

Practical Questions - Branch Accounts

1A. Independent Local Branches - Journal Entries

1. Independent Branches - Journal Entry for Goods in Transit M 07, N 08 (Mod.)

Ram & Co. having a Head Office in Mumbai has a Branch in Nagpur. The Branch at Nagpur is an Independent Branch maintaining separate books of account. On 31st March, it was found that the goods despatched by Head Office for Rs. 2,00,000 was received by the Branch only to the extent of Rs. 1,50,000. The balance goods are in transit. What is the Accounting Entry to be passed by the branch for recording the Goods-in-Transit, in its books?

Solution: Nagpur Branch should pass the following entry to record the Goods-in-Transit in its books -

Particulars	Dr. (Rs.)	Cr. (Rs.)
Goods-in-Transit A/c Dr.	50,000	
To Head Office A/c		50,000
(Being Goods sent by Head Office in transit on the Closing Date)		

Note: No entry is required to be passed in the books of Head Office.

2. Independent Branches - Journal Entries for Adjustments at Year End N 04 (Mod), N 11

Krishna Limited has a branch that closes its books of account every year on 31st March. This is an Independent Branch, which maintains comprehensive books of account for recording their transactions. You are required to show Journal Entries in the Books of the Branch for 31st March, to rectify or adjust the following -

1. Head Office allocates Rs. 1,35,000 to the Branch as Head Office Expenses, which have not yet been recorded by Branch.
2. Depreciation of Branch Fixed Assets, whose accounts are kept by Head Office in its books, not yet recorded in the Branch Books, Rs. 1,15,000.
3. Branch paid Rs. 1,40,000 as Salary to an Official from HO on visit to Branch and debited the amount to its Salaries A/c.
4. Head Office collected Rs. 1,30,000 directly from a Branch Customer on behalf of the Branch, but no intimation was received earlier by the Branch. Now the Branch learns about it.
5. It is learnt that a remittance of Rs. 1,50,000 sent by the Branch has not been received by Head Office till date.
6. The Branch incurred Advertisement Expenses of Rs. 30,000 on behalf of another Branch.

Solution: Journal Entries in the books of Branch

S.No.	Particulars	Dr. (Rs.)	Cr. (Rs.)
1.	Expenses A/c Dr. To Head Office A/c (Being the expenditure allocated by the Head Office recorded in Branch books)	1,35,000	1,35,000
2.	Depreciation A/c Dr. To Head Office A/c (Being the Depreciation on Branch Assets provided)	1,15,000	1,15,000
3.	Head Office A/c Dr. To Salaries A/c (Being the Salary paid on behalf of HO to the HO Inspector)	1,40,000	1,40,000
4.	Head Office A/c Dr. To Debtors A/c (Being the adjustment of collection from Branch Debtors)	1,30,000	1,30,000
5.	Head Office A/c Dr. To Cash A/c (Being the expenditure on account of other Branch, recorded in books) [Note: In turn, the HO will debit the other Branch for such expenses]	30,000	30,000

Note: No Journal Entry is required in Branch Books, for the remittance of Branch not recorded in the books of HO. It should be recorded as Remittances in Transit in HO Books.

3. Independent Branches - Journal Entries in Books of Branch M14, N15

Pass Necessary Journal Entries in the books of an independent Branch of a Company, wherever required, to rectify or adjust the following:

- (i) Income of Rs. 2,800 allocated to the Branch by Head Office but not recorded in the Branch books.
- (ii) Provision for Doubtful Debts, whose Accounts are kept by the Head Office, not provided earlier for Rs. 1,000.
- (iii) Branch paid Rs. 3,000 as Salary to a Head Office Manager, but the amount paid has been debited by the Branch to Salaries Account.
- (iv) Branch incurred Travelling Expenses of Rs. 5,000 on behalf of other Branches, but not recorded in the books of Branch.
- (v) A remittance of Rs. 1,50,000 sent by the Branch has not received by Head Office on the date of reconciliation of Accounts
- (vi) Head Office Allocates Rs. 75,000 to the Branch as Head Office Expenses, which has not yet been recorded by the Branch.
- (vii) Head Office collected Rs. 30,000 directly from a Branch Customer. The intimation of the fact has been received by the Branch only now.
- (viii) Goods dispatched by the Head Office amounting to Rs. 10,000, but not received by the Branch till date of reconciliation. The Goods have been received subsequently.

Solution:

Journal Entries in the books of Branch

S.No.	Particulars	Dr. (Rs.)	Cr. (Rs.)
1.	Head Office A/c Dr. To Income A/c (Being the Income allocated by the Head Office recorded in Branch books)	2,800	2,800
2.	Branch P & L A/c Dr. To Head Office A/c (Being the Provision on Doubtful Debts on Branch Debtors provided)	1,000	1,000
3.	Head Office A/c Dr. To Salaries A/c (Being the Salary paid on behalf of HO to the HO Manager)	3,000	3,000
4.	Head Office A/c Dr. To Cash A/c (Being the expenditure on account of other Branch, recorded in books) [Note: In turn, the HO will debit the other Branch for such expenses]	30,000	30,000
5.	No Journal Entry is required in Branch Books, for the remittance of Branch not recorded in the books of HO. It should be recorded as Remittances in Transit in HO Books.	"	"
6.	Expenses A/c Dr.	75,000	

	To Head Office A/c (Being the Expenses allocated by the Head Office, recorded in Branch books)		75,000
7.	Head Office A/c Dr. To Debtors A/c (Being the adjustment of collection from Branch debtors)	30,000	30,000
8.	Goods-in-Transit A/c Dr. To Head Office A/c (Being goods sent by Head Office, in transit on the closing date) [Note: No entry is required to be passed in the books of the Head Office]	10,000	10,000

Note: For S.No.2 - The entry in the Books of HO will be:

Branch A/c Dr.

To Provision for Bad Debts A/c

4. Independent Branches - Journal Entries in HO Books

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Give Journal Entries in the books of Head Office to rectify or adjust the following:

1. Goods sent to Branch Rs. 12,000 stolen during transit. Branch Manager refused to accept any liability.
2. Branch paid Rs. 15,000 as Salary to the Officer of Head Office on his visit to the Branch.
3. On 28th March, the HO despatched goods to the Branch invoiced at Rs. 25,000 which was not received by Branch till 31st March, being end of the financial year.
4. A remittance of Rs. 10,000 sent by the Branch on 30th March, received by the Head Office on 1st April (in the next fin. year).
5. Head Office made payment of Rs. 25,000 for purchase of goods by Branch and wrongly debited its own Purchase Account.

Solution: Journal Entries in the Books of Head Office

	Particulars	Dr.(Rs.)	Cr.(Rs.)
1.	<div>Loss in Transit A/c Dr.</div> <div>To Branch A/c</div> <div>(Being goods sent to Branch lost in transit.)</div>	12,000	12,000
2.	<div>Salary A/c Dr.</div> <div>To Branch A/c</div> <div>(Being Salary Expense relatable to HO paid by the Branch) (assuming Salary = HO related)</div>	15,000	15,000
3.	<div>Branch A/c Dr.</div> <div>To Goods sent to Branch A/c</div> <div>(Being goods in transit from Head Office to Branch)</div>	25,000	25,000
4.	<div>Cheques in Transit A/c Dr.</div> <div>To Branch A/c</div> <div>(Being Cheques in Transit as on 31st March and reached HO only on 1st April)</div>	10,000	10,000
5.	<div>Branch A/c Dr.</div> <div>To Purchases A/c</div> <div>(Being Purchases made by Branch wrongly debited to Head Office Purchases A/c)</div>	25,000	25,000

IB. Independent Local Branches - Branch Trading P&L

5. Independent Branches - Branch Trading and P & LA/c N93

Amaresh & Bros, is a Partnership Firm. The Firm has a Branch at Mumbai. As on the year ended 31st December, the Mumbai Branch Manager sent the following Branch Trial Balance for incorporation in the Head Office Books:

Particulars	Dr.	Cr.
18% Term Loan	-	2,50,000
Goods from Head Office (at Invoice Price)	12,00,000	-
Opening Stock (at Invoice Price)	4,80,000	-
Salaries and Wages	1,50,000	-
Branch Expenses	48,000	-
Fixed Assets	2,50,000	-
Sales	-	16,32,000
Head Office Account	-	2,46,000
Total	21,28,000	21,28,000

Notes:

1. Branch Manager is entitled to get 10% Commission on Net Profit before Commission.
 2. Branch Current Account in the HO books Rs. 3,80,000.
 3. Branch Manager sent Rs. 87,500 which was not received at the HO as on 31st December. A Consignment valued at Rs. 46,500 despatched from HO did not reach the Branch till the year-end.
 4. Depreciation on Branch Fixed Assets was chargeable at 10% p.a.
 5. Goods were sent to branch at Cost Plus 20% and Sales were made making 20% Profit on Invoice Price.
 6. Branch did not maintain any HO Account. In the Trial Balance, H.O. Account balance is just a Balancing Figure.
- Required: Prepare - (1) Branch Account in the Head Office, and (2) Branch Profit and Loss Account.

Solution: Note:

- Since the Question has given a separate Trial Balance for the Branch, it is treated as an Independent Branch.
- It is assumed that the Firm follows "Transfer of Profit / Loss Method" to record only the Net Profits in HO Books. Hence, Branch Assets and Liabilities are not transferred to HO.

A. Branch Trading and Profit and Loss Account (in the books of Mumbai Branch)

Particulars	Rs.	Particulars	Rs.
To Opening Stock	4,80,000	By Sales	16,32,000
To Goods from Head Office (12,00,000 + 46,500)	12,46,500	By Closing Stock (WN 2)	3,66,500
To Gross Profit c/d (balancing figure)	2,72,000		
Total	19,52,000	Total	19,52,000
To Salaries and Wages	1,50,000	By Gross Profit b/d	2,72,000
To Expenses	48,000		
To Provision for Depreciation	25,000		
To Interest on Term Loan (2,50,000 × 18%)	45,000		
To Manager's Commission (Note)	400		
To Net Profit (tfrd to HO A/c) (balancing figure)	3,600		
Total	2,72,000	Total	2,72,000

Note: Mgr's Commission = 10% of [GP 2,72,000 - Other Exps in P&L (1,50,000 + 48,000 + 25,000 + 45,000)] = 400

B. Branch Account (in the books of Head Office)

Particulars	Rs.	Particulars	Rs.
To balance b/d	3,80,000	By Cash in Transit	87,500
To General Profit & Loss A/c	3,600	By balance c/d (balancing figure)	2,96,100
Total	3,83,600	Total	3,83,600

C. Reconciliation of HO - Branch balances

In HO Books	Rs.	In Mumbai Branch Books	Rs.
Balance in Branch A/c	3,80,000 Dr.	Balance in Head Office A/c	2,46,000 Cr.
Less: Cash-in-Transit	(87,500) Cr.	Add: Goods-in-Transit	46,500 Cr.
Add: Profits transferred from Branch	3,600 Dr.	Add: Profits transferred to HO	3,600 Cr.
Revised Balance	2,96,100 Dr.	Revised Balance	2,96,100 Cr.

Adjusting Entries	Dr.	Cr.	Adjusting Entries	Dr.	Cr.
Cash-in-Transit A/c Dr.	87,500		Goods from HO A/c Dr.	46,500	
To Branch A/c		87,500	To HO A/c		46,500
Branch A/c Dr.	3,600		P & L A/c Dr.	3,600	
To General P & L A/c		3,600	To HO A/c		3,600
(Being Profits tfd from Branch)			(Being Profits trfd to HO)		

Working Notes:

1. Determination of Profit Margin

(a) From Head Office to Branch = 20% on Cost = $\frac{1}{5}$ th on Cost = $\frac{1}{6}$ th on Invoice Price

(b) From Branch to Outsiders = 20% on Invoice Price = $\frac{1}{5}$ th on Invoice Price = $\frac{1}{6}$ th on Sales Price

2. Value of Closing Stock (at Invoice Price, i.e. Cost to Branch)

Particulars	Rs.
Opening Stock	4,80,000
Add: Goods from HO (including Goods in Transit)	12,46,500
Total Goods Available for Sale	17,26,500
Less: Invoice Price of Goods sold [Sales - Branch Profits = 16,32,000 - (16,32,000 \times $\frac{1}{6}$ th)]	(13,60,000)
Closing Stock (including Goods in Transit)	3,66,500

3. General Profit and Loss Account (Extract)

[Note: This A/c is not required as per the question. It is prepared for understanding purposes only.]

Particulars	Rs.	Particulars	Rs.
To Stock Reserve on Clg Stk (3,66,500 \times $\frac{1}{6}$)	61,083	By Branch A/c (Net Profits from Branch)	3,600
		By Stock Reserve on Opg Stk (4,80,000 \times $\frac{1}{6}$)	80,000

Note: Since this is only an Extract of P&L A/c, Totals and Balancing Figure are not drawn in the above account.

6. Independent Branches- Branch Trading and P & L A/c N92

Easwar & Co, with its Head Office in Chennai, invoiced goods to its Branch at Pune, at 20% less than the Catalogue Price, which is Cost plus 50%, with instructions that Cash Sales were to be made at Invoice Price & Credit Sales at Catalogue Price. Discount on Credit Sale at 15% on prompt payment will be allowed.

From the following particulars available from the Branch, prepare the Branch Trading & Profit & Loss Account of the Branch for the financial year -

Particulars	Rs.	Particulars	Rs.
Opening Stock (Invoice Price)	12,000	Discount allowed on Debtors	13,365
Goods received from Head Office (Invoice Price)	1,32,000	Expenses at the Branch	6,000
Debtors on 1 st April (year beginning)	10,000	Remittance to Head Office	120,000
Cash Sales	46,000	Debtors on 31 st March (year-end)	11,000
Credit Sales	100,000	Cash in Hand on 31 st March (year-end)	5,635
Cash realised from Debtors	85,635	Closing Stock on 31 st March (year-end)	15,000

It was reported that a part of Stock at the Branch was lost by fire during the year, whose value is to be ascertained, and Provision should be made for Discount to be allowed to Debtors as on 31st March (year-end) on the basis of the year's occurrence of prompt payment.

Solution: Branch Trading and Profit & Loss A/c for the year ended 31st March

Particulars	Rs.	Particulars	Rs.
To Opening Stock	12,000	By Sales – Cash	46,000
To Goods from HO	1,32,000	- Credit	1,00,000
To Gross Profit c/d (balancing figure)	19,500	By Abnormal Loss (WN 2)	2,500

		By Closing Stock	15,000
Total	1,63,500	Total	1,63,500
To Discount	13,365	By Gross Profit b/d	19,500
To Expenses	6,000	By Net Loss c/d (balancing figure)	3,702
To Provision for Discount on Debtors (WN 3)	1,337		
To Abnormal Loss	2,500		
Total	23,202	Total	23,202

Note: Stock Reserve will be shown in General Profit and Loss Account. (Refer WN 4)

Working Notes: 1. Computation of Catalogue Price and Invoice Price

Particulars	Rs.
Cost to HO	100
Add: Profit Margin for Catalogue Price (Cost Price Rs. 100 × 50%)	50
Catalogue Price	150
Less: 20% Discount for Invoice Price (Catalogue Price Rs. 150 × 20%)	30
Invoice Price (i.e. for Branch)	120

So, Loading by HO = $(120 - 100) = 20\%$ on Cost to HO = $1/5^{\text{th}}$ on Cost = $1/6^{\text{th}}$ on Invoice Price to Branch.

2. Computation of Abnormal Loss

Particulars	Rs.
Opening Stock at Invoice Price	12,000

Add:	Goods Received from HO (at Invoice Price)		1,32,000
	Total Cost of Goods		1,44,000
Less:	Invoice Price of goods sold	Cash Sales (Rs. $46,000 \times \frac{120\%}{120\%}$)	46,000
		Credit Sales (Rs. $1,00,000 \times \frac{120\%}{150\%}$)	80,000
			(1,26,000)
			18,000
Less:	Closing Stock (Invoice Price) (given)		(15,000)
	Abnormal Loss (Invoice Price)		3,000
	Cost of Abnormal Loss to HO (Invoice Price Rs. $3,000 \times \frac{100}{120}$)		2,500

3. Computation of Provision for Discount on Debtors

Particulars	Rs.
(a) Prompt Payment Debtors during the year = $\frac{\text{Discount Amt}}{\text{Rate of Discount}} = \frac{13,365}{15\%}$	89,100
(b) Total Debtors during the year = Opening Balance Rs. 10,000 + Credit Sales Rs. 1,00,000	1,10,000
(c) Ratio of Prompt Paying Debtors to Total Debtors (a ÷ b)	81%
(d) Provision for Discount = Closing Debtors Rs. 11,000 × Prompt Payers Ratio 81% × Discount 15%	1,337

4. General Profit and Loss Account (extract) (prepared for understanding purposes only)

Particulars	Rs.	Particulars	Rs.
To Loss from Branch b/fd as above	3,702	By Stock Reserve on Opg Stock ($12,000 \times 1/6^{\text{th}}$)	2,000

To Stock Reserve on Clg Stock (15,000×1/6 th)	2,500	By Loading on Goods sent to Branch	22,000
To Net Profit (true profits from Branch Operations)	17,798	(1,32,000×1/6 th)	
Total	24,000	Total	24,000

7. Independent Branches - Branch Trading and P & L A/c & Branch Balance Sheet M 03

A Chennai Merchant opens a New Branch in Mathura, which trades independently of the Head Office. The transactions of the Branch for the year-ended 31st March are as under -

Particulars	Rs.
Goods supplied by Head Office	2,00,000
Purchases from Outsiders:	
- Credit	1,55,500
- Cash	30,000
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Sales:	
- Credit	2,50,500
- Cash	46,000
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Cash received from Customers	3,04,500
Trade Creditors Paid	1,42,500
Expenses Paid by Branch	89,500
Furniture purchased by Branch on credit	35,000
Cash Received from Head Office initially	40,000
Remittances to Head Office	1,10,000

Prepare the Branch Final Accounts and the Branch Account in the Head Office Books on incorporation of the Branch Trial Balance in the Head Office Books, after taking the following into consideration:

1. The Accounts of the Branch Fixed Assets are maintained in the Head Office books.

2. Write off Depreciation on Furniture at 5 percent per annum for full year.
3. A Remittance of Rs. 20,000 from the Branch to the Head Office is in Transit.
4. The Branch values its Closing Stock at Rs. 1,20,000.

Solution: In the books of Mathura Branch

A. Trading and Profit and Loss Account for year ending 31st March

Particulars	Rs.	Particulars	Rs.
To Goods Supplied by HO	2,00,000	By Sales:	
To Purchases:		Credit	2,50,500
Credit	1,55,500	Cash	46,000
Cash	30,000		
	1,85,500	By Closing Stock	1,20,000
To Gross Profit c/d (balancing figure)	31,000		
Total	4,16,500	Total	4,16,500
To Expenses (HO A/c Contra)	89,500	By Gross Profit b/d	31,000
To Depreciation on Furniture (35,000 × 5%)	1,750	By Net Loss (transferred to HO A/c) (bal. fig.)	60,250
Total	91,250	Total	91,250

B. Balance Sheet as on year ended 31st March (before transfer of Branch Assets and Liabilities to HO A/c)

Capital and Liabilities	Rs.	Properties and Assets	Rs.
Head Office Account (Stage I Bal. WN 2)	36,500	Closing Stock	1,20,000
Trade Creditors	13,000	Cash in Hand (WN 1)	18,500

Creditors for Furniture	35,000		
Advances from Customers	54,000		
Total	1,38,500	Total	1,38,500

Working Notes: 1. Branch Cash Account (to determine the Closing Balance)

Receipts	Rs.	Payments	Rs.
To Head Office (Initial Receipt)	40,000	By Cash Purchases	30,000
To Cash Sales	46,000	By Trade Creditors	1,42,500
To Trade Debtors	3,04,500	By Expenses	89,500
		By Head Office A/c (Remittances made)	1,10,000
		By balance c/d (balancing figure)	18,500
Total	3,90,500	Total	3,90,500

2. Head Office Account (This is prepared to determine Closing HO Balance in Branch Books from I Stage)

Particulars	Rs.	Particulars	Rs.
To Branch Cash A/c (Note 2)	1,10,000	By Goods received from HO A/c	2,00,000
To Branch P & L A/c (Note 3)	60,250	By Branch Cash A/c	40,000
To Creditor for Furniture	35,000	By Depreciation on Furniture A/c (Note 1)	1,750
To Stage I balance c/d (bal. figure)	36,500		
Total	2,41,750	Total	2,41,750

To Branch Cash A/c	18,500	By balance b/d	36,500
To Branch Stock A/c	1,20,000	By Creditors A/c	13,000
		By Creditors for Furniture A/c	35,000
		By Advance from Customers	54,000
Total	1,38,500	Total	1,38,500

3. Mathura Branch Account in the books of Head Office

Particulars	Rs.	Particulars	Rs.
To Cash (Initial Investment)	40,000	By Cash (Remittance)	1,10,000
To Goods Sent to Branch A/c	2,00,000	By Branch Stock	1,20,000
To Branch Furniture	1,750	By Branch Cash	18,500
To Branch Trade Creditors	13,000	By General P & L A/c (Loss Transfer)	60,250
To Branch Creditors for Furniture To Branch Trade Debtors (Advances)	35,000 54,000	By Branch Furniture	35,000
Total	3,43,750	Total	3,43,750

Notes:

1. Since Branch Accounts are maintained by at HO, the Entry passed in Branch and HO Books is are under -

Branch Books	Dr. (Rs.)	Cr. (Rs.)	Head Office Books	Dr. (Rs.)	Cr. (Rs.)
(a) For Purchase of Furniture			(a) For Purchase of Furniture		
Head Office A/c Dr.	35,000		Branch Furniture A/c Dr.	35,000	

To Creditors for Furniture		35,000	To Branch A/c		35,000
(b) For Depreciation			(b) For Depreciation		
Depreciation A/c Dr.	1,750		Branch A/c Dr.	1,750	
To Head Office A/c		1,750	To Branch Furniture A/c		1,750

2. It is assumed that the remittances of Rs. 1,10,000 include Cash in Transit of Rs. 20,000 from Branch to Head Office. The adjustment for this Cash in Transit is assumed to be made in Head Office Books.

3. It is assumed that the Branch transfers all its Assets and Liabilities including Profits / Losses after preparing Branch Trading and Profit & Loss A/c.

In the Books of Mathura Branch

Particulars	Dr. (Rs.)	Cr. (Rs.)
(a) For transfer of Branch Losses		
Head Office A/c Dr.	60,250	
To Branch P & L A/c		60,250
(b) For transfer of Branch Assets		
Head Office A/c Dr.	1,38,500	
To Closing Stock A/c		1,20,000
To Branch Cash A/c		18,500
(c) For transfer of Branch Liabilities		
Creditors A/c (1,55,500 - 1,42,500) Dr.	13,000	
Creditors for Furniture A/c Dr.	35,000	

Advance from Customers A/c (3,04,500 - 2,50,500)	Dr.	54,000	
To Head Office A/c			1,02,000

8. Independent Branches - Branch Trading and P & L A/c and Branch Balance Sheet M 02

On 31st March 2018, Kanpur Branch submits the following Trial Balance to its Head Office at Lucknow:

Particulars	Dr. Rs. in Lakhs	Particulars	Cr. Rs. in Lakhs
Furniture and Equipment	18	Outstanding Expenses	3
Depreciation on Furniture	2	Goods Returned to Head Office	5
Salaries	25	Sales	360
Rent	10	Head Office	80
Advertising	6		
Telephone, Postage and Stationery	3		
Sundry Office Expenses	1		
Stock on 1 st April 2017	60		
Goods received from Head Office	288		
Debtors	20		
Cash at Bank and in Hand	8		
Carriage Inwards	7		
Total	448	Total	448

Additional Information:

- Stock on 31st March 2018 was valued at Rs. 62 Lakhs.

- On 29th March 2018, the Head Office despatched goods costing Rs. 10 Lakhs to its Branch. Branch did not receive these

goods before 1st April 2018. Hence, the figure of goods received from Head Office does not include these goods.

- Head Office has charged the Branch Rs. 1 Lakh for Centralized Services for which the Branch has not passed the entry.

You are required to:

1. Pass Journal Entries in the books of the Branch to make the necessary adjustments.
2. Prepare Final Accounts of the Branch including Balance Sheet, and
3. Pass Journal Entries in the Books of the Head Office to incorporate the whole of the Branch Trial Balance.

Solution: A. Journal Entries in the books of Branch (Rs. in Lakhs;

S.No	Particulars	Dr.	Cr.
1.	<div>Goods Received from Head Office A/c Dr.</div> <div>To Head Office A/c</div> <div>(Being Goods despatched by HO, but not received by Branch before 1st April 2018)</div>	10	10
2.	<div>Expenses A/c Dr.</div> <div>To Head Office A/c</div> <div>(Being amount charged by Head Office for centralized services)</div>	1	1

B. In the books of Head Office

Trading and Profit & Loss A/c of the Branch for the year ended 31st March 2018

Particulars	Rs. in Lakhs	Particulars	Rs. in Lakhs
To Opening Stock	60	By Sales	360
To Goods received from HO (288 + 10) 298		By Closing Stock (62 +10) 72	
Less: Returns 5	293		
To Carriage Inwards	7		
To Gross Profit (balancing figure)	72		
Total	432	Total	432
To Salaries	25	By Gross Profit b/d	72
To Depreciation on Furniture	2		

To Rent	10		
To Advertising	6		
To Telephone, Postage & Stationery	3		
To Sundry Office Expenses	1		
To Head Office Expenses	1		
To Net Profit tfrd to HO A/c (balancing figure)	24		
Total	72	Total	72

C. Balance Sheet of the Branch as on 31st March 2018

Capital and Liabilities		Rs. in Lakhs	Properties and Assets	Rs. in Lakhs
Head Office A/c	80		Furniture & Equipment	20
Add: Goods in transit	10		Less: Depreciation	2
Head Office Expenses	1		Stock-in-hand (incl. in Goods in Transit)	72
Net Profit	24	115	Debtors	20
Outstanding Expenses		3	Cash at Bank and in Hand	8
Total		118	Total	118

D. Journal Entries in the books of Head Office (Rs. in Lakhs)

S.No	Particulars	Dr.	Cr.
1.	Branch Trading A/c Dr.	365	

	To Branch A/c (Being the total of the following items in Branch Trial Balance, debited to Branch Trading Account) (Opg Stock at Branch 60 + Goods Received from HO 298 + Carriage Inwards 7)		365
2.	Branch Account Dr. To Branch Trading A/c (Being Total Sales, Closing Stock and Goods Returned to Head Office credited to Branch Trading Account) (Sales 360 + Clg Stock 72 + Goods returned to HO 5)	437	437
3.	Branch Trading A/c Dr. To Branch Profit and Loss A/c (Being GP earned by Branch credited to Branch Profit and Loss Account)	72	72
S.No	Particulars	Dr.	Cr.
5	Branch Profit and Loss A/c Dr. To Branch A/c (Being the Total of Branch Expenses debited to Branch P&L Account) (Salaries 25 + Rent 10 + Advertising 6 + Telephone, Postage & Stationery 3 + Sundry Office Expenses 1 + HO Expenses 1 + Depreciation on Furniture & Equipment 2)	48	48
5.	Branch Profit & Loss A/c Dr. To Profit and Loss A/c	24	24

	(Being Net Profit of Branch credited to General Profit & Loss A/c)		
6.	Branch Furniture & Equipment A/c Dr.	18	
	Branch Stock A/c (62 + 10) Dr.	72	
	Branch Debtors A/c Dr.	20	
	Branch Cash at Bank and in Hand A/c Dr.	8	
	To Branch A/c		118
	(Being incorporation of different assets at the Branch, in HO Books)		
7.	Branch A/c Dr.	3	
	To Branch Outstanding Expenses A/c		3
	(Being incorporation of Branch Outstanding Expenses, in HO Books)		

1C. Independent Local Branches-Branch & HO Trading P&L

9. Independent Branches - Branch and HO Trading and P & L A/c M 11

Govind Limited has a Retail Branch at Noida. Goods are sold to Customers at Cost plus 100%. The Wholesale Price is Cost Plus 80%. Goods are invoiced to Noida at Wholesale Price. From the following particulars, find out the Profit made by the Head Office and Noida Branch for the year ended 31st March 2018 using Invoice Method.

Particulars	Head Office (Rs.)	Noida (Rs.)
Stock on 1 st April 2017	56,000	-
Purchases	3,00,000	-
Goods Sent to Branch (at Invoice Value)	1,08,000	-
Sales	3,06,000	1,00,000
Expenses	90,000	4,000

Sales at Head Office are made only on Wholesale basis and Sales at Branch are made only to Customers. Stock at Branch is valued at Invoice Price.

Solution: 1. Trading and Profit and Loss Account for the year ended on 31st March 2018

Particulars	HO	Branch	Particulars	HO	Branch
To Opening Stock	50,000	NIL	By Sales	3,06,000	1,00,000
To Purchases	3,00,000	NIL	By Goods Sent to Branch	1,08,000	-
To Goods received from HO	-	1,08,000	By Closing Stock (WN 1,2)	1,20,000	18,000
To Gross Profit (balancing figure)	1,84,000	10,000			
Total	5,34,000	1,18,000	Total	5,34,000	1,18,000
To Expenses	90,000	4,000	By Gross Profit	1,84,000	10,000
To Net Profit (balancing figure)	94,000	6,000			
Total	1,84,000	10,000	Total	1,84,000	10,000

Note: The Closing Stock of the Branch is taken at the Invoice Price, due to the requirement of the question.

2. General Profit and Loss A/c

Particulars	Rs.	Particulars	Rs.
To Stock Reserve on Branch Closing Stk ($18,000 \times \frac{80}{180}$)	8,000	By Head Office Profit	94,000
		By Branch Profit	6,000
To Net Profit (balancing figure)	92,000	By Stock Reserve on Branch Opg Stk	Nil
Total	1,00,000	Total	1,00,000

Working Notes: 1. Computation of Branch Closing Stock at Invoice Price

Particulars	Rs.
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Invoice Value of goods sent to Branch	1,08,000
Less: Invoice Value of goods sold by Branch ($\text{Rs. } 1,00,000 \times 180 \div 200$)	(90,000)
Branch Closing Stock (at Invoice Price)	18,000

2. Computation of Head Office Closing Stock

Particulars	Rs.
Opening Stock	50,000
Add: Purchases	3,00,000
	3,50,000
Less: Cost of Goods Sold by Head Office ($\text{Rs. } 3,06,000 \times \frac{100}{180}$)	(1,70,000)
	1,80,000
Less: Cost of goods sent to Branch ($\text{Rs. } 1,08,000 \times \frac{100}{180}$)	(60,000)
Head Office Closing Stock	1,20,000

10. Independent Branches - Branch and HO Trading and P&LA/c * N07, M15

Vallabh Ltd 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 HO plus 100%. Following details are given for the year ended 31st March - (in Rs.)

Particulars	Head Office	Branch
Opening Stock (as on 1 st April, i.e. year beginning)	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

Prepare Trading and P&L Account of the Head Office and Branch for the year ended 31st March.

Solution: A. Trading and Profit and Loss Account for the year ended on 31st March (in Rs.)

Particulars	HO	Branch	Particulars	HO	Branch
To Opening Stock	2,25,000	Nil	By Sales	27,81,000	9,50,000
To Purchases	25,50,000	Nil	By Goods Sent to Branch	9,54,000	Nil
To Goods received from HO	-	9,54,000	By Closing Stock (WN 2,3)	7,00,000	99,000
To Gross Profit (bal.figure)	16,60,000	95,000			
Total	44,35,000	10,49,000	Total	44,35,000	10,49,000
To Staff Salary	65,000	12,000	By Gross Profit b/d	16,60,000	95,000
To Office Expenses	90,000	8,500			
To Selling Expenses	72,000	6,300			
To NP trfd to General P&L (b/f)	14,33,000	68,200			
Total	16,60,000	95,000	Total	16,60,000	95,000

B. General Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Stock Reserve on Branch Clg Stock (Rs. $99,000 \times \frac{80}{180}$)	44,000	By Head Office Profit b/d	14,33,000
To Net Profit (balancing figure)	14,57,200	By Branch Profit b/d	68,200
	15,01,200		15,01,200

Working Notes: 1. Computation of Loading Margin

Particulars	Rs.
Cost of Goods to Head Office	100
Add: Loading by HO to Branch	80
Whole Sale Price, i.e. Invoice Price to Branch	180
Sale Price at Branch	200

2. Closing Stock at Branch

Goods Received from HO at Whole Sale Price	Rs. 9,54,000
Less: Sales converted in to Wholesale Price ($\text{Rs. } 9,50,000 \times \frac{180}{200}$)	Rs. 8,55,000
Closing Stock at Branch	Rs. 99,000

3. Closing Stock of HO = Opening Stock + Purchases - Cost of Goods Sent to Branch - Cost of Goods Sold by HO

$$= \text{Rs. } 2,25,000 + \text{Rs. } 25,50,000 - (\text{Rs. } 9,54,000 \times \frac{100}{180}) - (\text{Rs. } 27,81,000 \times \frac{100}{180})$$

$$= \text{Rs. } 2,25,000 + \text{Rs. } 25,50,000 - \text{Rs. } 5,30,000 - \text{Rs. } 15,45,000 = \text{Rs. } 7,00,000$$

11. Independent Branches - Branch and HO Trading and P & L A/c & Overall Balance Sheet RTP

Chandru & Co. commenced business on 1st January with Head Office at Gwalior and a Branch at Surat. All Goods were purchased by Head Office and normally packed immediately but on 31st December, Goods Costing Rs. 5,000 remained unpacked. Only Packed Goods were sent to the Branch, which were charged at Selling Price less 10%.

Following information is furnished to you on 31st December from the Head Office and Branch Office books: (in Rs.)

Particulars	HO	Branch
Capital Account	40,000	
Drawing by Proprietor	10,000	
Purchases	4,00,000	
Packing Materials bought	6,000	
Sales	3,20,000	1,00,000
Despatch of Goods to Branch	1,13,400	
Selling Expenses	16,000	800
Clerks Salaries, Wages etc.	20,000	3,000
Sundry Debtors	28,000	4,200
Sundry Creditors	26,600	5,000
Current Accounts -		
- Head Office (Cr. Balance)	-	12,000
- Branch Office (Dr. Balance)	19,000	-
Bank Balances	1,000	1,000

Goods received from Head Office	-	1,08,000
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You are further informed that -

1. Sales by HO were at a uniform Gross Profit (after charging Packing Materials) at 20% on the fixed Selling Price.
2. Sales at Branch were at Fixed Selling Price.
3. Goods invoiced and despatched by Head Office to Branch in December for Rs. 5,400, were received in the Branch Office only on 5th January of next year.
4. Stock of Packing Materials on Hand as on 31st December was valued at Rs. 1,000.
5. Remittance of Rs. 1,600 from the Branch to the Head Office was in Transit on 31st December.
6. Rs. 2,000 worth of Stock at Selling Price was damaged at the Branch. For valuing Stock, this was reduced by Rs. 1,090 below the Invoice Cost to the Branch. It was decided that the Head Office and the Branch would share Equally the loss occasioned by this, and also the deficit in stock, ascertained on Actual Stock Taking at the Branch of goods at Selling Price of Rs. 500.

Prepare a Columnar Trading and Profit & Loss A/c of the Gwalior and Surat Offices, and also a Balance Sheet an on 31st December of the business.

Solution: A. Trading and Profit & Loss A/c of Chandru & Co. for the year ended 31st December (in Rs.)

Particulars	HO	Branch	Particulars	HO	Branch
To Purchases	4,00,000		-By Sales	3,20,000	1,00,000
To Packing Material	6,000		-By Goods sent to Branch	1,13,400	-
To Goods received from HO	-	1,08,000	By Abnormal Loss (WN 4)	-	1,540
To Gross Profit c/d (WN 2 for HO)	76,600	10,000	By Closing Stock:		
(1,00,000 × 12.5/125) for Branch			Packed Goods (bal. fig.)	43,200	16,460
			Unpacked Goods	5,000	-
			Packing Material	1,000	-
Total	4,82,600	1,18,000	Total	4,82,600	1,18,000
To Salaries, Wages, etc.	20,000	3,000	By Gross Profit b/d	76,600	10,000
To Selling Expenses	16,000	800			
To Loss of Stock (WN 4)	770	770			
To Net Profit - tfrd to General P &L	39,830	5,430			
(balancing figure)					
Total	76,600	10,000	Total	76,600	10,000

B. General Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
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To Stock Reserve on Closing Stock of Branch (WN 3)	2,350	By HO Profits	39,830
To Net Profit c/d (balancing figure)	42,910	By Branch Profits	5,430
Total	45,260	Total	45,260

C. Balance Sheet of Chandru & Co. as on 31st December

Capital and Liabilities		Rs.	Properties and Assets	Rs.
Capital Account:			Stock in Trade	
Opening Balance	40,000		(a) Packed Goods	
Add: Net Profit (from B)	42,910		- Head Office	43,200
	82,910		- Branch	16,460
Less: Drawings (given)	(10,000)	72,910	- Packed Goods in Transit (given)	5,400
				65,060
			Less: Stock Reserve	(2,350)
				62,710
			(b) Unpacked Goods	5,000
			(c) Packing Materials	1,000
Sundry Creditors:			Sundry Debtors:	
- Head Office (given)	26,600		Head Office	28,000
- Branch (given)	5,000	31,600	Branch	4,200
				32,200
			Remittance in Transit	1,600

		Bank Balance:	
		- Head Office	1,000
		- Branch	1,000
			2,000
Total	1,04,510	Total	1,04,510

Working Notes: 1. Computation of Invoice Price and Profit to Branch

Particulars	Rs. (or) %
Cost to HO	100
Add: Profit Margin	25
Sales Price (by HO to Outside Customers) (and also by Branch to Outside Customers)	125
Invoice Price (i.e. for Branch) = 125 - 10%	112.5
Hence, Profit Element for HO on Sales to Outside Customers = $\frac{25}{125} = 1/5^{\text{th}}$ on Sales Price.	
Profit Element for HO on Goods sent to Branch = $\frac{112.5-100}{112.5} = 1/9^{\text{th}}$ on Invoice Price.	
Profit to Branch on Sales to Outsiders = 125 - 112.5 = 12.5, i.e. $\frac{12.5}{125 \text{ Sale Price}} = 10\%$ on Sale Price.	

2. Computation of Gross Profit for Head Office

Particulars	Rs.
Profit on Sale of Goods to Outside Customers (Rs. 3,20,000 \times 1/5 th Profit on Sales) (WN 1)	64,000
Add: Loading on Goods Sent to Branch (Rs. 1,13,400 \times 1/9* on Invoice Price) (WN 1)	12,600

Gross Profit of Head Office	76,600
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3. Computation of Stock Reserve

Particulars	Rs.
Closing Stock of Goods (Packed Goods) (as per Trading A/c Branch Col.)	16,460
Less: Net Value of Damaged Goods included above	
Sale Price Rs. 2,000 Less 10% Discount = Net Invoice Loss to Branch	1,800
Less: Reduction in Value Accounted	(1,090)
Value of Closing Stock excluding Goods-in-Transit	15,750
Add: Goods in Transit (Sent by HO Rs. 1,13,400 - Received by Branch Rs. 1,08,000)	5,400
Value of Stock on which Stock Reserve is to be eliminated (at Invoice Price to Branch)	21,150
Stock Reserve Required = Value of Stock $\times \frac{\text{Profit to Branch}}{\text{Cost of Goods to Branch}} = \text{Rs. } 21,150 \times \frac{12.5}{112.5}$	2,350

4. Computation of Abnormal Loss

Particulars	Rs.
Abnormal Loss on Damaged Goods (given)	1,090
Add: Stock Deficit (Value Rs. 500 Less 10% Profit Margin)	450
Total Loss on Stock	1,540
Share of Loss Borne by HO and Branch (each at 50%) (equally shared)	770

12. Independent Branches - Branch and HO Trading and P & L A/c & Overall Bfs N 93, N 03 (Mod.) N 05

Hari commenced business on 1st April with Head Office at Chennai and a Branch at Delhi. Purchases were made exclusively by the Head Office where the Goods were processed before Sale. Only the processed Goods received from Head Office were handled by the Branch and these were charged thereto at Processed Cost plus 10%.

All Sales, whether by Head Office or by the Branch, were at a Uniform Gross Profit of 25% on Cost. The following is the Trial Balance of Hari as on 31st March -

Head Office

Particulars	Dr.(Rs.)	Cr.(Rs.)
Drawings and Capital	11,000	62,000
Purchases and Sales	3,93,900	2,56,000
Cost of Processing	10,100	-
Goods Sent to Branch	-	1,84,800
Administrative Expenses	27,800	-
Selling Expenses	10,000	-
Debtors and Creditors	61,920	1,20,280
Branch Current Account	77,960	-
Bank Balance	30,400	-
Total	6,23,080	6,23,080

Branch

Particulars	Dr.(Rs.)	Cr.(Rs.)
Sales	-	1,64,000

Goods received from Head Office	1,76,000	-
Administrative Expenses	3,000	-
Selling Expenses	1,240	-
Debtors and Creditors	22,720	2,160
Head Office Current A/c	-	52,300
Bank balance	15,500	-
Total	2,18,460	2,18,460

The following further information are also available:

1. Goods sent by HO to the Branch on 31st March at Rs. 8,800 were not received by the Branch until April (i.e. next FY).
2. A Remittance of Rs. 16,860 from the Branch to Head Office in March were not received until April (i.e. next FY).
3. Stock taking at the Branch disclosed a shortage of Goods of Rs. 4,000 (at Selling Price).
4. Cost of Unprocessed Goods at Head Office on 31st March was Rs. 20,000.

Prepare Trading and P & L A/c in columnar form, and Balance Sheet of the whole business as on 31st March.

Solution: A. Trading, Profit & Loss Account of Hari for the year ending 31st March

Particulars	HO	Branch	Particulars	HO	Branch
To Purchases	3,93,900		-By Sales	2,56,000	1,64,000
To Cost of Processing	10,100		-By Goods Sent to Branch	1,84,800	-
To Goods received from HO	-	1,84,800	By Abnormal Loss ($4,000 \times \frac{110}{125}$)	-	3,520
To Gross Profit c/d	68,000	19,680	By Closing Stock (WN 2)		
(balancing figure)			- Processed (incl. Goods in Transit)	11,200	36,960
			- Unprocessed	20,000	-
Total	4,72,000	2,04,480	Total	4,72,000	2,04,480
To Administration Expenses	27,800	3,000	By Gross Profit b/d	68,000	19,680
To Selling Expenses	10,000	1,240			
To Abnormal Loss	-	3,520			
To NP (tfrd to General P&L) (b/f)	30,200	11,920			*
Total	68,000	19,680	Total	68,320	19,680

B. General Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Stock Reserve on Clg Stk ($\text{Rs. } 36,960 \times \frac{10}{110}$)	3,360	By HO Profits	30,200
To Net Profit (transferred to Balance Sheet) (balancing figure)	38,760	By Branch Profits	11,920

Total	42,120	Total	42,120
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C. Balance Sheet of Hari as at 31st March

Capital and Liabilities		Rs.	Properties and Assets	Rs.
Capital	62,000	89,760	Debtors	84,640
Add: Net Profit	38,760		- Head Office	61,920
Less Drawings	(11,000)		Branch	22,720
			Bank Balance	
Creditors:		1,22,440	Head Office	30,400
- Head Office	1,20,280		Branch	15,500
- Branch	2,160		Remittance in Transit	16,860
			Stock: HO (20,000 RM + 11,200 FG)	31,200
			Branch (36,960 - 3,360 Reserve)	33,600
Total		2,12,200	Total	2,12,200

Working Notes: 1. Invoice Price and Sale Price

(a) Cost (To the Head Office and the Company as a whole)	Rs. 100
(b) Invoice Price (Cost to Branch) = Rs. 100 + 10% =	Rs. 110
(c) Sale Price (for Head Office and Branch) Rs. 100 + 25% =	Rs. 125

2. Computation of Closing Stock

Particulars	HO	Branch
Opening Stock	-	-
Add: Raw Material Consumed (3,93,900 - Clg Sk of RM 20,000)	3,73,900	-
Add: Processing Cost	10,100	-
Total Cost of Goods Available/ Goods sent to Branch	3,84,000	1,84,800
Less: Cost of Goods Sold: HO Rs. $2,56,000 \times \frac{100}{125}$ & Branch Rs. 1,64,000 $\times \frac{110}{125}$	(2,04,800)	(1,44,320)
Less: Cost of Goods Lost (Goods Sent Rs. $4,000 \times \frac{110}{125}$)	-	(3,520)
Less: Cost of Goods sent to Branch (Rs. $1,84,800 \times \frac{100}{110}$)	(1,68,000)	
Closing Stock of Processed Goods	(at Cost) 1,200	(at Inv. Price) 36,960

3. Reconciliation of HO - Branch balances

In HO Books	Rs.	In Delhi Branch Books	Rs.
Balance in Branch A/c	77,960 Dr.	Balance in Head Office A/c	52,300 Cr.
Less: Cheque-in-Transit	(16,860) Cr.	Add: Goods-in-Transit	8,800 Cr.
Revised Balance	61,100 Dr.	Revised Balance	61,100 Cr.

13. Independent Branches - Branch and HO Trading and P & L A/c & Overall Balance Sheet

Following are the Trial Balances of Gokul Garments and its Delhi Branch as on 31st December

(Amount in Rs.)

Particulars	H.O	Delhi	Particulars	H.O	Delhi
Goods Purchased	30,50,000		- Capital A/c	16,50,000	-
Goods from H.O	-	16,40,000	Goods sent to Branch	18,50,000	-
H.O Current A/c	-	1,57,000	Sales	24,10,000	37,40,000
Branch Current A/c	53,000		- Creditors	8,05,000	-
Furniture	4,50,000	2,70,000			
Debtors	5,12,500	6,50,000			
Rent	48,000	30,000			
Electricity	30,000	18,000			
Salaries	2,40,000	1,57,500			
Cash at Bank	81,500	4,67,500			
Drawings	18,50,000	-			
Opening Stock (1 st January)	4,00,000	3,50,000			
Total	67,15,000	37,40,000	Total	67,15,000	37,40,000

Other information:

1. Depreciation is to be charged at 10% p.a. on Furniture.
2. 5% Provision is necessary on Debtors.

3. Closing Stock: Head Office - Rs. 3,40,000, and for Branch - Rs. 1,12,000.

4. Outstanding Branch Expenses - Rs. 27,500.

Required in the books of Gokul Garments -

1. Journal Entries to incorporate Branch Balances,

2. Branch Current Account,

3. Profit and Loss Account and Balance Sheet.

Solution: 1. Journal Entries in the books of Gokul Garments (Head Office)

S.No.	Particulars	Dr. (Rs.)	Cr. (Rs.)
1.	Branch Trading A/c Dr. To Branch Current A/c (Being recording of Branch Opening Stock Rs. 3,50,000 and Goods sent to Branch Rs. 18,50,000 in the books of Head Office)	22,00,000	22,00,000
2.	Branch Profit and Loss A/c Dr. To Branch Current A/c (Being recording of Branch E×ps in HO books - Rent = Rs. 30,000, Electricity = Rs. 18,000, Salaries = Rs. 1,57,500, Deprn = Rs. 27,000, Exps = Rs. 27,500, Provn for Drs = Rs. 32,500)	2,92,500	2,92,500
3.	Branch Current A/c Dr. To Branch Trading A/c (Sales 37,40,000 + Clg Stock 3,22,000 Note) (Being incorporation of Sales and Closing Stock in the books of accounts)	40,62,000	40,62,000
4.	Branch Furniture A/c Dr. Branch Debtors A/c Dr. Closing Stock A/c Dr. Cash & Bank A/c Dr. To Branch Current A/c (Being recording of Branch Assets in the books of Head Office)	2,43,000 6,50,000 3,22,000 4,67,500	16,82,500

5.	Branch Current A/c	Dr.	60,000	
	To Provision for Debtors A/c			32,500
	To Outstanding Expenses A/c			27,500
	(Being recording of Branch Liabilities in the books of Head Office)			

Note: Goods sent to Branch (as per HO Trial Balance) is Rs. 18,50,000 whereas Goods from HO received by Branch (as per

Branch Trial Balance) is only Rs. 16,40,000. Hence, the difference of Rs. 2,10,000 represents Goods in Transit. Hence, Total Closing Stock at Branch = Given Rs. 1,12,000 + Goods in Transit Rs. 2,10,000 = Rs. 3,22,000

2. Branch Current A/c

Particulars	Rs.	Particulars	Rs.
To balance b/d	53,000	By Branch Trading A/c	22,00,000
To Provision for Sundry Debtors	32,500	By Branch Profit & Loss A/c	2,92,500
To Outstanding Expenses	27,500	By Furniture	2,43,000
To Branch Trading A/c	40,62,000	By Sundry Debtors	6,50,000
		By Closing Stock	3,22,000
		By Cash & Bank	4,67,500
Total	41,75,000	Total	41,75,000

3. Trading and Profit and Loss Account of Gokul Garments for the year ending 31st December

Particulars	HO	Branch	Total	Particulars	HO	Branch	Total
To Opg Stock	4,00,000	3,50,000	7,50,000	By Sales	24,10,000	37,40,000	61,50,000

To Purchases	30,50,000		30,50,000	By Tfr to H.O	18,50,000		18,50,000
To Goods from HO		18,50,000	18,50,000	By Clg Stock	3,40,000	3,22,000	6,62,000
To GP (bal. fig)	11,50,000	18,62,000	30,12,000				
Total	46,00,000	40,62,000	86,62,000	Total	46,00,000	40,62,000	86,62,000
To Rent	48,000	30,000	78,000	By Gross Profit	11,50,000	18,62,000	30,12,000
To Electricity	30,000	18,000	48,000				
To Salaries	2,40,000	1,57,500	3,97,500				
To Depreciation	45,000	27,000	72,000				
To Expenses	-	27,500	27,500				
To Provn for Drs	25,625	32,500	58,125				
To NP(bal. fig.)	7,61,375	15,69,500	23,30,875				
Total	11,50,000	18,62,000	30,12,000	Total	11,50,000	18,62,000	30,12,000

Note: There is no loading on transfer from HO to Branch, hence the question of Stock Reserve does not arise.

4. Balance Sheet of Gokul Garments as at 31st December

Capital and Liabilities	Rs.	Properties and Assets	Rs.
Capital: Opening Balance	16,50,000	Fixed Assets: Furniture:	
Add: Profit from:		Head Office	4,50,000
Head Office	7,61,375	Branch	2,70,000

Branch	15,69,500		7,20,000	
	39,80,875		Less: Depreciation	(72,000) 6,48,000
Less: Drawings	(18,50,000)	21,30,875	Current Assets:	
			(a) Stock	
			Head Office	3,40,000
Current Liabilities:			Branch	3,22,000 6,62,000
Creditors		8,05,000	(b) Debtors	
Outstanding Expenses		27,500	Head Office	5,12,500
			Branch	6,50,000
				11,62,500
			Less: Provision	(58,125) 11,04,375
			(c) Cash / Bank	
			Head Office	81,500
			Branch	4,67,500 5,49,000
Total		29,63,375	Total	29,63,375

14. Independent Branches - Branch and HO Trading and P & L A/c & Overall Balance Sheet RTP

The Head Office of Ganpati Co. and its Branch keep their own books and prepare their own Profit and Loss Account. The following are the balances appearing in the two sets of the books as on 31st March, after ascertainment of Profits and after making all adjustments except those referred to below:

Particulars	Head Office		Branch Office	
	Dr. (Rs.)	Cr. (Rs.)	Dr. (Rs.)	Cr. (Rs.)
Capital	-	10,00,000	-	-
Fixed Assets	3,60,000	-	1,60,000	-
Stock	3,42,000	-	1,07,400	-
Debtors & Creditors	78,200	39,600	48,400	19,200
Cash	1,07,400	-	14,200	-
Profit & Loss	-	1,46,600	-	30,600
Branch Account	2,98,600	-	-	-
Head Office Account	-	-	-	2,80,200
Total	11,86,200	11,86,200	3,30,000	3,30,000

Set out the Balance Sheet of the business as on 31st March, and the Journal Entries necessary (in both sets of books) to record

the adjustments dealing with the following:

1. On 31st March, the Branch had sent a Cheque for Rs. 10,000 to the Head Office, not received by them nor credited to the Branch till next month.
2. Goods valued at Rs. 4,400 had been forwarded by the Head Office to the Branch and invoiced on 30th March, but were not received by the Branch nor dealt with in their books till next month.

3. It was agreed that the Branch should be charged with Rs. 3,000 for Administration Services, rendered by the Head Office during the year.
4. Stock stolen in Transit from the Head Office to the Branch and charged to the Branch by the Head Office but not credited to the Head Office in the Branch Books, as the Manager declined to admit any liability, Rs. 4,000 (not covered by Insurance).
5. Depreciation of Branch Assets, of which Accounts are maintained by the Head Office, not provided for Rs. 2,500.
6. The balance of Profits shown by the Branch is to be transferred to HO Books.

Solution: A. Journal Entries in the Books of Branch

S.No.	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	<p>Goods in Transit A/c Dr.</p> <p>To Head Office A/c</p> <p>(Being the goods invoiced on 30th March by the Head Office not yet received at Branch, as at the Balance Sheet date)</p>	4,400	4,400
2	<p>Branch Profit & Loss A/c Dr.</p> <p>To Head Office A/c</p> <p>(Being amount of Administrative Services rendered by the HO)</p>	3,000	3,000
3	<p>Branch Profit & Loss A/c Dr.</p> <p>To Head Office A/c</p> <p>(Being Depreciation on Branch Fixed Assets charged to P&L A/c & reduced from Profits)</p>	2,500	2,500
4	<p>Branch Profit & Loss A/c Dr.</p> <p>To Head Office A/c</p> <p>(Being Profit shown by the Branch Profit & Loss A/c transferred to Head Office A/c)</p>	25,100	25,100

B. Branch Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To HO A/c (Administrative Services)	3,000	By balance b/d	30,600

To HO A/c (Depreciation)	2,500		
To Profit (tfrd to HO Account) (balancing figure)	25,100		
Total	30,600	Total	30,600

C. Journal Entries in the Books of Head Office

S.No.	Particulars	Dr. (Rs.)	Cr. (Rs.)
1	Cash in Transit A/c Dr. To Branch A/c (Being Cash sent on 31 st March by Branch, not yet received at HO)	10,000	10,000
2	Branch A/c Dr. To Head Office Profit & Loss A/c (Being Administrative Services rendered to Branch)	3,000	3,000
3	Profit & Loss A/c Dr. To Branch A/c (Being Uninsured Stock stolen on the way to Branch, charged to P&L A/c)	4,000	4,000
4	Branch A/c Dr. To Fixed Assets A/c (Being Deprn on Branch Fixed Assets for which accounts are maintained in HO Books)	2,500	2,500
5	Branch A/c Dr.	25,100	

To (General) Profit and Loss A/c (Being Profit of Branch transferred)		25,100
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D. Head Office Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Branch - Uninsured Stock stolen	4,000	By balance b/d	1,46,600
To Profit - Transferred to General P&L A/c	1,45,600	By Branch Administration Expenses	3,000
Total	1,49,600	Total	1,49,600

E. General Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Net Profit (transferred to Balance Sheet) (balancing figure)	1,70,700	By HO P&L A/c (WN D)	1,45,600
		By Branch A/c (WN B)	25,100
Total	1,70,700	Total	1,70,700

F. Balance Sheet of Ganpati Co. as at 31st March

Capital and Liabilities	Rs.	Properties and Assets	Rs.
Capital:		Fixed Assets:	
Opening Capital 10,00,000		- Head Office 3,60,000	
Add: Net Profit 1,70,700	11,70,700	- Branch 1,60,000	
Creditors:		Less: Depreciation (2,500)	5,17,500

- Head Office	39,600	58,800	Stock:		
- Branch	19,200		- Head Office	3,42,000	
			- Branch	1,07,400	
			- In Transit	4,400	4,53,800
			Debtors:		
			- Head Office	78,200	
			- Branch	48,400	1,26,600
			Cash:		
			- Head Office	1,07,400	
			- Branch	14,200	
			- In Transit	10,000	1,31,600
Total		12,29,500	Total		12,29,500

Working Notes: 1. Branch Account in the books of Head Office

Particulars	Rs.	Particulars	Rs.
To balance b/d	2,98,600	By Cash in Transit A/c	10,000
To HO Profit & Loss A/c (Admin Services)	3,000	By Head Office P & L A/c (Stock Stolen)	4,000
To Fixed Assets A/c (Depreciation)	2,500	By balance c/d (balancing figure)	3,15,200
To General P & L A/c (Branch Profit)	25,100		

Total	3,29,200	Total	3,29,200
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2. Head Office Account in the books of Branch

Particulars	Rs.	Particulars	Rs.
To balance c/d (balancing figure)	3,15,200	By balance b/d	2,80,200
		By Goods in Transit	4,400
		By Branch P & L A/c (Admin Services)	3,000
		By Branch P & L A/c (Depreciation)	2,500
		By Branch P & L A/c (Branch Profit)	25,100
Total	3,15,200	Total	3,15,200

15. Independent Branches - Branch and HO Trading and P & L A/c - Multiple Branches M 92

A Chennai based business has three Branches at Madurai, Cochin and Pune. The Head Office at Chennai purchases goods and sends them to Branches, to be sold at a uniform percentage of profit on cost. The following particulars are made available to you to prepare a Combined Trading Account for the year-ended 31st March -

Particulars	Chennai	Madurai	Cochin	Pune
Opening Stock	54,000	16,000	12,500	10,000
Purchases	2,74,000	-	-	-
Sales	-	1,80,000	1,20,000	1,00,000
Closing Stock	28,000	6,000	5,000	2,500
Madurai	15,000			
Cochin	32,000			
Pune	4,000			
Remittances from Branch	3,20,000	1,50,000	1,00,000	70,000

Chennai Office invoices goods to the Branches at Fixed Sales Prices but maintains Branch A/c in its Ledgers' at Cost Price. Show Branch Account in Chennai Head Office Books.

Solution: 1. Chennai Branch Stock A/c - Computation of Goods Sent to Branches at Cost

Particulars	Rs.	Particulars	Rs.
To balance b/d	54,000	By Goods sent to Branches (Cost)	3,00,000
To Purchases	2,74,000	By balance c/d	28,000
Total	3,28,000	Total	3,28,000

2. Consolidated Branch Stock A/c

Particulars	Rs.	Particulars	Rs.
To Opening Stock (Invoice Price)	38,500	By Sales	4,00,000
To Goods from HO (Invoice Price) (bal. fig.)	3,75,000	By Closing Stock (Invoice Price)	13,500
Total	4,13,500	Total	4,13,500

3. Rate of Profit Added to Cost of Goods Sent to Branches

Particulars	Rs.
Goods Sent to Branches at Invoice Price	3,75,000
Less: Goods Sent to the Branches at Cost	(3,00,000)
Profit on Goods Sent	75,000
Rate of Profit at Invoice Price (Rs. 75,000 / Rs. 3,75,000)	20%

4. Combined Trading A/c of Chennai Office & its Branches for the year ended 31st March

Particulars	Chennai	Madurai	Cochin	Pune	Total
To Opening Stock (Cost)	54,000	$16,000 \times 80\% = 12,800$	$12,500 \times 80\% = 10,000$	$10,000 \times 80\% = 8,000$	84,800
To Purchases	2,74,000	-	-	-	2,74,000
To Goods reed from HO (Cost) (b/f)	-	1,36,000	90,000	74,000	3,00,000
To Gross Profit (at 20% on Sales)	-	36,000	24,000	20,000	80,000
Total	3,28,000	1,84,800	1,24,000	1,02,000	7,38,800
By Sales	-	1,80,000	1,20,000	1,00,000	4,00,000

By Goods sent to Branches (Cost)	3,00,000	-	-	-	3,00,000
By Closing Stock	28,000	$6,000 \times 80\% = 4,800$	$5,000 \times 80\% = 4,000$	$2,500 \times 80\% = 2,000$	38,800
Total	3,28,000	1,84,800	1,24,000	1,02,000	7,38,800

5. Branch Account

Particulars	Madurai	Cochin	Pune	Particulars	Madurai	Cochin	Pune
To balance b/d	15,000	32,000	4,000	By Bank A/c	1,50,000	1,00,000	70,000
To Goods sent to Br. (Cost) (WN 4)	1,36,000	90,000	74,000	By balance c/d	37,000	46,000	28,000
To Gross Profit Total	36,000	24,000	20,000	Total	1,87,000	1,46,000	98,000
	1,87,000	1,46,000	98,000				