / Abnormal)
Shortage a/c Dr.
 To Trading

Abnormal Loss
 ↓
 P&L a/c Dr.
 To Shortage

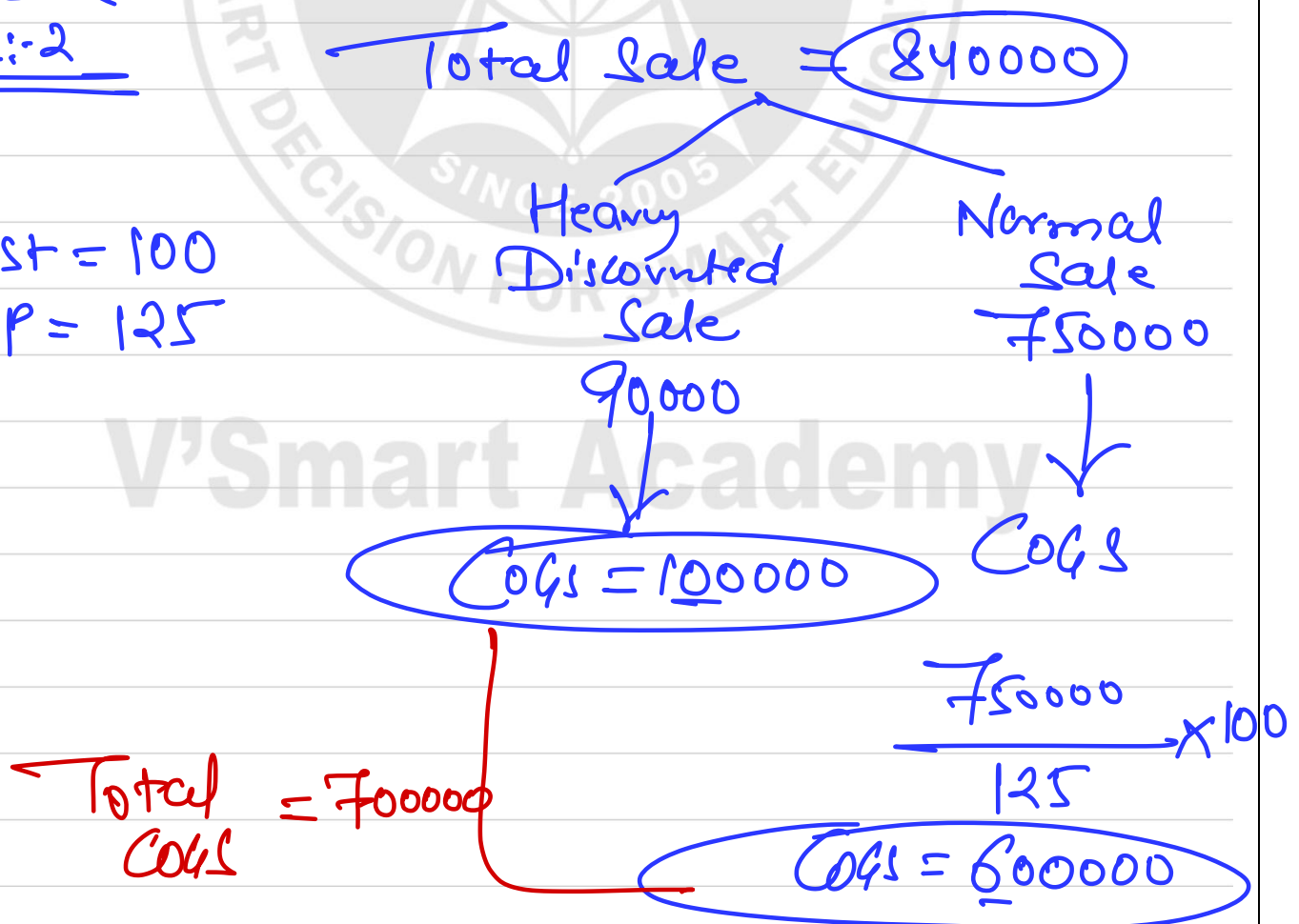
Summary Point 1:-

When Closing Stock is missing & Shortage is also not given, in that case assume Shortage is Zero.

However, when Closing Stock is already given along with op. stock, purchases, sales then Calculation of Shortage (Goods Lost) is required.

BOOK
Ex:-2

$$\begin{aligned} \text{Cost} &= 100 \\ \text{SP} &= 125 \end{aligned}$$



$$\text{Op. Stock} = 130000 \checkmark$$

$$\text{purchases} = 890000 \checkmark$$

$$\text{Total Stock} = 1020000$$

$$\begin{aligned} \leftarrow \text{COGS} &= (700000) \checkmark \\ \leftarrow (100000 + 600000) \end{aligned}$$

$$\text{Clos. Stock} = 320000$$

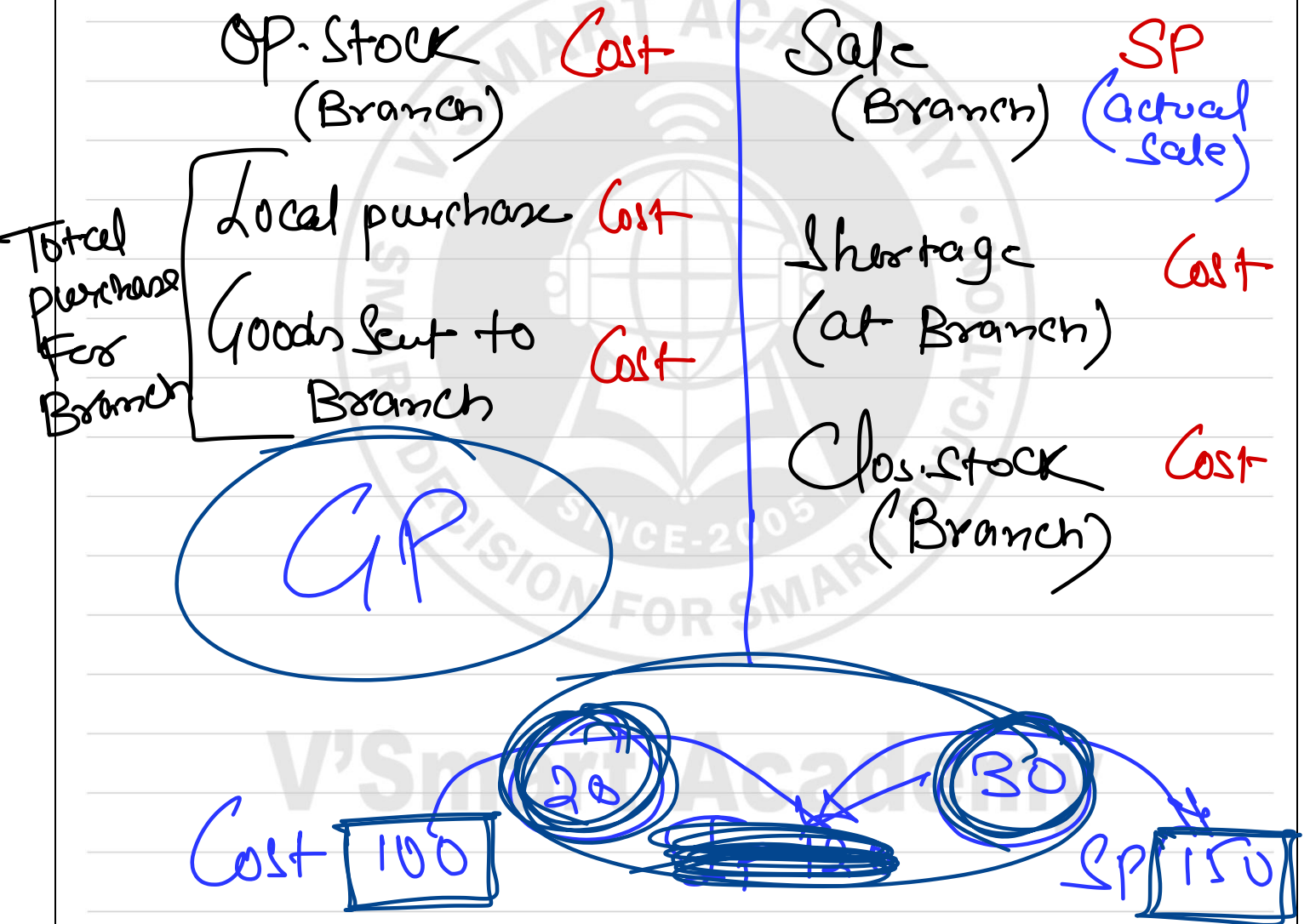
$$\begin{aligned} \text{GP} &= \text{Sale} - \text{COGS} = 840000 - 700000 \\ \text{GP} &= 140000 \end{aligned}$$

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1) Final A/c System (Cost Basis)

Our Target = To find out Branch Profit
 (HO's Target)

Memorandum Branch Trading P&L A/c (Prepared by HO)



Trading

Goods sent 100 to Br. | Sale 150

50

EXAMPLE 3:

Cost of Goods = 100 Invoice Price = 120; Selling Price = 130

Opening Stock = 200; Goods Sent to Branch = 2500; Sales = 2860; Closing Stock = 400

Assume all figures are at Cost except Sales.

SOLUTION:

OP. Stock = 200
GSTB = 2500 (Branch K liye purchase)
2700
(-) CoGS 2200
500
 $\frac{2860}{130} \times 100$
500
(-) Clo. Stock 400
Shortage = 100

Memorandum Branch Trading A/c

To Op. Stock	200	By Sales	2860
To GSTB	2500	By Shortage	100
To GP	<u>660</u>	By Clo. Stock	400

EXAMPLE 4:

From the following information prepare Memorandum Branch Trading A/c (at Cost)

Branch Opening Stock = 90,000 (IP); Goods Sent to Branch = 7,00,000 (IP); Sales By Branch = 9,00,000;

HO sent goods to Branch @25% above Cost. SP is 20% above Invoice Price. SP

SOLUTION:

Assuming Cost to HO = 100
IP = 125

SP = 125 + 20% = 150

Working Note:-

Opng Stock (at Cost) = 72000
 $\frac{90000 (IP)}{125 (IP)} \times 100$

A) Goods sent to Br. = 560000
(Cost)

632000

$\frac{700000 (IP)}{125 (IP)} \times 100$ (-) COGS
(Cost from HO
POV)

600000

32000 Cost of
Clsg
Stock

$100 \times \frac{900000 (Sale)}{150 (date)}$

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Cost SP
100 150
? 900000

$\frac{900000 \times 100}{150}$

Mem. Branch Trading A/c ^(Cost)

Op. Stock	72000	Sales	900000
GSTB	560000	Clos Stock	32000
GP	<u>300000</u>		

ye GP dono Ka Hai:
 Ho Ka margin Branch se
 Branch Ka margin Customer se

EXAMPLE 5: -

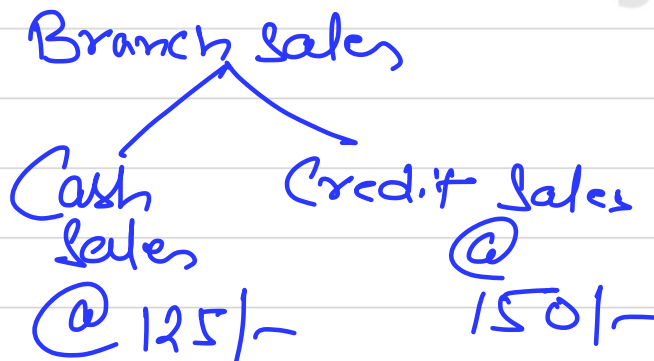
Opening Stock @IP = 1,50,000; Goods Sent to Branch @ Cost = 7,50,000; HO Sends goods to Branch @25% above Cost; Branch Credit Sales = 6,00,000; Branch Cash Sales = 4,37,500; Closing Stock = 1,37,500 (IP); Branch Sells Goods on Cash @IP, SP is 20% above IP.

SOLUTION:

Assume Cost = 100

IP = 125

SP = 150



$$\text{Opening Stock (Cost)} = 120000$$

$$(+)\text{ GSTB (Cost)} = 75000$$

$$\text{Total Cost of Stock} = 870000$$

(-) COGS :-

$$\begin{array}{r} \text{Cost of Cash Sales} \\ \frac{437500 (\text{IP})}{125 (\text{IP})} \times 100 \end{array} \quad (350000)$$

$$\begin{array}{r} \text{Cost of Credit Sales} \\ \frac{600000 (\text{SP})}{150 (\text{SP})} \times 100 \end{array} \quad (400000)$$

$$\text{Balance goods} = 120000$$

$$(-)\text{ Closg Stock (Cost)} = (110000)$$

$$\frac{137500 (\text{IP})}{125 (\text{IP})} \times 100$$

$$\text{Shortage} = 10000$$

Mem. Trading & P&L

To Op. Stock 12000	By Sales 1037500
To GSTB 75000	By Shortage 10000
To GP 287500	By Clos. Stock 110000
To Ab. Loss (Shortage) 10000	By GP 287500
To NP 277500	

EXAMPLE 6:-

HO at Nagpur & Branch @ Patna HO invoiced goods to Branch @20% less than List price

Sale Price

List Price is Cost Plus 100%

Branch makes Cash Sales @IP & Credit Sales @List Price.

Opening Stock at Branch (IP)	12,000
Debtors Opening	10,000
Goods Received from HO	1,32,000
Sales: Cash	46,000
Credit	1,00,000
Cash received from Debtors	85,000
Indirect Expenses of Branch	17,500
Closing Debtors	25,000
Closing Stock	17,600 (IP)
Remittance to HO	1,13,500

Find out Branch GP & NP by following 'Final A/c System Cost Basis'.

SOLUTION:

Assume. Cost = 100

Sp = 100 + 100% = 200

IP = 200 - 20% = 160

Cash Sales at 160
Credit Sales at 200

Working :-

Opng Stock = 7500

Goods sent = 82500
to Branch

Total Stock = 90000

(-) COGS :-

Cash COGS
 $\frac{46000}{160} \times 100$ (28750)

Credit COGS
 $\frac{100000}{200} \times 100$ (50000)

11250

(-) Bal. of
Clsg. Stock 11000

$\frac{17600}{160} \times 100$

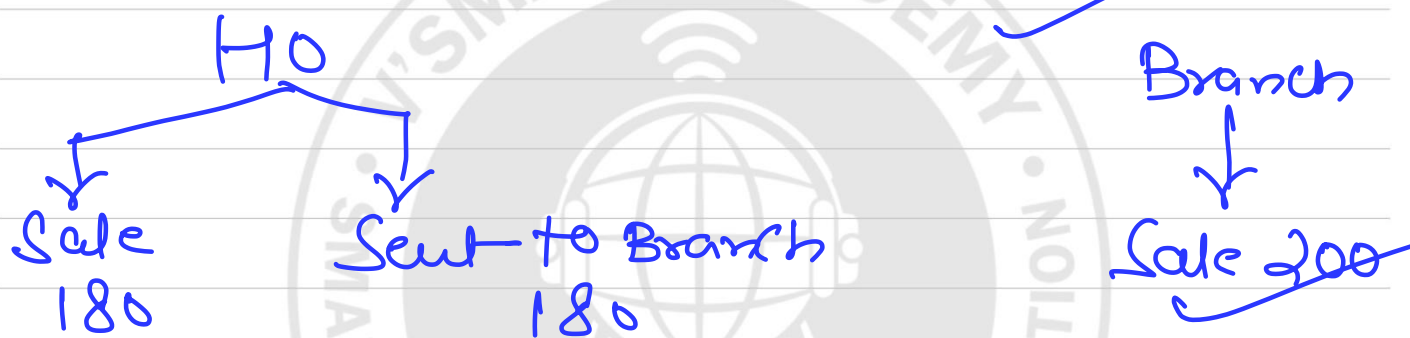
250 Shortage

Q101

HO Sales goods to Customers & sent goods to Customers at WP

Assuming Cost = 100
WP/IP = 180

SP = 200



WN-1 Closing Stock of HO :-

Opng Stock = 225000

(+) purchases = 25,50,000

← Total Stock = 27,75,000 (inflow)

(-) COGS (to Customers)
 $\frac{2781000}{180} \times 100 = (1545000)$

(-) Cost of Goods sent to Branch = (530000)

Closing Stock = 700000
of Ho

WN-2 Closg Stock of Branch

Opng Stock (Cost) = 0

(+) Goods sent to Branch = 530000
(Cost)

← Total Stock = 530000

(-) Cost of Goods Sold = (475000)
 $\frac{950000}{200} \times 100$

Closg Stock = 55000

Ho Trading P&L a/c

To Op. Stock 225000

To purchase 2550000

To GP 1236000

By Sales 2781000

By Goods sent
to Branch
(at Cost) 530000

By Clos. Stock 700000

To Off Exp 90000
 To S/Exp 72000
 To Salary 65000
To NP 10,09,000

By GP 1236000

Branch Trading P&L

To op. Stock 0
 To GSTB 530000
To GP 475000

By Sales 950000

By Cl. Stock 55000

To Off Exp 8500
 To S/E 6300
 To Salary 12000
To NP 448200

By GP 475000

Q102 Final A/c System (Cost Basis)

Pune's profit margin = $\frac{1}{3}$ on Cost ($\frac{1}{4}$ on Sale)

Goa's profit margin = $\frac{1}{5}$ on Sales ($\frac{1}{4}$ on Cost)

Pune's Trading and P&L a/c

To Op. Stock (30000 + 8000)	38000	By Sales	260000
To Purchase (185000 + 12000)	197000	By Goods sent to Goa	15000
To Chargeable Exp.	15000	By Shortage	11000
To GP	65000	By Closing Stock	29000 (25000 + 4000)

Shortage :-

Opng. Stock = 38000
(+) purchases = 197000
(+) Chargeable = 15000

260000
- 65000

(-) COGS
(-) COG sent to
Goa

250000
(195000)
(15000)

40000

(-) ~~Close stock~~ 29000

Shortage = 11000

P&L	
To A. Loss 11000	By GP 65000
To OFF Exp 13250	
To S Exp 15000	
To NP 25750	

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Ex: - 7

$$\text{Cost} = 100$$

$$\text{IP} = 120$$

$$\text{SP} = 150 \text{ (For Credit Sale)}$$

$$\text{GIT} = \text{Goods sent by HO} - \text{Goods received by Branch till year end}$$

Working Note :- Calculation of Shortage

$$\begin{aligned} \text{Op. Stock (Cost)} &= 62,500 \\ (+) \text{ Goods sent to Branch} &= 410,000 \\ \hline &450,000 - 40,000 \end{aligned}$$

$$472,500$$

(-) Cost of Goods sold

$$\begin{aligned} \text{a) Credit Sale} & \quad (295,000) \\ 310,000 - 15,000 & \end{aligned}$$

$$\begin{aligned} \text{b) Cash Sale} & \quad (80,000) \\ 90,000 - 10,000 & \end{aligned}$$

$$\text{Balance Goods} \quad 97,500 \text{ (Cost)}$$

$$\text{(+) Closing Stock (in Hand)} \quad (60,000)$$

$$\text{(+) GIT} \quad (25,000)$$

$$\text{Shortage} \quad 12,500 \text{ Cost}$$

Method 2 :- Final A/c System (IP Basis)

Cost = 100 IP = 150 SP = 195

EXAMPLE 8: -

Opening stock at Branch (Cost) = 90,000; Goods Sent to Branch (IP) = 7,50,000; Head Office sends goods to Branch at Cost + 50%; Branch sells goods to Customer at IP + 30%; Sales = 8,19,000 at Sale Price & Closing Stock = 1,50,000 (Cost)

Find out Profit of Branch by Final A/c System IP method.

90000
+ 50%

Opnng stock (IP) = 135000

(+) Goods sent to Branch (IP) = 750000

Total stock at Branch = 885000
(at IP)

(-) IP of Goods sold = (630000)
819000 (SP)
----- x 150
195 (SP)

Balance = 255000
Stock

(-) Clos. stock (IP) = (225000)

Shortage (IP) = 30,000 ✓

Mem. Branch Trading a/c (IP)

150	Op. Stock	135000	Sales	819000	195
150	GSTB	750000	Shortage	30000	150
45	GP	189000	Clos. Stock	225000	150
	Ab-Loss	30000	GP	189000	

Same Ex:-8
With Cost Basis

$$\begin{aligned} \text{Op. Stock} &= 90000 \\ \text{GSTB} &= 50000 \left(\frac{75000}{150} \times 100 \right) \\ \hline &= 590000 \end{aligned}$$

$$\frac{819000}{195} \times 100$$

$$(-) \text{CoGS} = 420000$$

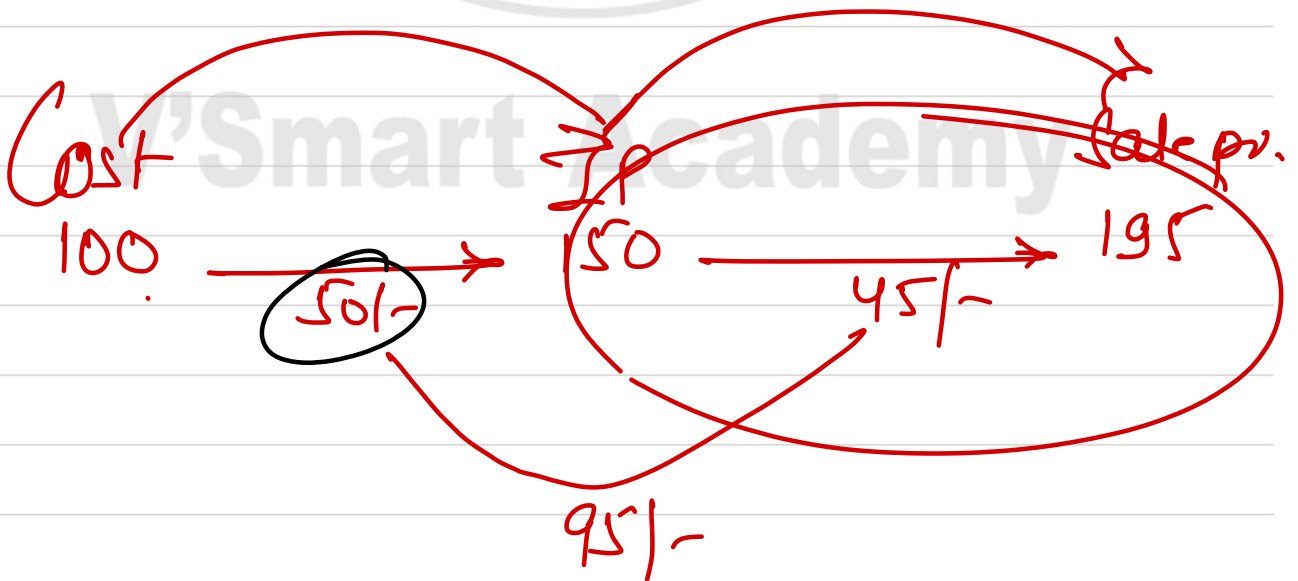
$$\hline 170000$$

$$(-) \text{Clo. stock} = (150000)$$

$$\hline \text{Profit} = 20000$$

Branch Trading A/c

100	Op. Stock	90000	Sales	819000	195
100	GSTB	50000	Shrinkage	20000	100
		<u>399000</u>	Clo. stock	150000	100



Only For Understanding (OFU)

$$\text{GSTB} = ₹50000 (\text{IP})$$

$$\text{Margin} = \frac{₹50000 (\text{IP})}{150 (\text{IP})} \times 50 = 25000 - 75000$$

135
90

$$\begin{array}{r} 175000 \\ + 45000 \\ \hline 220000 \\ (-) 10000 \\ \hline \end{array}$$

Margin earned
by HO
from Branch

Working For Unrealised profits (Under IP Basis)

	<u>OP. Stock of Br.</u>	<u>Clos. Stock of Branch</u>	<u>Shortage at Br.</u>
Value	135000	225000	30000
Unrealised Profit	$\frac{135000}{150} \times 50$ <u>45000</u>	$\frac{225000}{150} \times 50$ <u>75000</u>	$\frac{30000}{150} \times 50$ <u>10000</u>

Profit to be
reversed by Ho
in Cy

↓
Stock Reserve Dr.
To P&L a/c

85000

Profit to be
reversed
by Ho in
Cy

↓
P&L a/c Dr.
To Stock
Reserve a/c

Ho

8000 Branch
10000 Customers

18000

→ 20%

₹ 1600

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Q201 (Final A/c IP Basis)

$$\text{Cost For HO} = 100$$

$$\text{WP/IP} = 180$$

$$\text{SP} = 200$$

Working for Closing Stock :-

	<u>HO (Cost)</u>	<u>Branch (IP)</u>
Opng Stock	225000	-
purchases	25,50,000	-
Goods sent from HO	-	954000
	<u>2775000</u>	<u>954000</u>
(-) COGS For HO	(1545000)	-
$\frac{2781000}{180} \times 100$		
(-) Cost of Goods sent to Br.	(530000)	-
$\frac{954000}{180} \times 100$		
(-) IP of Goods sold	-	(855000)
$\frac{950000}{200} \times 180$		
Closing Stock =	<u>700000</u>	<u>99000</u>
	(Cost)	IP

WN. For Stock Reserve:-

On Closing Stock of Branch :-

$$\frac{99000}{180} \times 80 = 44000$$

O.F.U:-

44000 is Unrealised profit of Ho in Closing Stock of Branch

HO Trading & P&L

To op. Stock	225000	By Sales	2781000
To purchases	2550000	By GSTB	954000 (IP)
To GP	1660000	By Clos. Stock	700000
To SR	44000	By GP	1660000
To S Exp	72000		
To S. Salary	65000		
To Office	90000		
To NP	1389000		

Mem. Branch Trading & P/L a/c

To op. Stock	0	By Sale	950000
To GSTB	954000	By Clos. Stock	99000
To GP	<u>95000</u>		<u> </u>
To office exp	8500	By GP	95000
To S/Exp	6300		
To Salary	12000		
To NP	<u>68200</u>		<u> </u>

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Ex: 7

Br. Trading

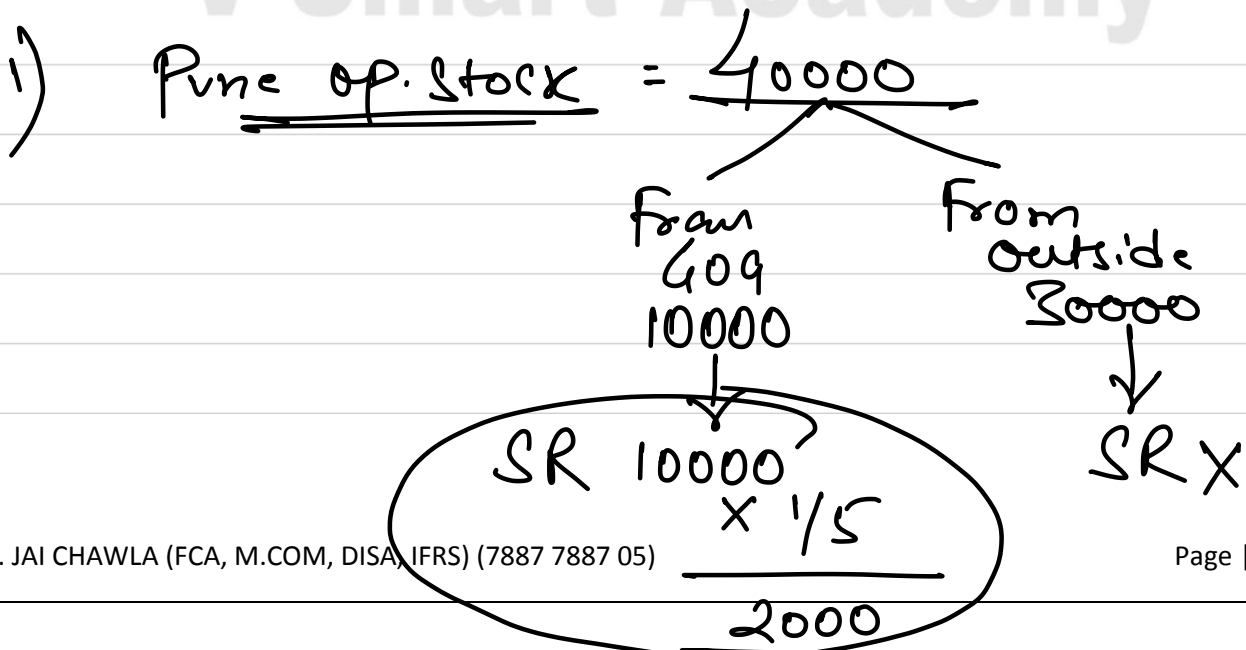
Cost

Opng	62500	By Sales.	
		(net)	
GSTB	410000	Cash	96000
(-) return		Credit	442500
		By Shortage	12500
To GP		By Clos. Stock	
		in hand	60000
		GIT	25000

Q102

SR Opng = 4250
Clsg = 1000

Goq meaning = $\frac{1}{5}$ on sale ($\frac{1}{4}$ on cost)



$$\text{Pune Clos. Stock} = 30000$$

$$\begin{array}{r} \swarrow \\ \text{from Goa} \\ 5000 \\ \times \frac{1}{5} \\ \hline \text{SR} \quad \underline{1000} \end{array}$$

Note:- Goa Branch shall pass following entries for SR

$$\begin{array}{l} 1) \text{ P\&L a/c Dr.} \quad \quad \quad 1000 \\ \quad \quad \quad \text{To SR} \quad \quad \quad \quad 1000 \\ \text{(SR on } \underline{\text{Clos. Stock of Pune}} \text{)} \end{array}$$

$$\begin{array}{l} 2) \text{ SR a/c Dr.} \quad \quad \quad 2000 \\ \quad \quad \quad \text{To P\&L a/c} \quad \quad \quad 2000 \\ \text{(SR on } \underline{\text{Op. Stock of Pune}} \text{)} \end{array}$$

2) SR on Stock of Goa:-

$$\text{Opng Stock} = 30000$$

Pune's margin = $\frac{1}{4}$ on sales

$$\begin{array}{l} \swarrow \\ \text{received} \\ \text{from Pune} \\ 17000 \times \frac{1}{4} \\ 4250 \end{array}$$

$$\text{Clos. Stock} = 43500$$

$$\begin{array}{l} \swarrow \\ \text{Received from} \\ \text{Pune} \\ 4000 \times \frac{1}{4} \\ 1000 \end{array}$$

Note:- Pune Branch shall pass following entries

$$\begin{array}{l} 1) \text{ P&L a/c Dr. } 1000 \\ \quad \text{To SR } 1000 \\ \text{(SR as Closg Stock)} \end{array}$$

$$\begin{array}{l} 2) \text{ SR a/c Dr. } 4250 \\ \quad \text{To P&L a/c } 4250 \\ \text{(SR as op. stock)} \end{array}$$

Shrinkage:-

OFV

$$\begin{array}{r} \text{Op. Stock} = 40000 \quad \leftarrow \text{other lost } 400 \text{ (IP)} \\ (+) \text{ purchases} = 200000 \\ (+) \text{ Chargeable Exp} = 15000 \\ \hline 255000 \\ (-) \text{ COGS} \\ 280000 - \left(280000 \times \frac{1}{4} \right) \\ \hline 45000 \quad \leftarrow \text{Cost} \\ \text{Clos. Stock } 30000 \end{array}$$

X 15000

Note:- Since Stock includes some goods from Goa at IP & remaining goods at Cost, Hence not possible to work out Shrinkage due to missing information (in IP Basis method)

IP Basis

Trading & P&L (Pune)

To Op. St 40000

By Sales 280000

To purch. 200000

By Clos. St. 30000

To Charg. Exp 15000

To GP 55000

To SR 1000
(on clos. stock)

By GP 55000

By SR 4250
(on op. stock)

To OFF Exp 13250

To S/Exp 15000

To NP 30000

Stock and Debtors method

1) Ho shall maintain Branch Books by recording all Branch Transactions through Journal Entry.

Examples

1) Branch incurred Expense in Cash :-

Br. Expens a/c Dr.
 To Br. Cash a/c

2) Branch purchase furniture in Credit :-

Br. Furniture a/c Dr.
 To Br. Creditors.

3) Ho sent Cash to Branch :-

Br. Cash a/c Dr.
 To Cash

4) Ho paid Salary to Branches Employee :-

Br. Salary exp a/c Dr.
 To Cash a/c

2) Ho shall maintain One Common A/c relating to Br. purchases, Br. Sales. & all stock related transactions & events.

"Branch Stock A/c"

ie Branch Stock A/c for Br. sales, purchases, Goods sent to Branch, return by Branch, Sale returns & Goods lost.

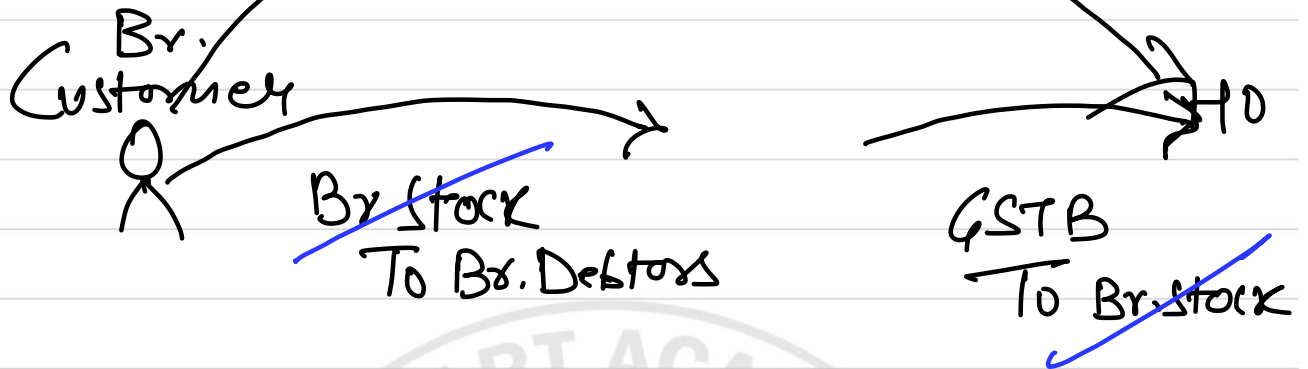
a) Goods sent by Ho to Branch :-
Br. Stock a/c Dr.
 TO GSTB a/c

b) Branch makes Credit Sale :-
Br. Debtor a/c Dr.
 TO Br. Stock

c) Goods returned by Branch to Ho :-
GSTB a/c Dr.
 TO Br. Stock a/c

d) Goods returned by Br. Customer (Credit Sale)
Br. Stock a/c Dr.
 TO Br. Debtors a/c

e) Goods returned by Br. Customer directly to HO.



3) In this method, following Ledger A/c are required to be prepared :-
(in the Books of HO)

- a) Br. Stock a/c (always at IP)
 - b) Br. Adjustment a/c (Amt of margin only) Loading
 - c) Goods Sent to Branch A/c (Always at Cost)
 - d) Br. P&L a/c
 - e) Br. Cash a/c
 - f) Br. Debtors a/c
- To find out missing figures such as Cash Sales, Credit Sales.

EXAMPLE 12: -

$$\begin{aligned} \text{Cost} &= 100 \\ \text{Ip} &= 100 \end{aligned}$$

Head Office sent goods to Branch @Cost Only.

Opening stock with Branch = 12,000; Goods sent to Branch = 1,08,000; Cash sales by Branch = 46,000;

Credit sales by Branch = 60,000; Closing Stock at Branch = 30,000

Prepare Branch Stock A/c.

1) Br. Stock a/c Dr. 108000
 To GSTB 108000

2) Br. Cash a/c Dr. 46000
 To Br. Stock a/c 46000

3) Br. Debtors a/c Dr. 60000
 To Br. Stock 60000

Br. Stock a/c

To Bal. b/d 12000	By Br. Cash 46000
To GSTB 108000	By Br. Debtors 60000
To Br. adjust (Surplus) 16000	By Bal c/d 30000

Br. adjust a/c

To Br. p&l 16000	By Br. Stock 16000
------------------	--------------------

EXAMPLE 13: -

Opening stock with Branch = 50,000; Goods sent to Branch = 3,24,000; Goods returned by Branch = 25,000; Cash sales by Branch @IP = 87,500; Credit sales by Branch @SP = 2,70,000; Closing Stock at Branch = 36,500

Cost = 100; IP = 125 & SP = 150

Br. stock a/c (IP)

To Bal b/d 50000	By GSTB 25000
To GSTB 324000	By Br. Cash 87500 (IP)
To Br. adj. 45000	By Br. Debtors 270000 (SP)
	By Bal. c/d <u>36500 (IP)</u>

Br. adjust. a/c (margin)

To GSTB 5000	By Bal b/d 10000 (25)
<u>To P&L 107500</u>	By GSTB 64800 (25)
To Bal c/d <u>7300</u>	By Br. Stock <u>45000</u>

Goods sent to Br. (Cost)

To Br. adj. 64800	By Br. Stock 324000 (IP)
To Br. Stock 25000	By Br. adjust. 5000
<u>To Trading 239200</u>	

Ex:-6

Br. Stock IP

To Bal. 12000	By Br. Cash 46000
To GSTB 132000	By Br. Debtors 100000 (SP)
To Br. adj. (Surplus) 20000	By Br. P&L (Cost) 250
	By Br. adjust 150 (margin)
	By Bal. c/d 17600

Br. adj.

To Br. Stock 150	By Bal. b/d 4500
	By GSTB 49500

Shortage

Br. P&L a/c Dr. Cost
Br. adj. a/c Dr. Loading
 ↳ To Br. Stock a/c IP

Actual Loss of Stock

↳ its reversal of ^{HO's} margin

$$\frac{400 \text{ IP}}{160 \text{ (IP)}} \times 100 = 250 \text{ Cost}$$

Q302 (Pg. 8.5)

Assuming Cost to Ho = 100
IP = 120

Br. Stock A/c (IP)

To Bal b/d	30000	By Br. Debtors	165000
To GSTB	240000	By Br. Cash	59000
To Br. adjust (Surplus)	2000		
		By Bal. c/d in Hand	28000
		GIT	20000

Br. Adjustment A/c

		By Bal b/d	5000
		(SR as opng)	
To Br. p&L (BIF)	39000	By GSTB	40000
		By Br Stock	2000
		(Surplus)	

To Bal c/d
in Hand 4667
GIT 3333

(Cost) Goods sent to Branch A/c

To Br. adjust 40000	By Br. Stock 240000
To Trading 200000 (B/F)	

Br. P&L a/c

To Br. Exp. 12000	By Br. adjust 39000
To Br. B. Debts 750	
To Br. Exp (met by Br.) 10000	
To NP (transfer to general P&L) 16250	

Br. Cash A/c

To Bal b/d 5000	By Cash (remittance) 22250
To Br. Stock 19000	By Br. Exp (B/F) 10000
To Br Debtors 171000	By Bal c/d 2500

Br. Debtors A/c

To Bal b/d 32750	By Br. Baddebts 750
To Br. Stock 165000	By Br. Cash (B/F) 171000
	By Bal c/d 26000

Treatment of Shrinkage :- (in Stock & Debtors method)

Refer Q304

Normal Loss

Abnormal Loss

Br. adjust a/c Dr. (IP)
To Br. Stock (IP)

Br. P&L Dr. (Cost)
Br. Adj. Dr. (Loading)
To Br. Stock (IP)

Q304

$$\text{Cost} = 100$$

$$\text{IP} = 133.33 \left(\frac{1}{3} \text{ OF Cost} = \text{Loading} \right)$$

$$\text{IP} = \text{SP}$$

$$\frac{1}{4} \text{ OF IP}$$

Br. Stock A/c

To Bal. b/d 36000

To GSTB 240000

To Br. adjust 36000
(Surplus)

By GSTB 120000

By Br Debtors 120000

By Br. Cash 216000

By Br. adjust 36000
(Normal Loss)

By Br. P&L 18000

By Br adjust 6000
(Pillfered)

By Bal c/d	288000
in Hand	48000
GIT	

Br. Adjustment

To GITB 30000
 (Loading on Return)

To Br Stock 36000
 (Normal Loss)

To Br. Stock 6000
 (Ab. Loss Loading)

To Br. P&L 570000

To Bal c/d 84000
 (SR on Closg Stock
 & GIT)

By Bal c/d 90000

By GSTB 600000

By Br. Stock 36000
(Surplus)

Br. p&l

To Ab. Loss 18000

To NP 552000
 (Transfer to General
 P&L)

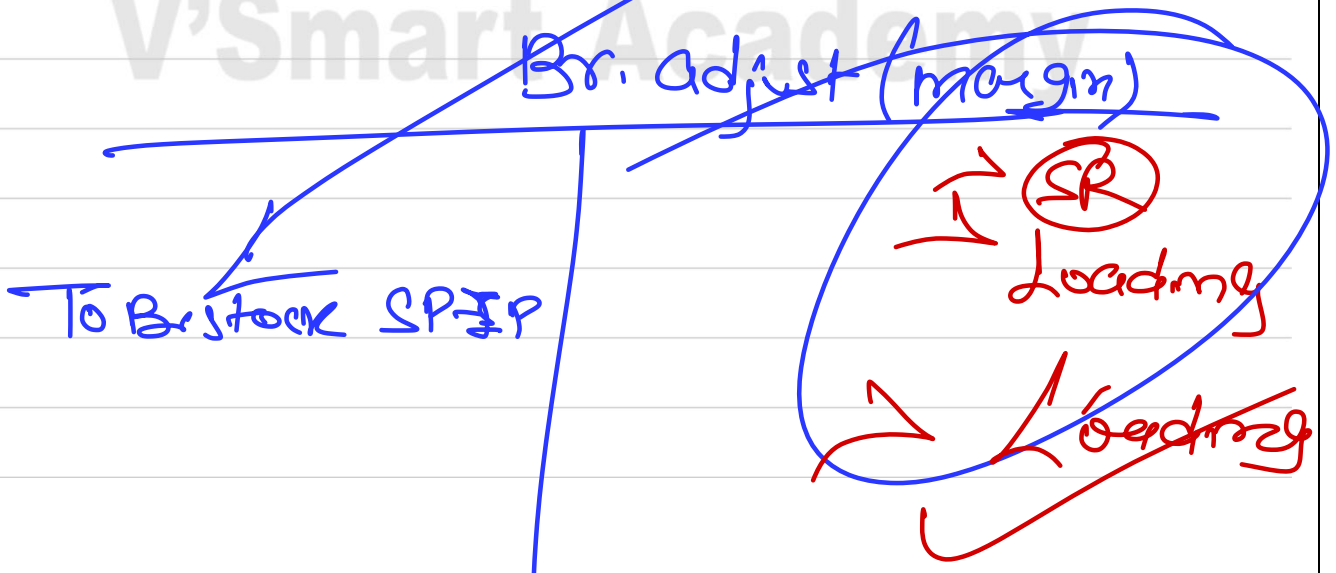
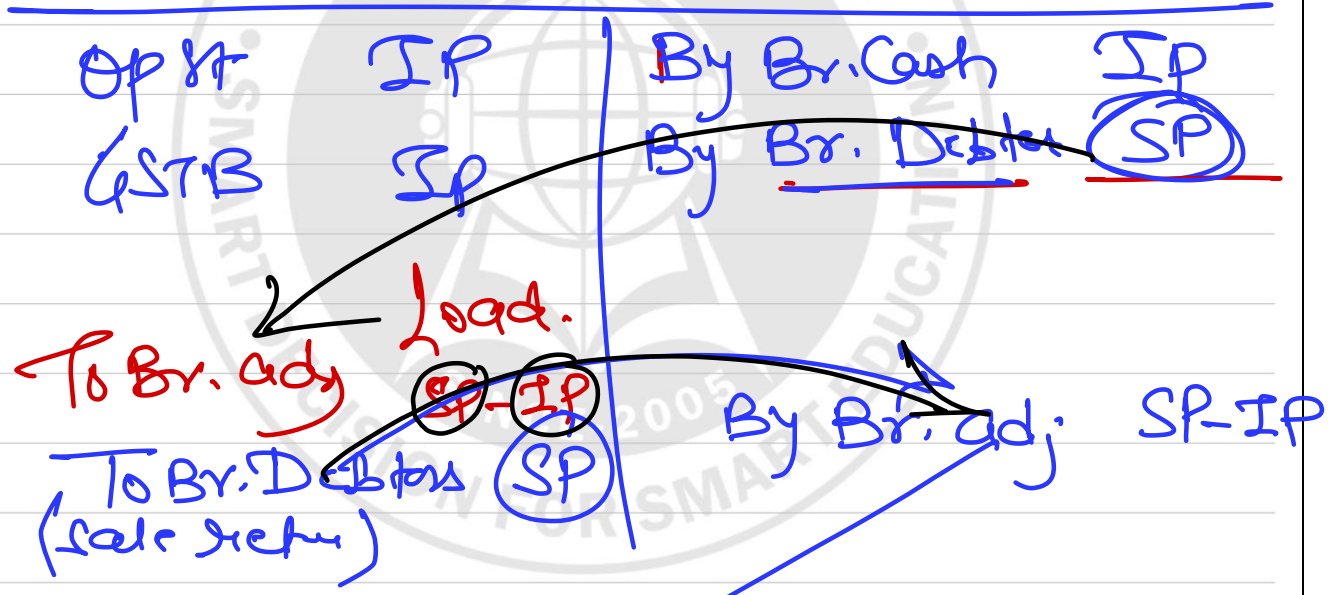
By Br. adj. 570000

J&D method

306
307
302
303

Situation 1	Situation 2
Cost 100	Cost 100
IP 120	IP 120
SP 150	-

Br. Stock (IP)



Situation-2

Cost 100

IP 120/SP

Branch Stock (IP)

<p>To Br. Debt (Sale Debt) 12000</p>	<p>By Br. Cash 60000 By Br Debtors 60000</p>
	<p>By Bal. Cl. 60000</p>

~~Br. Adj~~

~~V'Smart Academy~~

Br. Stock A/c (always at IP)

To Bal. b/d IP

To GSTB IP

To Br. adjust. SP-IP

(Loading only when goods sold above IP & SP is known to us)

To Br. Cash
(or) Br. Debtors
(Sales Return) actual
(SP or IP)

To Br. adjust
(Surplus) B/F

By GSTB IP
(Return by Branch)

By Br. Cash 110
(Cash Sale) actual
 Sale
 (IP or SP)
 +10

By Br. Debtors actual
(Credit Sale) (IP or SP)

By Br. adjustment (SP-IP)
(Loading on Sale Return only when SP is higher than IP)

By Br. adjustment IP
(Normal loss)

By Br. P&L a/c } Cost
By Br. Adjust a/c } IP-Cost
 Ab. Loss

By Balance c/d
in Hand IP
GIT IP

Br. Adjustment A/c (margin Amt)

To GSTB IP-Cost
 (Loading on return by Branch)

By Bal b/d IP-Cost
 (Loading on Op. Stock)

To Br. Stock SP-IP
 (Loading when Sale Return Price is SP & Higher than IP)

By GSTB IP-Cost
 (Loading on Goods sent to Br.)

By Br. Stock SP-IP
 (Loading when SP is Higher than IP)

To Branch Stock IP
 (Normal loss)

By Br. Stock Surplus
 (Surplus)

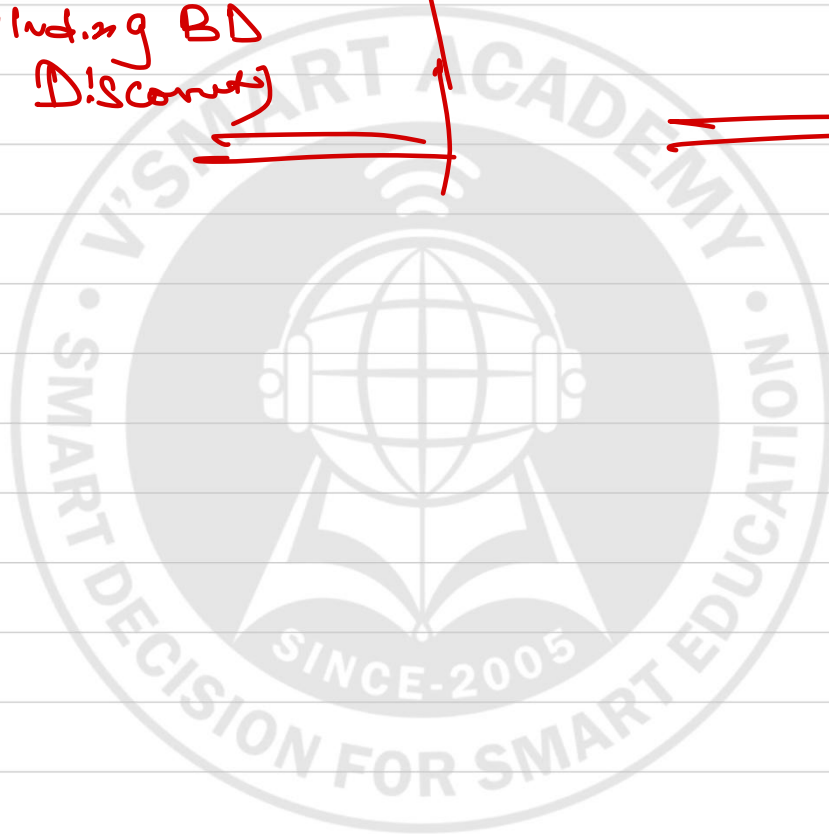
To Br. Stock IP-Cost
 (Loading on Ab. Loss or Shrinkage or pilfered)

To Br. P&L a/c B/F

To Bal c/d IP-Cost
 (Loading on Close Stock including GIT)

By. Exp. a/c

To Br. Cash	xxx	By Br. P&L	xxx
To Cash	xxx	(B/F)	
(met by Ho)			
To Br. all			
Exp			
(including BD			
Discount)			



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Debitors method :-

Only Transactions between HO & Branch are to be recorded by HO.

1) HO sent Cash to Branch

Branch a/c Dr.
To Cash.

2) Cash remitted by Branch

Cash
To Branch

3) Goods sent to Branch

Branch
To GSTB

4) Goods returned by Branch to HO

GSTB a/c Dr.
To Branch

~~5) Branch makes Credit Sale~~

ignore

~~6) Sales Return by Br. Customer to Branch~~

ignore

~~7) Sales Return by Br. Customer to HO~~

GSTB a/c Dr.

To Branch a/c

~~8) Branch paid Cash for Exp.~~

ignore

~~9) Branch Exp. paid by HO~~

Branch a/c Dr.

To Cash

~~10) Br. Shortage (Normal Loss (Abn. Loss))~~

ignore

Branch A/c

Ultimate Cost to HO

To Bal. b/d

Openg Br. Assets

Br. Stock IP

Br. Debtors

Br. Cash

Br. PPE

By Bal. b/d

SR on Opng Stock (IP-Cost)

Br. Creditors
of's Exp.

By Cash XXX

(Cash remittance by Br.)

To Cash XXX
(Cash sent to Br.)

By GSTB (IP-Cost)
(Loading on Goods sent)

To GSTB IP

By GSTB IP
(Return by Branch)

To GSTB (IP-Cost)
Loading on Goods return by Br.

By GSTB SP/IP
(Return by Customer directly to Ho)

To GSTB SP-Cost
(or)
IP-Cost
Loading on Sales return direct to Ho

To Cash XXX
(Exp met by Ho)

To NP XXX
(Transfer to Gen. P&L)

To Bal. c/d
SR on Closg Stock (IP-Cost)
& GIT

By. Creditors

By. Of's Exp.

By Bal. c/d

Br. Stock

Br. Debtors

Br. Cash

Br. PPE

GIT

Ex:-15

Books of HO
Branch A/c

To GSTB	10,00,000	By GSTB	50,000
To NP (Transfer to General P&L)	230000	By Cash (Remittances)	700,000
		By Bal. old	
		Br. Stock	250000
		Br. Cash	70000
		Br. Debtors	160000
			1000000 - 50000
			- 700000 Cash
			<u>250000</u>

Working Note:-

Br. Cash A/c

To Sales	400000	By Cash	700000
To Br. Debtors	370000	By Bal old	70000

Br. Debtors A/c

To Sales	550000	By Br. Cash	370000
		By B. Debits	20000
		By Bal. old	160000

Br. Stock (IP = Cost)

To GSTB 1000000	By GSTB 5000
	By Br. Cash 400000
To Br. Adj. 250000 (Sweepings)	By Br. Dr. 250000 550000
	By Bal c/d 250000

Br. Adj.

To Br. P&L 250000	By Br. Stock 250000
-------------------	---------------------

Br. P&L

To BD 20000	By Br. Adj. 250000
To NP 230000	

Ex:-16

Op. Bal. :- Stock 25000
Cash 70000
Debtors 160000

Br. Stock $IP = Cost = 100$

To Bal 25000	By Br. Cash 63000 SP
To GSTB 120000	By Br. Debtors 90000 SP
To Br. adj 33000 (13000 + 20000)	By Ab-Loss 2500 IP/Cost
	By Bal C/d 22500 (B/F)

Br. Cash

To Bal 70000	By Cash 145000
To Br. Stock 63000	By Exp 3000
To Br. Debtors 87000	By Bal 90000

Br. Debtors

To Bal. 160000	By Br. Cash 87000
To Br. Stock 90000	By Bal. 190000

Branch A/c

<p>To Bal b/d</p> <p>Stock 25000</p> <p>Debtors 16000</p> <p>Cash 7000</p> <p>To GSTB 120000</p> <p>To Cash 10000 (Ho met exp)</p> <p>To NP 265000 (B/F)</p>	<p>By Cash 145000 (Remittance)</p> <p>By Bal c/d</p> <p>Stock 22500</p> <p>Cash 9000</p> <p>Debtors 19000</p>
--	---

Q402

Books of Head Office

Nagpur Branch A/c

<p>To Bal b/d</p> <p>Imp. Cash 2000</p> <p>Debtors 25000</p> <p>Stock (Ho) 24000</p> <p>Stock (D.P.) 16000</p> <p>To Cash 45000 (Purchase paid by Ho)</p> <p>To GSTB 60000</p> <p>To Cash 4000</p> <p>To Cash 30000</p>	<p>By Cash 165000 (Remittance received by Ho)</p> <p>By Bal c/d</p> <p>Cash in Transit 5000</p> <p>Stock (Ho) 15000</p> <p>Stock (DP) 10000</p>
--	---

To NP (Transfer to General P&L)	15000	Debtors	24000
		Imp. Cash	2000

WN-1

Br. Debtors

To Bal.	25000	By Sales Returns	5000
To Sale	130000	By B. Debits	1000
		By Discount	2000
		By Br. Cash	125000
		By Bal c/d	24000

Imprest Cash

To Op. Bal	2000	By petty Exp	4000
To Cash (Sent by Ho)	4000	By Bal c/d	2000

Mem. Br. Cash a/c

To OP	0	By Cash	165000
To Cash Sales	45000	CIT	5000
To Br. Debtors	125000	By Bal.	0

Q403

Cost = 100
IP = 120

HO Books

Branch A/c

To Bal b/d
Cash 10000
Debtors 384000
Stock 1080000
F&F 500000

To GSTB 1,32,00,000

To GSTB 12000
(Loading or return)

To Cash 100000
(Furniture Payment
by Ho)

To NP (B/F) 10,96,000

To Bal c/d
Ofs Exp 6000
LR 245000

By Bal Hd
SR 180000

By GSTB 220,000
(Loading)

By GSTB 72000
(return)

By Cash 1,17,00,000
(Remittance)

By Bal.
Cash 10000
Fur & Fur. 516000
(60000 - 84000)
Stock 1470000
Debtors. 485000

Furniture Op 50000
x 16%.

8000

Fur. Purchased 100000 1/Jan
x 16% x 3/12

4000

WN.1

Br. Cash

To Opng 10000	By Exp 842000
To Sale 9700000	By Cash 1,17,00,000
To Debtors 2842000	By remittance
	By Closg 10000 (Given)

Br. Stock

To Bal 1080000	By Br. Cash 9700000
To Br Debtors 102000	By Br. Debtors 3140000
To GSTB 13200000	By GSTB 72000
	By Bal old <u>1470000</u>

Br. Debtors

To Bal. 384000 To sale 314000	By Br. Cash 284200 By Discount 58000 By Br. Stock 102000 By BDebts 37000 By Bal. 485000
----------------------------------	---

Q408

Br. Cash

To Br. Sales 130000 To Br. Debtors 35000 To Insurance Claim 1000 To Cash (exp.) 5000	By Cash (166000) ^{B/F} By Exp. 5000 By Bal old 0
---	---

Rent
Salary
Insurance

Cash 2000
 To Branch [alag ganna Chhatri]

Prepaid opng = 150

(+) Annual Ins. = 600 (12m) Ending 3/3

Year end 31/12

X 3/12

Closing 150

Debtors

Op Bal	4000	Collection	35000
Credit Sale	40000	Discount	100
		Sales Return	2000
		Cash	2000 (direct paid to Ho)
		Closing	4900

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Q410

$IP = SP$

Alternate-1

20% on IP

1/5 on IP

1/4 on Cost

Alternate-2

Sale = 100

Cost = 80

20% = (20)

Q404

Cost = 100

IP = 110

Ho Books

Branch A/c

To GSTB (IP) 165000

By GSTB (Loading) 15000

To GSTB (Loading 382
on return)

By Cash (Remittance) 100000

By GSTB (return) 4200

To NP
(transfer to Gen. P&I) 37363
To Bal c/d

By Bal. c/d
By Debtors 29000
By Ho/K 53400

SR 4855

Q406 GP % = 25% on Sale (1/4 on Sale)
1/3 on Cost

WN-1 Shortage :-

Opng Stock	=	74736
(+) GSTB	=	289680
		<hr/>
		364416
(-) COGS		270960
(361280 - 25%)		
		<hr/>
Balance	=	93456
(-) Clog Stock	=	92496
		<hr/>
		Shortage = <u>960</u>

WN-2 Net Profit earned by Branch before Commission

~~Alternate - 1~~
GP% 25% on Sale

GP	=	361280 × 25%	=	90320
(-) Chargeable Exp	=			49120
(-) Ab. Loss (Shortage)	=			960

NP before = 40240

Alternate 2

Branch A/c Cost = 2P

To Bal b/d	By Cash	312160
Stock 74736	(Remittance)	
To GSTB 289680	By Bal. c/d	
To NP 40240	Stock 92496	

Assuming entire sale is in cash & chargeable exp are in cash Hence Net Cash remitted to Ho

Alternate 3

Br. Trading a/c Cost

Op Stock 74736	Sale 361280
GSTB 289680	Shortage 960
GP 90320	Clos. Stock 92496
Change exp 49120	GP 90320
Ab. Loss 960	

Np 40240

Calculation of Commission

$$10\% \text{ OF } \overset{\text{Net}}{\text{profit}} \Rightarrow 40240 \times 10\%$$

4024

$$25\% \text{ OF } \text{deficiency} (-) \text{ (Shortage)} \quad (240)$$

$$\text{Final Commission} = 3784$$

$$(-) \text{ Paid already} = (2400)$$

$$\text{Commission payable} = \underline{1384}$$

Q405

Requirement

- 1) Debtors method = Lucknow Branch A/c
- 2) HO Trading and P&L a/c

Debtors method :-

Cost = IP

(No loading)

Branch A/c

To Bal. b/d		By Cash	613250
Stock (Ghee)	17000	(Remittance)	
Stock (Oil)	27000		
Debtors	75750		
Cash	7540		
Furniture	6250		
To GSTB		By Bal. c/d	
Ghee	270000	Stock (Ghee)	13250
Oil	300000	Stock (Oil)	44750
To Cash	14250	Debtors	86900
(met by Ho)		Cash	12350
To Br. manager	5303	Furniture	5625
Comm. payable			
To NP	53032		
(transfer to General P&L)			

WN-1

By. Debtors

Op Bal	75750	Collection	647330
Sales	342750		
Sales	315730	Bal c/d	86900

Profit from above Branch before Commission
 = 58335

Commission \Rightarrow 10% OF profit after charging Commission

$$\frac{58335 \times 10}{110} = 53031$$

HO Trading and Bal a/c

To op. Stock		By Sales	
Ghee	150000	Ghee	1846350
Oil	350000	Oil	2741250
To purchases		By GST B	
Ghee	1475000	Ghee	270000
Oil	2932000	Oil	300000
To D/E exp	383275	By Clos. stock	
To GP	597075	Ghee	312500
		Oil	417250

To Depreciation
 plant 136500
 F&F 2150

By GP 597075
 By Branch 53032
 (NP)

To General
 Exp 24000

To Salary of
 General Mang. 24000

To General Mang
 Commiss. 42132

To NP 421325

General Manager Commission = 10% on
 Overall profit
 after
 Charging Comm.

$$\text{Overall profit} = 463457$$

$$\begin{aligned} \text{Commission to} &= 463457 \times \frac{10}{110} \\ \text{General Mang.} &= 42132 \end{aligned}$$

Q305

$$\begin{aligned} \text{Cost} &= 100 \\ \text{IP} &= \text{WP} = 125 \\ \text{SP} &= \text{RP} = 150 \end{aligned} \left. \begin{array}{l} \text{25 earned by Ho} \\ \text{25} \times 6 \\ \text{25/- earned by Outlet} \\ \text{1/6} \end{array} \right\} \frac{25}{150} \times 100$$

Outlet Stock A/c (IP)

To Bal Hd 30000	By Sale 360000
To GST Outlet 324000	By Shortage 18000 (B/F)
To GP (Surplus) 60000	By Bal Cl'd 36000

$$\text{GP} = \frac{60000}{16.667\%} = 360000 \text{ Sale}$$

Outlet P&L

To Shortage 18000	By GP 60000
To Exp. 20000	
To NP 22000	

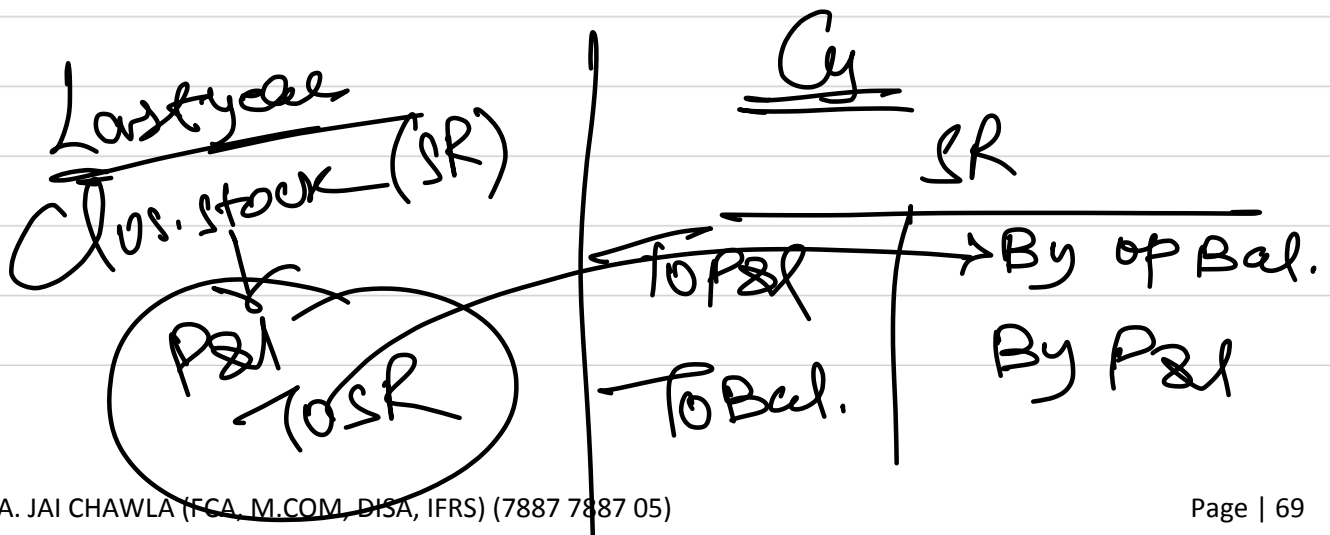
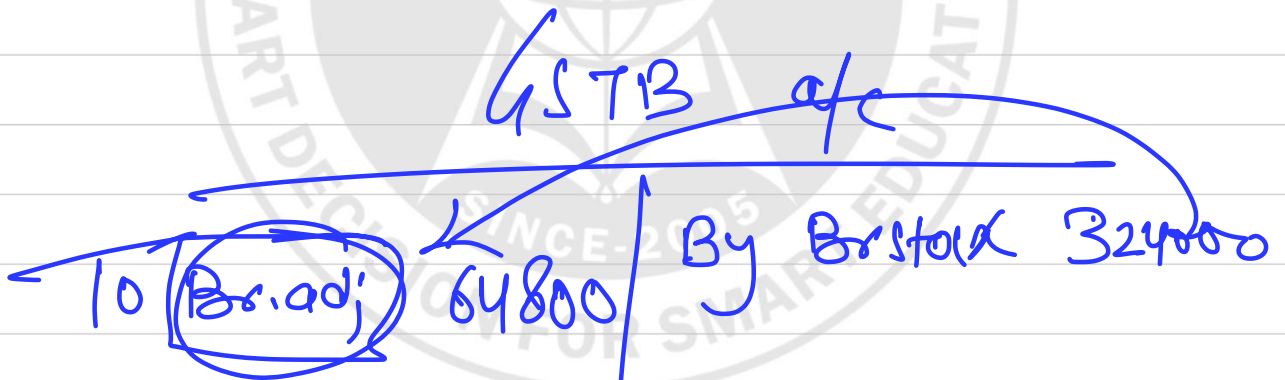
Stock Reserve A/c (By Ho)

To P&L 6000	By Bal Hd 6000
To Bal Cl'd 7200	By P&L 7200

Op. stock of outlet = 30000

$$SR = \frac{30000 (SP)}{125 (SP)} \times 25 = 6000$$

Clos. stock of outlet (SR) = 7200



Cy close,
P&L
TOSR

Independent Branch

Inter Branch Transactions

Ex:- Cash sent by Bhopal Branch to Delhi Branch

Bhopal

Ho a/c Dr.
To Cash

Delhi:

Cash a/c Dr.
TO HO

HO

Delhi Br. Dr.
To BPL Br.

Ex:- Bhopal Branch incurred Adv. Exp. on behalf of Delhi Branch

Bhopal

HO a/c Dr.
To Cash a/c

Delhi:

Adv. Exp Dr.
To HO

HO

Delhi:
To Bhopal

Ex:- Delhi Branch draw a Bill Receivable accepted by Bhopal Branch.

<u>Bhopal</u>	<u>Delhi</u>	<u>HO</u>
HO a/c Dr. To Bills payable	BR a/c Dr. To HO	Delhi Dr. To Bhopal

FA A/c maintained by HO

Ex:- FA BV = 100000 Sold by Branch at 150000 (FA maintained by HO)

<u>HO</u>	<u>Branch</u>
Branch 100000 To FA 100000 Bv.	Cash 150000 To HO 100000 To Gain 50000

Example :- Transactions between Branch & HO

- 1) Goods sent to Branch (Bhopal) = 100000
- 2) Goods return by Bhopal Branch = 5000
- 3) Bhopal Branch received goods from Delhi Branch = 25000
- 4) Bhopal Branch sent Cash to HO 84000
& sent Cash to Delhi Branch 15000
- 5) HO incurred Exp. of 12000 on behalf of Bhopal Branch But wrongly Debited to Exp. a/c
- 6) FA purchased by ^{Bhopal} Branch in Cash 50000, But account to be maintained by HO
- 7) Dep of 15000 to be charged.

Provide Journal entries in HO Books

Ho Books

~~1) BPL Branch Dr. 100000
To GSTB a/c 100000~~

~~2) GSTB a/c 5000
To BPL Branch 5000~~

~~3) Bhopal Br. a/c (Dr. 25000
To Delhi Br. 25000~~

~~4) Cash a/c 84000
To BPL Branch 84000~~

~~Delhi Branch 15000
To BPL Branch 15000~~

~~5) ^{BPL} Branch 12000
To Exp. a/c 12000~~

~~6) Br. FA Dr. 500000
To BPL Br. 500000~~

Branch Books

~~1) GRF HO Dr. 100000
To HO a/c 100000~~

~~2) HO a/c Dr. 5000
To Goods Received 5000~~

~~3) Goods Received 25000
To HO 25000~~

~~4) HO a/c Dr. 84000
To Cash 84000~~

~~HO a/c Dr. 15000
To Cash 15000~~

~~5) Exp a/c Dr. 12000
To HO a/c 12000~~

~~6) HO a/c Dr. 500000
To Cash 500000~~

BPL
 7) Branch Dr. 15000
 To Br. FA 15000

7) Dep. a/c 15000
 To Ho 15000

Ledger a/c in Both Branch & HO Books

HO Books

Bhopal Branch A/c

To GSTB	100000	By GSTB	5000
To Delhi	25000	By Cash	84000
To Exp.	12000	By Delhi	15000
To Br. FA	15000	By Br. FA	500000
To Bal c/d	<u>452000</u>		

Bhopal Branch Books

HO A/c

To Goods Received	5000	By Goods Received	100000
To Cash	84000	By Goods Receiv.	25000
To Cash	15000	By Expenses	12000
To Cash	500000	By Depreciation	15000
		By Bal c/d	<u>452000</u>

Note:-

"Closing Balances of HO a/c (in Branch Books) and Branch a/c (in HO Books) must be same & reciprocal

If they are not same, then there must be an error which is to be rectified.

Example:-

Branch A/c in HO Books = 500000
Dr. Balance

HO A/c in Branch Books = 490000
Cr. Balance

Difference is due to following reasons:-

On 30th march HO sent goods of 10000 to Branch but not received by Branch till 31st march. Actually received on 2nd April.



Branch shall pass GIT entry on Under on 31st march :-

Goods in Transit a/c Dr. 10000
 To Ho a/c 10000

Revised Ho Cr. Balance = 490 + 10 = 50000

Step 1:- Reconciliation

Step 2 :- Transfer entries in Ho Books & Branch Books

Step 3:- Prepare Final A/c

① Rm Consumed

② Production Cost of FG
 ↳ Rm Consumed + Labour/Wagen + Overhead Cost

③ To find out closing FG

OPFG
 (+) Production
 COGS
 (-) COGS (Bd)

Branch (Dependent) Master Problem

HO sends goods to Branch at 20% above Cost. Branch has been informed to make Cash sell at IP & Credit sale at 25% above IP.

However, some goods were Sold by Branch at Discount of 10% on SP on Credit.

Opening Stock (From HO) = 75000 IP
" " (Local) = 15000

GSTB (IP) = 900000

Local purchase by Branch on Credit = 60000

Goods returned by Branch (Cost) = 50000

Sales Return :-

Credit = 60000 (SP)

Cash = 30000

Sales :-

Cash Sales = 240000

Credit Sales = 613500 ✓

(it includes Discounted Sales
whose Cost to HO was 10000)

Closing Stock
(From HO) = 204000 IP

(Local purchase
goods not
sold
during the year)

Closing Stock
OF Local
goods = 75000

Goods returned by Debtors
Direct to HO = 30000
(normal SP) 150

Payment to Creditors = 50000
by HO

Opening Debtors = 105000 ✓

Closing Debtors = 90000 ✓

Opng Cash = 75000 ✓

Closg Cash = 25000 ✓

Bad-debts = 5000 ✓

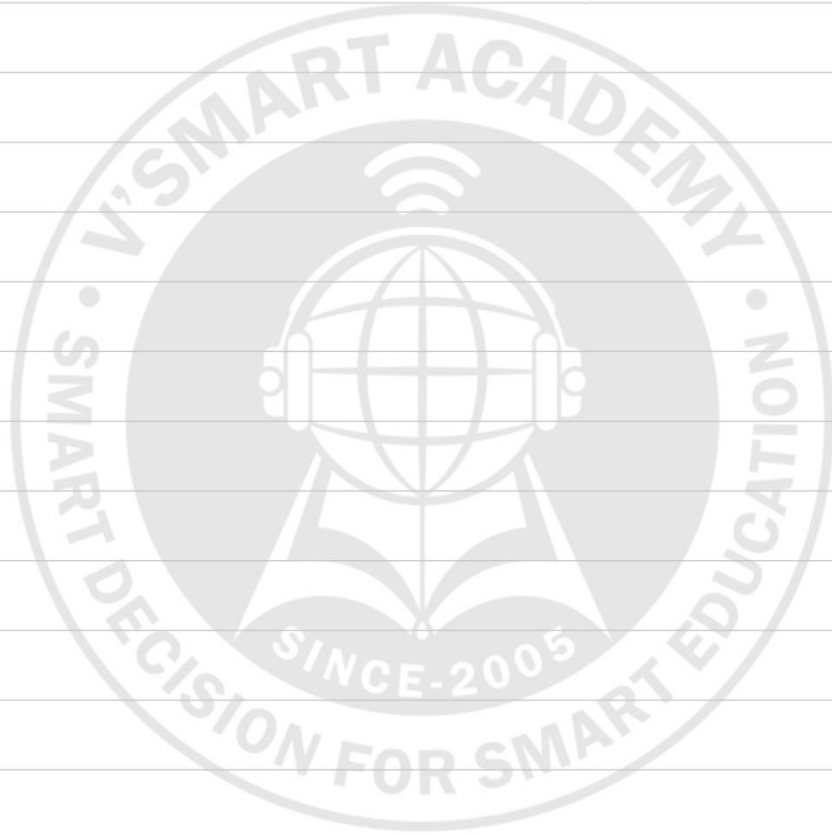
Br. Exp paid by Branch = 12000 ✓

Dr. Exp O/s = 6000 ✓
(not yet paid)

a) Case 1 = S&D method

b) Case 2 = Debtors method.

c) Case 3 = Final A/c system (IP)



V'Smart Academy

Solution of Master Problem

① Cost = 100 , IP = 120 , SP = 150
 Cash Sale at IP (120) , Credit = 150
 Sale (SP)

Discounted = $150 - 10\% = 135$
 SP

② Total Credit Sales = 613500

at Normal
 SP

600000
 (at 150)

at Discounted
 SP

13500
 (at 135)

Case 1 - Stock & Debtors method

Branch Stock a/c (IP)

To Bal b/d		By GSTB	60000
Ho	75000	(Return)	
Local	15000	By Br. adjustm.	12000
To GSTB	900000	By Br. Cash	240000 (IP)
To Br. Creditors	60000	By Br. Debtors	60000 (SP)
(SP) To Br. Debtors	60000	By Br. Debtors	13500 (D.SP)
(IP) To Br. Cash	30000	By Br. P&L (Cost)	47500
		By Br. Adj (Loadmg)	9500

Loading	To Br. adjust	120000	By Bal cld	
	To Br. adjust	1500	Ho	204000
			Local	75000

Branch Adjustment A/c (Margin)

To GSTB	10000	By Bal cld	12500
(Loading a return)		By GSTB	150000
To Br. Stock	12000	By Br. Stock	121500
To GSTB	10000	(120000 + 1500)	
To Br. Stock	9500		
(B/F) To Br. P&L	208500		
To Bal cld	34000		

Goods sent to Branch (Cost)

(120-100) To Br. adjust.	150000	By Br. Stock	900000 IP
(IP) To Br. Stock	60000	By Br. adjustm.	10000 (120-100)
(SP) To Br. Debtors	30000	By Br. adjust.	10000 (150-100)
To Trading a/c	680000		

Br. Debtors a/c

To Bal. cld	105000	By Br. Stock	60000
To Br. Stock	600000	By GSTB	30000
To Br. Stock	13500	By Br. Bad debts	5000
		By Br. Cash	533500
		(B/F)	
		By Bal cld	90000

Branch Cash

To Bal b/d 75000

To Br. Stock 240000

To Br. Debtors 53500

By Br. Stock 30000

By Br. Exp. 12000

By Cash 781500
(Remittance B/F)

By Bal c/d 25000

Br. Creditors

To Cash 50000

To Bal c/d 10000

By Bal b/d 0

By Br. Stock 60000

Br. Expense A/c

To Bad debts 5000

To Br. Cash 12000

To Br. Exp Payable 6000

By Br. P&L 23000

Br. P&L

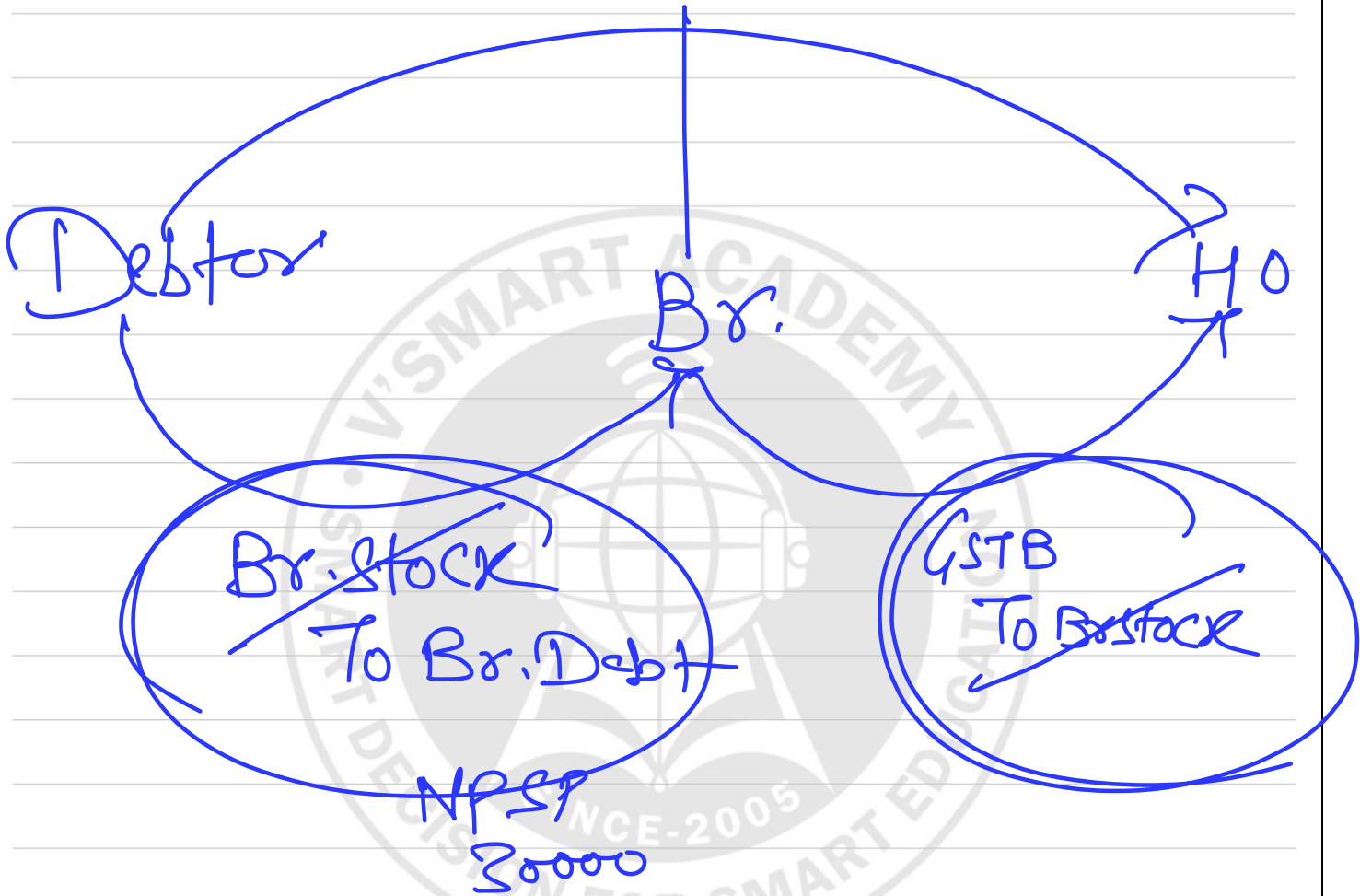
To Ab. loss 47500
(Shortage)

To Br. Exp. 23000

By Br. adjust 208500

To NP 138000

$$\frac{13500}{135} \times 15 = 1500$$



$$\frac{57000 \text{ IP}}{120 \text{ IP}} \times 100 = 47500 \text{ Cost}$$

9500 Load

Br. P&L a/c Dr. 47500 Cost
 Br Adj a/c Dr. 9500 Loading
 To Br Stock 57000

Case 2 :- Debtors method

Ultimate
W/L Branch A/c IP-Loading

To Bal b/d
 Stock (Ho) 75000
 Stock (Local) 15000
 Debtors 105000
 Cash 75000

By Bal b/d
 SR 12500

By GSTB 150000
 (Loading)

By GSTB 60000
 (Return by Bri)

By GSTB 30000
 (Return by Debtor directly)

By Cash 781500
 (Remittance)

To GSTB 900000

To GSTB 10000
 (Loading)

To GSTB 10000
 (Loading)

To Cash 50000

(Creditor Payment by Ho)

To NP 138000
 (Transfer to Gen. P&L)

To Bal c/d
 SR 34000

By Creditors 10000

By Prep O/s 6000

By Bal c/d
 Stock (Ho) 204000

Stock (Local) 75000

Debtors 90000

Cash 25000

Case 3 :- Final A/c System (IP)

Memorandum Br. Trading & P&L a/c

<p>To op. stock</p> <p>Ho 75000 Local 15000</p> <p>To purchase 60000</p> <p>To GSTB (net) 816000 900000 IP - 60000 IP - 24000 IP direct to Ho</p> <p>To GP 103500</p> <hr/> <p>To Shortage 57000</p> <p>To Br. Exp. 23000</p> <p>To NP 23500</p>	<p>By Sales :-</p> <p>Cash 240000 210000 (-) return 30000</p> <p>Credit 613500 523500 (-) return 60000 (-) return 30000 direct to Ho</p> <p>By Shortage 57000</p> <p>By Clos. stock Ho 204000 Local 75000</p> <p>By GP 103500</p>
--	---

Calculation of SR

IP Values
Loading

OP Stock

Clos. Stock

75000

204000

$\frac{75000}{120} \times 20$

$\frac{204000}{120} \times 20$

12500

34000

Debtors

Branch

Sale Return

SP

Branch

HO

purchase Return

IP

Trade

(IP)	To GSTA 900000	By Goods Return 60000	IP
		By Goods Return 24000	

Summary Point:- (Independent Branches)

1) In Case of Manufacturing Companies Where Raw material & Finished Goods information is given, following working may be required :-

a) Raw material Consumed:-

Opng. Value of Rm	—	xxx
(+) purchase Cost of Rm	—	xxx
(-) Closg Value of Rm	—	(xxx)
		<hr/>
		<hr/>

b) Production of FG (FG Produced during the year)

Rm Consumed	—	xxx
(+) Direct Labour (wages)	—	xxx
(+) <u>Factory overheads</u>	—	xxx
		<hr/>

c) Calculation of Closing stock of FG :-

Opng FG _____ xxx

(+) FG produced the year _____ xxx

_____ Total FG available for Sale

(-) Cost of Goods Sold to Customer _____ xxx

(-) Cost of Goods Sent to Branch _____ xxx

_____ Closing FG

(-) Shrinkage of FG

_____ Net Closing FG

Ex:-

$$\text{Opng Rm} = 60000$$

$$\text{Rm purchased} = 395000$$

$$\text{Clsg Rm} = 42500$$

$$\text{Opng FG} = 72000$$

$$\text{Direct Labour} = 180000$$

$$\text{Factory OH} = 302000$$

$$\frac{600000}{150} \times 100$$

$$\text{Sale to Customers} = 800000$$

$$\text{Goods sent to Branch} = 600000 \text{ IP}$$

$$\text{Margin from Customers} = 50\% \text{ on Sale}$$

H0 sends goods to Branch at Cost + 50%

Calculate Clsg FG of H0

Sol):-

1) Rm Consumed:-

$$60000 + 395000 - 42500 = 412500$$

2) Cost of FG produced:- (factory cost)

$$\begin{array}{r} 412500 + 180000 + 302000 = 894500 \\ \text{Rm} \quad \text{Lab} \quad \text{OH} \end{array}$$

3) Close stock :-

$$72000 + 894500 = 966500$$

$$(-) \text{COGS (Customer)} = (400000)$$

$$(-) \text{COGS (Branch)} = (400000)$$

166500

Q505

Given info :- HD Sells to Wholesale Customers
@ margin of 30% of Sale

Branch Sells to general public @ margin
of 30% on its Sale

WN-1 Rm Consumed:-

1800	opng Rm
35000	purchase Rm
(2300)	Close Rm

34500

WN-2 Cost of FG produced (Factory Cost)

$$\begin{aligned} \text{RM Consumed} &= 34500 \\ (+) \text{ Wages} &= 108500 \\ (+) \text{ Factory OH} &= 39000 \end{aligned}$$

$$\text{Cost of FG produced} = \underline{\underline{182000}}$$

WN-3 Closing stock of FG of HO

$$\begin{aligned} \text{Op FG} &= 13000 \\ (+) \text{ FG produced during the year} &= 182000 \end{aligned}$$

$$\text{Total goods available for sale} = \underline{195000}$$

$$\begin{aligned} (-) \text{ COGS (Wholesale Customer)} &= (140000) \\ 200000 - 30\% \end{aligned}$$

$$\begin{aligned} (-) \text{ COGS (Branch)} &= (40000) \\ \frac{46000 \times 100}{115} \end{aligned}$$

$$\underline{\underline{\text{Closing Stock} = 15000}}$$

WN-4 Close Stock of Branch

$$\text{Opng Stock} = 9200 \text{ (IP)}$$

$$\begin{aligned} (+) \text{ GSTB} &= 46000 \text{ (IP)} \\ &\text{(Always take Gross)} \end{aligned}$$

$$\text{Available Goods} = 55200$$

$$(-) \text{ GIT} = (1500)$$

$$\begin{aligned} (-) \text{ COGS} &= (45640) \\ &65200 - 30\% \end{aligned}$$

$$\text{Close Stock (in Hand)} = \underline{\underline{8060}}$$

$$\leftarrow \text{Total Close Stock (including GIT)} = 9560 \text{ at IP}$$

Trading and Profit & Loss A/c year ending 31/Dec/20x1

Particulars	HO	Branch	Total	Particulars	HO	Branch	Total
To Raw mat Consumed	34500	—	34500	By Sales	200000	65200	265200
To OP. Stock OF FG	13000	9200	22200	By GSTB	46000	—	0
To Wages	108500	0	108500	By Close Stock			
To F.OH	39000	0	39000	FG	15000	9560	24560
To GST HO	—	46000	0				
To GP	66000	19560	85560				
				By GP	66000	19560	85560
To adm. Salary	13900	4000	17900	By SR	1200	0	1200
To Salesmen Salary	22500	6200	28700				
To other OH	12500	2300	14800				
To SR	1247	—	1247				
To Bonus	—	156	156				
To NP	17053	6904	23957				

WN-5 SR on Close Stock of Branch

$$\frac{9560}{115} \times 15 = 1247/-$$

WN-6 Inter Unit A/c Reconciliation

HO Books

Branch Books

Branch A/c

HO A/c

To Bal. 5000	By CIT 1500
	By Bal 3500
<u> </u>	<u> </u>

To Bal 3500	By Bal. 2000
	By CIT 1500
<u> </u>	<u> </u>

CIT
To Branch

CIT
To HO

Balance sheet

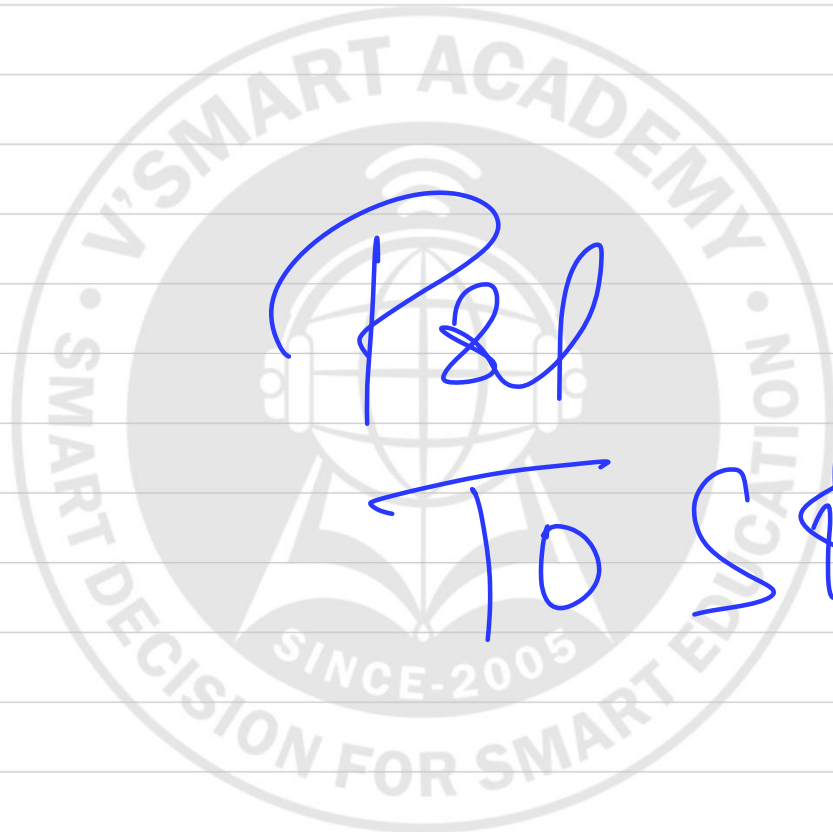
Capital 50000	73957
(+) NP <u>23957</u>	
Creditors	13000
Bonus Payable	156

Debtors	37000
Cash :-	24500
HO 2000	
By. 1000	
CIT <u>1500</u>	
Stock :-	
Rm	2300
FG :-	<u>23313</u>

HO 15000
Br. 9560
(-) SR 1247

87113

87113



Pal
TO SR

V'Smart Academy

Independent Branch (Domestic Branch)

All Branch transactions are recorded by Branch itself.

Branch shall pass J. entries, prepare ledger A/c, TB, B/S & P&L.

HO will be treated as outside party

1) Branch received goods from HO

Goods received from HO a/c Dr.
 TO H.O.

2) Branch paid Cash to HO

HO a/c Dr.
 TO Cash

3) HO received Cash from Br. Debtor

Branch Books { HO a/c Dr.
 TO Debtors

4) HO sent Goods to Branch But on 31st march goods are in Transit

HO Books
Branch
 TO GSTB

Br. Books
GIT Dr.
 TO HO

5) Branch remitted Cash on 31st March to HO but it is in Transit :-

Br. Books
 Ho a/c Dr.
 To Cash

Ho Books
 Cash in Transit Dr.
 To Branch

6) HO incurred 50000 Common Exp. for HO & Branch out of which 10000 is for Branch :-

HO
 Exp Dr. 40000
 Branch Dr. 10000
 To Cash 50000

Branch
 Exp. Dr. 10000
 To HO 10000

7) HO incurred Adv. Exp for Branch 1500 wrongly charged to P&L :-

Rectified Entry

HO
 Branch Dr.
 To P&L a/c

Br.
 Adv. Exp Dr.
 To HO

Wrong

1) Adv exp
 To Bank

2) P&L
 To Adv. exp

Summary :- Preparation of Final A/c in Case of Independent Branch

Either Individual Branch B/s & P/s (Or)
Combined HO + Branch B/s & P/s

Step 1 :- Check HO a/c Bal. & Branch A/c Balance in each others Books.

T/B Br.	
Dr. Asset Exp	Cr. Liab. Income

Match them by passing required Journal Entries in HO Books & Br. Books.

Step :- 2 Transfer of Branch T/B to HO (Situation I)

HO BOOKS

Branch BOOKS

Br. Assets Dr.
Br. Exp. Dr.

Liab. Dr.
Income Dr.

To Br. Liab.

To Assets

To Br. Incomes.

To exp.

(Difference in Branch A/c)

(Difference in HO a/c)

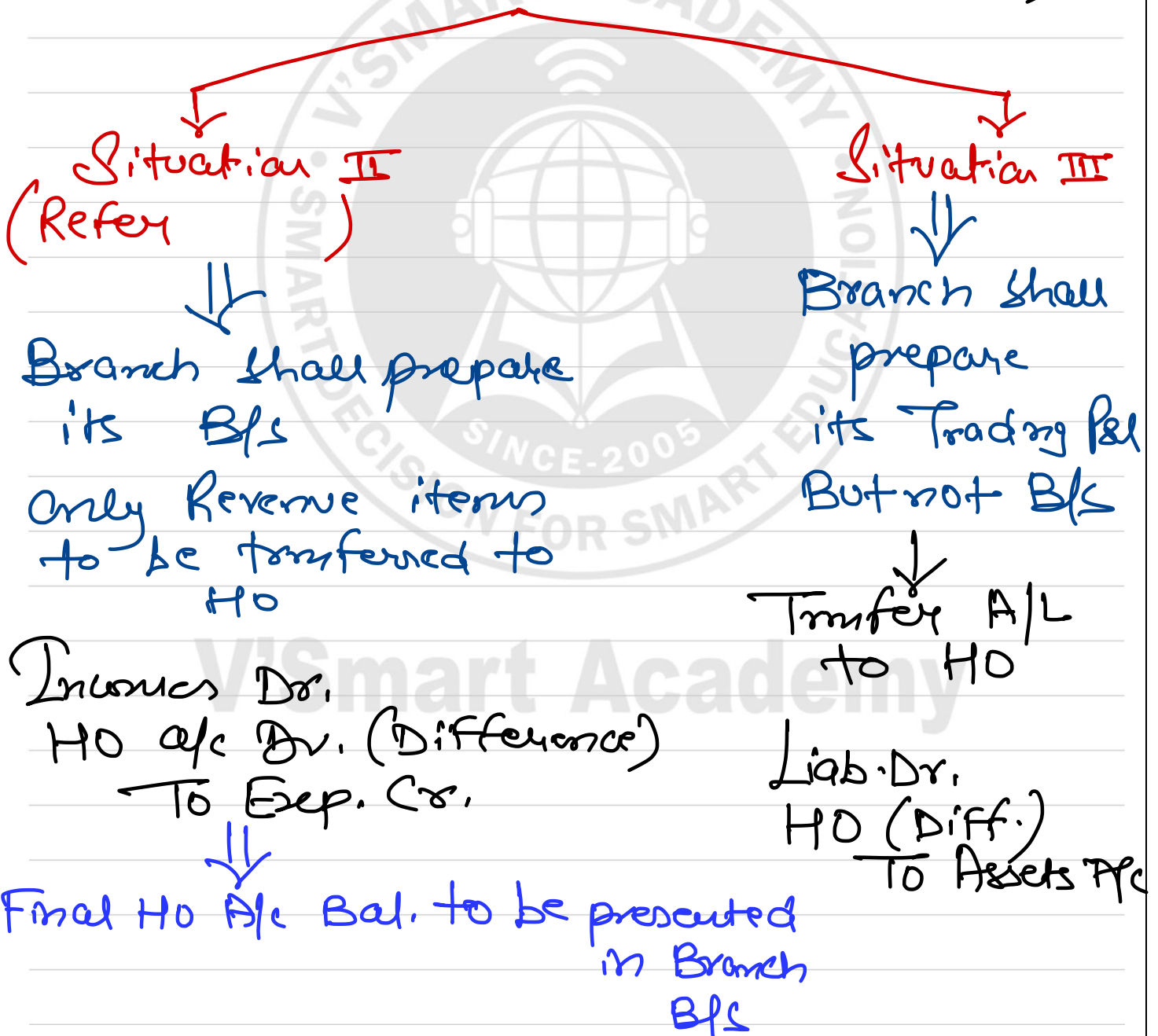


Final Balance of Branch A/c & HO a/c will be Nil

Other Situations

(Sometimes Question requires Branch to prepare its B/s only Hence Revenue items shall only be transferred to HO,

Alternative, Question may ask to transfer Assets & Liabilities only to HO, Branch will prepare its own Trading P&L)



Step:-3 Prepare Final A/c of Branch & HO as required in Question

Q504 (Final A/c Under Independent Branch)

Step 1:- Since Branch A/c in HO Books & HO a/c in Branch Books are not matched, Hence they should be Reconciled :-

Adjust 1 :- Cash in Transit For HO
Books of HO

Cash in Transit a/c Dr. 3000

 To Branch a/c 3000

Adjustment 2:- HO has to Reverse & book the Loss

Loss in Transit a/c Dr. 1700

 To Branch a/c 1700

HO Books

Branch A/c

To Bal. 133710

By CIT

3000

By LIT

1700

By Bal c/d

129010

Step 2:- Transfer of Branch TB to HO

Books of HO (Transfer of TB items from Branch)

a) Branch a/c Dr. 42100
 To Br. P&L a/c 31700
 To Br. Creditors a/c 10400

b) Br. FA a/c Dr. 95000
 Br. Debtors a/c Dr. 19100
 Br. Stock a/c Dr. 50460
 Br. Cash a/c Dr. 6550
 To Branch a/c 171110

HO BOOKS

Branch A/c (Continued from Step 1)

To Bal b/d	129010	By Br. FA	95000
To Br. P&L	31700	By Br. Debtors	19100
To Br. Creditors	10400	By Br. Stock	50460
		By Br. Cash	6550

Step :- 3 Prepare B/s OF Entire Company.

Balance Sheet

Esc	800000	FA	625000
<u>P&L :-</u>	107510	HO	30000
		Br.	<u>9500</u>
Op Bal	25310	Stock	272930
HO Profit	8200	HO	222470
(-) LIT	(1700)	Br.	<u>50460</u>
(+) Branch Profit	31700		
(-) Int. divid.	(30000)	Debtors	69600
Gen. Reserve	100000	HO	50500
		Br.	<u>19100</u>
Creditors	32300		
HO	21900	Cash	72280
Branch	<u>10400</u>	HO	62730
		Branch	6550
		CIT	<u>3000</u>
	<u>1039810</u>		<u>1039810</u>

Q501

① Goods sent to Branch at SP/IP

Assume SP = 100/-

Margin as
GSTB = 20/-

Cost 80

② HO maintains FA a/c
of Branch

No need to prepare Combined Trading P&L, only Branch Trading P&L to be prepared.

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Independent Branch

Br. Trading

Br. Trading

Cost

Cost

IP

Sale

IP

Situation 1

Question

Cost 100

IP 120

SP 150

Situation 2

Question

Cost ✓

IP/SP ✓

Q503

H0 BOOKS

Particulars

Delhi

Mumbai

Chennai

Kolkata

Goods D-M

35000 Dr.

35000 Cr.

-

-

Goods D-R

15000 Dr.

-

-

15000 Cr.

45000 Cr.

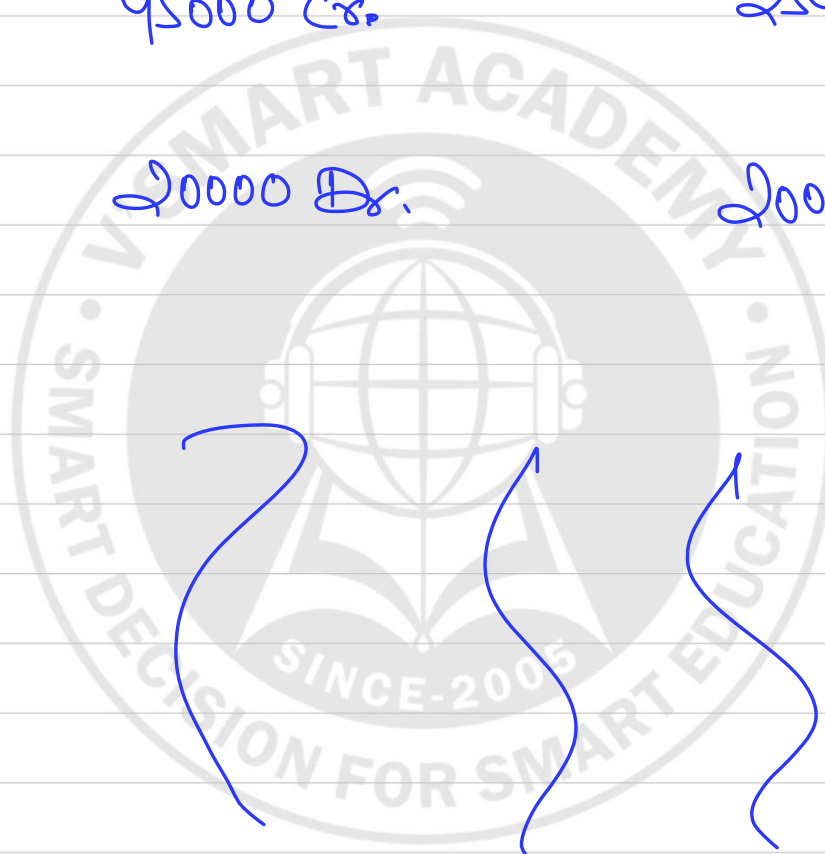
25000 Dr.

20000 Dr.

B/R

20000 Dr.

20000 Cr.



V'Smart Academy

50000
Dr.

30000
Cr.

10000
Dr.

30000
Cr.

H0

D
C

S
I

To M 3
To R 2