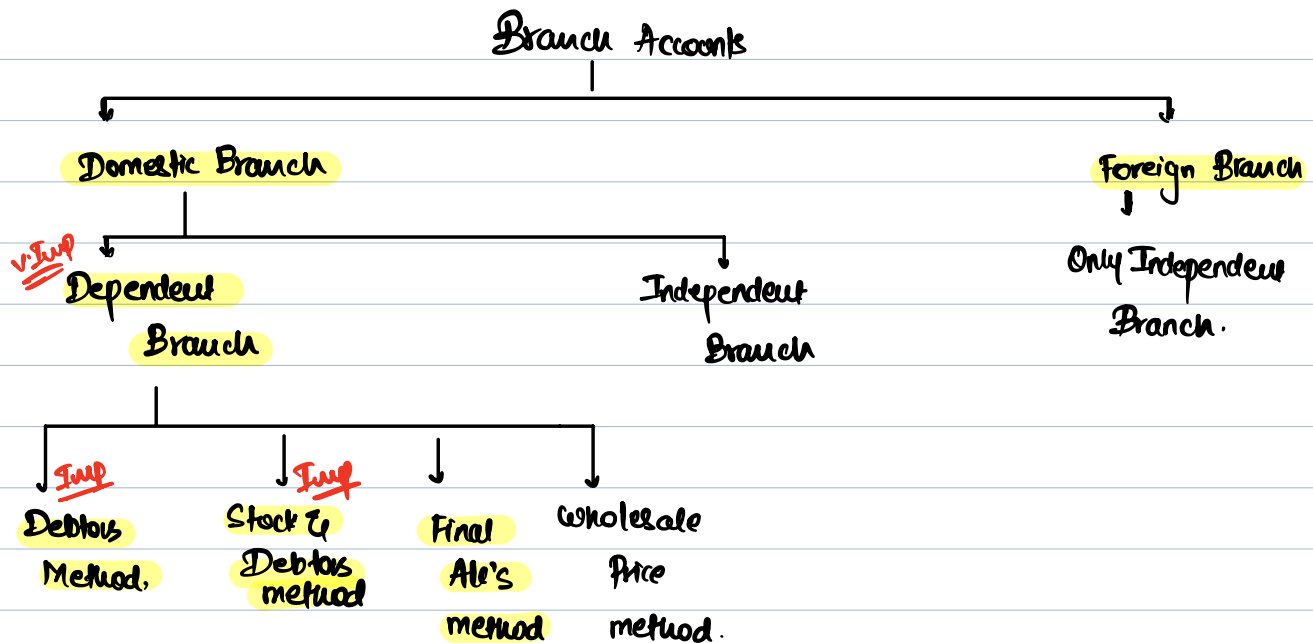


Accounting for Branches including Foreign Branch (6mk-8mk)



* Dependent Branch

It is that Branch which is dependent on head office for its accounting. This means there are no books maintained at Branch level. Only head office will maintain branch records in its own books.

i) Debtors Method

This method is suitable for small sized branches. Under this method, separate Branch A/c is prepared for each Branch to compute profit or loss made by each branch.

Proforma of o

Branch A/c (In the Books of HO)

To opn bal b/d (Assets)		By opn bal b/d (Liab)	
<ul style="list-style-type: none"> - Opn stk - Debtors. - Assets - Petty cash 		Creditors.	
Entry ①	To Goods sent to Branch xx	①	By cash/Bank (money rec'd from Ds remitted to HO) xx
③	To c/b	②	By GSB returns xx
	Salary	④	By Cash/Bank (remittance to HO) xx.
	Rent		
	Sundry exp		By cash/Bank (cash sales remittance to HO) xxx
			By c/b Bal c/d
			- c/b stk
			- Debtors
			- Assets
			- petty cash
	To c/b bal c/d		
	- Creditors		

Hint: In Branch A/c → Transactions between Br. & HO are recorded.

① Goods sent to Br. by HO

Ds
 To Sales } → Branch A/c Dr
 To Goods sent to Branch (GSB)

② Returns from Br. to HO

GSB (Returns) A/c Dr
 To Branch A/c

③ Cash paid by HO to Branch (to meet expenses like salary, rent, Sundry exp etc)

Branch A/c Dr
 To c/b

④ Cash remittance by Branch to HO

Cash Bank A/c xx
 TO Branch A/c xx

⑤ Cash sales made by Branch to outside parties

↳ This is not a transaction between Br. & HO. But because it is cash sales, Branch will receive money on sale & Br. will have to immediately remit this money to HO. ∴ such remittance becomes transaction btw Br. & HO & thus will be recorded.

CB (Cash Sales) xx
 TO Branch xx

⑥ Credit Sales by Branch to outside 3rd party

↳ In Branch A/c → No entry directly
But when we show opn Debtors & cls Debtors (credit sale impact will indirectly appear)

Branch will maintain few rough records to find the opn & cls Bal of Assets & Liab, such rough accounts are known as memorandum A/c's. Transactions between Branch & outside will be shown in memorandum A/c's.

⑦ Bad debts, Disc allowed to Debtor, ^{Goods} return from Debtor → Branch A/c directly
↳ show in memorandum A/c. X

⑧ Cash rec'd from Debtors ^{By default} → Br. remits the cash to HO
↳ 1st effect memorandum 2nd effect ^{CB} TO Branch.

Memorandum Debtors A/c

To bal b/d (Debtors op'n)	xxx	By Bad debts	xxx
		By Disc. Allowed	xxx
To credit sales	xxx	By Returns	xxx
		By c/b (Cash rec'd)	xxx
		By bal c/d (c/c bal of Dse)	xxx

Memorandum Creditors

To Disc rec'd	xx	By bal b/d	xx
		By Purchase (Credit)	xx
To bal c/d	xx		

Memorandum Fixed Asset (Furniture)

To bal b/d	xxx	By Dep'n	xxx
		By bal c/d	xxx

Cover: (Akhai Bhai saohab) exclusive.

- ① Transaction b/w Br & HO → will appear directly in Branch Ac.
- ② Transaction b/w Br & outsider (but c/b involved) → Appear in Branch Ac.
indirectly fr.
Br & HO.
(cash sales, cash purchases, cash exp)
- ③ Transaction b/w Br & outsider (No c/b involved) → Appear in memorandum Ak's.
eg. credit sales, credit purch, Bad debt, disc, dep'n etc.

Example No.1

Btw HO & Br → Branch A/c ✓

A Hld opened a Branch at Dehradun & sent goods costing 50000 to Dehradun Branch. (Dehradun Branch sold entire goods on credit at ₹62000). No other transactions. Prepare Branch A/c in head office Books & find out the profit.

Br & outside

Branch A/c x Memorandum

Solⁿ: If we see directly, we can see a profit of ₹12000.

Dr.		Branch A/c	Cr.	
To opn Branch A/c	NIL			
To BSB	50000			
		By c/b bal c/d		
To Net profit	12000	Debtors	62000	

and

Memorandum Dr.		Branch A/c	Cr.	
To opn bal b/d	NIL			
To Credit sales	62000			
		By c/b bal c/d	62000	

Br & outside (But cash involved) Branch A/c ✓

Example No.2

Br & HO → Branch A/c ✓

X Hld opened a new Branch in Delhi. (X Hld sent goods costing ₹50000 to Delhi Branch). (Delhi Branch sold entire goods in cash at ₹70000). (Branch cash expense were ₹8000). No other transactions. Prepare Branch A/c in the Books of HO & find profit.

Br & outside (But cash involved) → Branch A/c ✓

Solⁿ: Branch A/c (Intue Books of HO)

To opn Asset	NIL	By c/b (remittance to HO from cash sales)	70000
TO GRB	50000		
To c/b (Br-exp)	8000		
To Net profit	12000	By c/b Asset	NIL

Example No. 3 indirect hint: (follow Debtors method)

Prepare Branch Alc's (in the Books of Ho).

Goods sent to Branch 50,000 → Btw Br & HO → Branch Acc ✓

Furniture (Opn Bal) 10000

Credit Sales at Branch 62000 → Not Btw Br & Hq → Memo

Bad debts 1000 → ————||—————

♣ Cash rec'd from Debtors 30000 → Not B/w Br & HO (But cash involved) $\begin{matrix} \nearrow \text{Main} \\ \searrow \text{Branch} \end{matrix}$

Credit purchases from outside SCOO → Not Bko & 2 HO → memo 122 ✓

Depm @ dot \rightarrow memo function.

Other info:

CB SHK at Branch ₹ 15000

Clés de l'abus ?

Cl₂ furnitor ?

Solⁿ:

Branch A/c (In the Books of HO)

<u>To opening Assets</u>			
Furniture	10000		
Debtors (Not given)	NIL	By c/b (sum of Haureto Ho)	30000
Stock (—)	NIL	cash recd from Deb)	
TO Crsb	50000	By bal cld	
		Debtors (WN1)	31000
TO bal cld		Furniture (WN3)	8000
Creditors (WN2)	5000	C/b Stk (given)	15000
TO Net profit	19000		
<p>This profit HO will takeover & record in its own P/L A/c.</p>			

WN ①

Memorandum Debtors A/c

TO bal b/d	NIL	By Bad debts	1000
TO Credit Sales	62000	By c/b (cash recd)	30000
		By bal cld	91000

Memorandum Crs

		By bal b/d	NIL
		By credit purchases	5000
TO bal cld	5000		

Memorandum Furniture

To bal bld 10000	By Depn @ 20% 2000
------------------	--------------------

By bal cld	8000
------------	------

Illus 1 (LOR)

In the Books of HO (Buckingham Bros) Bombay.

Dr.

Nagpur Branch A/c.

Cr.

To bal bld (asset)

Imprest cash / Petty cash

2000

Debtors

25000

Op^m Stock

→ Trf from HO

24000

→ Direct purch

16000

40000

~~To c/b (Direct purchases)~~

~~45000~~

To GSB

60000

To c/b (Petty Cash)

4000

To c/b (Branch Exp)

30000

To bal cld (Liab)
(Creditors)

45000

To Net Profit

15000

By Bank

- Cash sales

45000

By Bank Recd from Br-Debtors.
(Remittance to HO)

- # remittance

120000

- Cash in transit

5000

125000

By c/b Bal bld

c/b stk: Direct Purch 10000

Trf from HO 15000

25000

Debtors

24000

Imprest Cash

2000

CON ①

Memorandum Debits

To bal b/d	25000	By returns	3000
To credit sales	130000	By Bad debts	1000
		By Disc	2000
		By [*] cash bank (rec'd from Das)	125000
		By bal c/d	24000

July

Remittance from Branch to HO

- Cash Sales	45000
- Rec'd from Br Debtor	125000
(170000 (-) 45000)	
165000	
+ 5000	

Total remittance 170000
(including 5000 cash in transit)

July

Memorandum Transfer cash (petty cash)

Some minimum amt of cash is always maintained.

To bal b/d	2000	By Exp	4000
To Trf from HO	4000	By bal c/d	2000

Note: If direct purchases are treated as credit purchase

Memo Creditors.

Total c/d.	45000	By bal b/d	Nil
		By credit purchase	45000

Hint

① Cash Sales 45000, remittance to HO. was 170000
(Assume that includes) cash sales money

② Cash Sales 45000, Cash rec'd from Des 110000
This will NOT include
cash sales

* Final A/c's Method

↳ Here HO prepares Branch Trading & Profit and loss A/c

In this method, trading and profit and loss accounts are prepared considering each branch as a separate entity. The main advantage of this method is it is easy to prepare and understand.

It also gives complete information of all transactions which are ignored in other methods.

Please note that branch trading and profit and loss account is merely a memorandum account and entries made there do not have any double entry effect

Illus 1 b (COR) → Solving illus 1 as per final a/c's method

Buckingham Bros Bombay
Nagpur Trading & Plt A/c for the year ended 31/12/11

<u>To opⁿ stk</u>		<u>By Sales</u>	
- Transfer from HO	24000	- Cash Sales	45000
Direct purch.	<u>16000</u>	- Credit Sales	130000
	40000	less: returns	<u>(3000)</u>
			172000
To purchases	45000	<u>By clgⁿ stk</u>	
To GSB	60000	Transfer from HO	15000
		Direct purchases	<u>10000</u>
			25000
To G/P c/d	<u>52000</u>		
To petty cash exp	4000	<u>By G/P b/d</u>	
To Bad debts	1000		52000
To Disc given	2000		
To Branch Exp	30000		
To Net profit c/d	<u>15000</u>		

Illus 2 (a)

Delhi Branch A/c

To opn bal b/d

Stock	7000
Debtors	12600
Petty cash	200

To GSB

26000

To C/B

- Salaries & wages	6200
- Rent & Rates	1200
- Sundry Exp	800

To Net profit

9400

By C/B (Cash sales remitted to Hq)	17500
By C/B (Cash rec'd from Dhs remitted to Hq)	28500
By GSB (return)	1000
By bal c/d	
Stock	6500
Debtors	9800
Petty cash	100

CONT

Memorandum Dhs

To opn bal b/d	12600	By allowance	200
To credit sales	28400	By Disc	1400
		By Bad debts	600
		By sales return	500
		By C/B (cash rec'd)	28500
		By bal c/d	9900

Memorandum Petty cash

To bal b/d	200	By Branch Exp	100
		By bal c/d	100

Iske Upo Ho

Se paisa aata toh Br. A/c mein jata.

⑤ Stock & Debtors method (Pending)

⑥ Final A/c's (Trading & P/L A/c)

Branch Trading & P/L A/c					
To op stock		7000			
To GSB		26000	By Sales		
(-) returns		(1000)	Cash	17500	
		25000	Credit	28400	
			(-) returns	(500)	45400
To G.P c/d		19900	By clg stk		6500
To Allowance		200	By G.P b/d		19900
To Disc Allowed		1400			
To Bad debts		600			
To Salary & wages		6200			
To rent & rates		1200			
To Sundry exp		800			
★ To Petty cash Exp		100			
(Opn & clg)					
200 100					
To Net Profit		9400			

* when goods are sent to Branch at Invoice Price / Selling Price

Sometimes head office does not want to reveal The cost of goods to the branch And therefore invoices goods at a price, which is higher than cost price . Such price is known as invoice price. And the difference between cost price and invoice price is called "loading"

Eg: ① Goods sent to Branch at IP of 120000
(Profit margin is 20% on cost)

Cash Sales made by Branch is full 120000.

Br. Cash Exp ₹ 8000

$$C + P = S$$

$$100 + 20 = 120$$

$$(10) (20k) 120$$

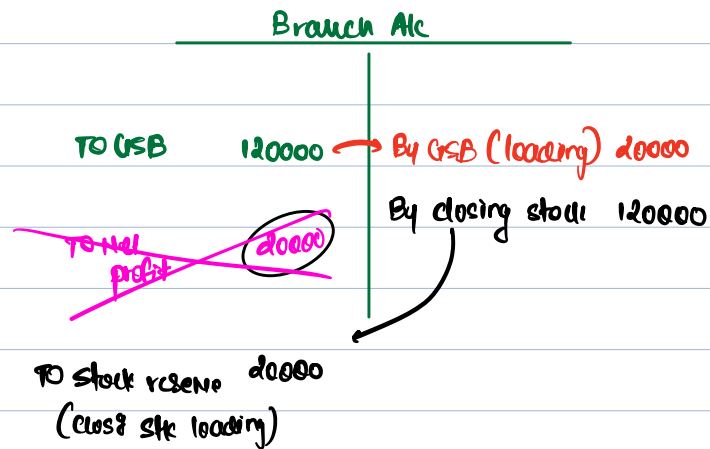
In the Books of HO

Branch A/c	
To <u>GSB</u> (IP) 120000	By CB (Cash sales) 120000
To CB (Br. Exp) 8000	By <u>GSB Loading</u> 20k
To Net Profit (12k)	

Eg ② Goods sent to Branch at IP of 120000
(Profit margin is 20% on cost)

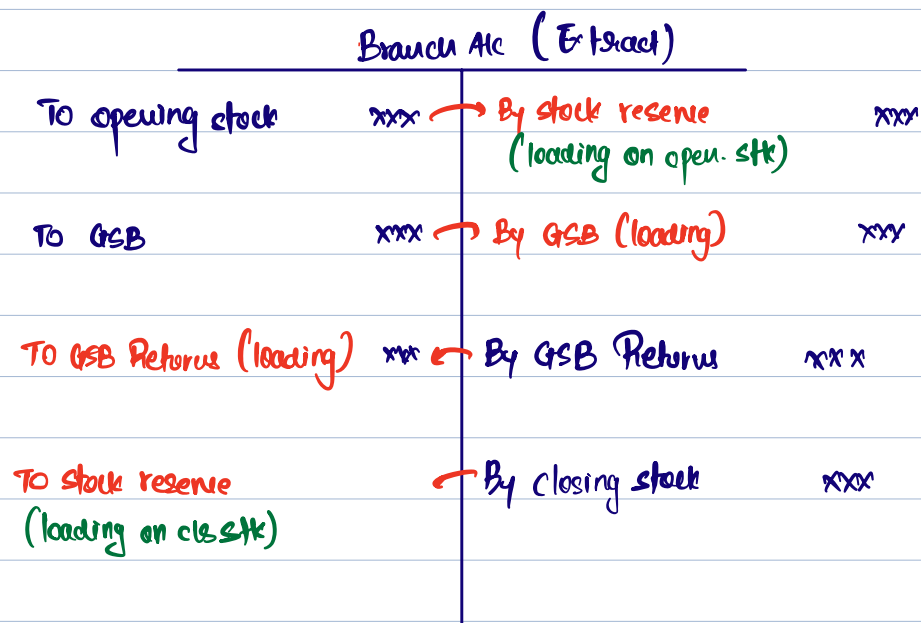
No Sale in C.Y.

Closing stock → 120000



Cash, Reverse loading only on following items:

- 1) GSB
- 2) GSB Returns
- 3) Opn Stock
- 4) Cls Stock



Yede ki tarah Branch ki cash / credit sales pe loading reverse mat kar dena.

kottus maarunga 🤪

COB
Illus 3(b)

In the Books of HO Branch A/c

TO bal b/d			
Opn stk (e/f) (25k + 20%)	30000	By stk reserve (opn stk)	5000
Debtors	32750	By cash/Bank (cash sales)	59000
Cash	5000	By cash/Bank (remittance)	163500
		(includes cash sales)	
		(222500 - 59000)	
To GSB (e/f)			
- rec'd by Branch 210000			
* Goods in transit 40000	240000	By GSB (loading) (W.N)	40000
To c/b	12000	By bal c/d.	48000
(Exp paid by HO)		Closing stock (20000 + 20000)	20000
To stock reserve (cl. stk)	8000	Debtors	26000
(48000 x 20/120)		Cash in hand	2500
To Net profit (B/f)	16250		

W.N ① loading

$$C + P = S$$

$$100 + 20 = 120$$

$$40K \times \frac{20}{120}$$

No need to prepare as opn cl. Both available.

Memo Debtors

To bal b/d 32750	B.D
credit sales	
	By bal c/d 26000

Hidden Adj

Goods in transit

20000

Add to GSB

Add to closing stock

W.N 2

Illus 4

In the Books of Ho (sell well)

→ New Branch

Branch A/c

To op ⁿ bal	NIL		
To GSB (@ 10%) (150000 + 10%)	165000	By GSB (loading) (165000 × 10/110)	15000
		By C/B (remittance to Ho)	106000
To GSB returns (loading) (4200 × 10/110)	382	By GSB returns	4200
		By bal old	
To stock reserve (cr etc) (53400 × 10/110)	4855	closing stock	53400
		Debtors	29000
To net profit (B/f)	37363		

WN (1)

Memo Debtors

To bal old	NIL		
To credit sales	135000	By C/B (rec'd from Ho)	106000
		By bal old	29000

Note: GSP at purch. price means GSB (@ cost) But we have to send at S.P.

Illus 7 (COR)

In the Books of HO (Asmd)

Lucknow Branch Account

To bal b/d			
Opn Stk → Ghee	17000		
Oil	<u>27000</u>	44000	
Debtors		75750	
Cash		7540	
Furniture		6250	
^{July} To GSB			
Oil (25 Hrs × 1000 × 12m)	300000		
Ghee (15 Hrs × 1500 × 12m)	<u>270000</u>	570000	
To c/b (Exp paid by HO)		14250	
To Branch Manager Commn		5303	
($\frac{58335 \times 10}{110}$)			
NP (Before commn)			
To Net Profit (B/F)		<u>53032</u>	

WN ①

Memo Debtors

To bal b/d	75750	By c/b (Collection)	647330
To Sales		Cash + Credit	
Cash + Credit { Ghee	342750		
Oil	<u>315730</u>	By bal c/d.	<u>86900</u>
	658480		
Branch Profit 58335			

Collection from Dis was 647330 but remittance was only 613250.

The diff can be assumed to be used by Branch for meet their expenses.

Cont

Commission to Manager's

(Before Comm)

① Comm to Manager is 10% after charging such comm = $NP \times \frac{10}{110}$

② Before $= ND \times \frac{10}{100}$
(Before Comm)

Arnold's (Ho)

Trading & Profit & loss A/c
(excluding Branch Transactions)

To opn stk		By Sales	
Ghee	150000	Ghee	1846350
Oil	350000	Oil	2741250
P purchases		By GSB	
Ghee	1475000	Ghee	270000
Oil	2932000	Oil	300000
To Direct Exp	383275		
		By clc stk	
To Gross Profit	597075	Ghee	312500
		Oil	417250

To Depn

Furniture (21500 x 10%)

2150

Plant (307250 + 602750) x 15%
timacut

136500

To Gen. Mngt Salry (2000 x 12)

24000

To Gen. Exp

24000

To General Mngt Comm

42132

(NP (Bel-
Comm) x $\frac{10}{110}$)
↓

463457 x $\frac{10}{110}$

To Net profit

421325

By GP bld

597075

By Branch profit bld

53032

Ques 9 (WQ)

$$C + P = S$$

$$75 + 25 = 100$$

$\frac{1}{4}$ on sales $\frac{1}{3}$ on cost

I] Calculation of Deficiency by preparing Branch stock A/c (@ IP)

To opening stock (IP)	99648	By Sales	361280
$(74736 + 74736 \times \frac{1}{3})$			
To GSB (IP)	386240	By closing Price (IP)	123328
$(289680 + 289680 \times \frac{1}{3})$		By Deficiency at IP (Bif)	1280

Calculation of Net Profit Before Comm?

Branch A/c

To opn stk (IP)	99648	By stock reserve (loading)	24912
To GSB (IP)	386240	By GSB (loading)	96560
		By ^{assumed} Cash Sales	361280
To stk reserve (loading)	30832	By closing stk (IP)	123328
To clb (Exp)	49120		
To NP (Before Comm)	40240		

Calculation of Comm'n due to manager

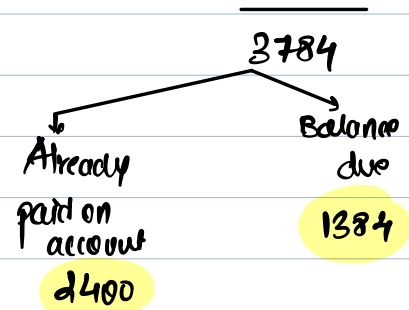
i) Comm'n at 10% profit Before changing comm'n $(40240 \times \frac{10}{100})$ 4024

less: 25% of cost of deficiency (240)

$$(1280 \times 75\%) = 960 \times 25\%$$

↓ ↓
cost loss borne
 by Mgr.

Commission for the year



Ques 10 (LOR)

Branch A/c

<u>To bal b/d (Assets)</u>		<u>By bal b/d (Liab)</u>	
Opn stk	10000	Salary c/s	100
Debtors	4000		
Petty cash	500	By c/b (cash sales)	130000
Furniture	2000	By c/b (cash rec'd from Deb)	35000
Prepaid Ins premium	150	By c/b (cash rec'd directly)	2000
To GSB	80000	By GSB (returns)	1000
To <u>c/b</u>		* By c/b (Insurance claim)	1000
Rent	2000		
Salary	2400		
Petty cash	1000		
Annual Insurance	600		
		By bal c/d	
TO Net profit (BH)	78950	Debtors	4000
		c/b stk	5000
		* Petty cash (W.N.1)	650
		Furniture (W.N.2)	1800
		* Prepaid (W.N.3)	150

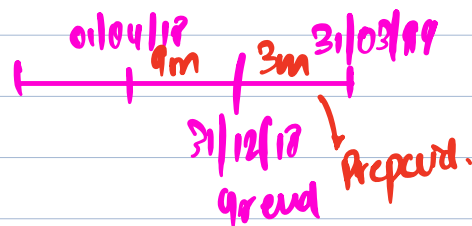
① wu

Petty Cash			
Opn	500	Exp	850
Ho (cls)	1000	cls	650

②

Furniture			
Opn	2000	Depr	200
		cls	1800

Prepaid Ins			
Opn	150	Reverse in P11	150
C.Y. Prepaid	150	cls	150



Memo of Sale			
(Reverse in C.Y.)	100	Opn	100
cls	100		

* Stock & Debtors Method

Own words → In Debtors method we used to prepare Branch A/c & various other memorandum A/c's in w/n.

In stock & drs method all memorandum A/c's become part of your main solution. and No Branch A/c is prepared.

Stock and drs method is followed if HO wants to exercise more detailed control over the working of a branch. According to this method, the following accounts are maintained by head office.

1] Branch Stock A/c → Bal fig is Surplus / Shortage.
Trf to Br. Adj

2] Branch Adjustment A/c → Bal fig is Gross profit

3] Branch Debtors A/c → Bal fig is c/b bal (or) Collection from Debtors.

4] Branch Cash A/c → Bal fig is cash c/b bal (or) remittance to HO. (or) Br. Cash Exp.

5] Branch Fixed Asset A/c → Bal fig is c/b bal.

6] Branch Exp A/c → Bal fig is total Exp trf to P/L

7] Branch P/L A/c → Bal fig is Net profit of Branch

8] Goods sent to Branch A/c. → Bal fig is Net cost of goods sent to Branch.

Extract of all ledgers

①

Branch Stock A/c

To bal b/d (Opn stk) @ IP	xxx		
To GSB @ IP	xxx	By GSB Returns @ IP	xxx
To Branch Debtors (Sales return)	xxx	By Branch Cash (Cash Sales)	xxx
		By Branch Debtors (Credit Sales)	xxx
To Surplus (BIF)	xxx	By Deficiency / Shortage	xxx
<u>Goods sold</u> <u>above IP to customers</u> <u>by Branch</u>		By bal c/d (Clk stk) @ IP	xxx

Branch Adjustment A/c

To GSB returns (loading)	xxx	By stk reserve (loading on opn stk)	xxx
To stock reserve (clk stk)	xxx	By GSB (loading)	xxx
To Deficiency / Shortage	xxx	By surplus (bal c/d from Br stk)	xxx
To Gross profit B/f	xxx		

Branch Debtors A/c

To bal b/d	xxx	By Branch Exp (Bad debt)	xxx
To Br. Stk (Credit Sales)	xxx	By Branch Exp (Disc, Allowance)	xxx
		By Branch Stk (Sales return)	xxx
		By Br. cash (Cash collected from Debtors)	xxx
		By bal c/d	xxx

Branch Cash A/c

TO bal b/d	10 xxx	By Ho CIB (remittance to Ho)	80 xxx
TO Br. Stk (Cash Sales)	xxx		
TO Br. Debtors (Cash recd from Ds)	100 xxx	By Branch Exp (Exp incurred by Branch)	10
		By bal c/d	xxx 20
	=		=

Branch Fixed Asset

TO bal b/d	xxx	By Br. Exp (Deprn)	xxx
		By bal c/d	xxx
	=		=

Branch Exp A/c

TO Br. Dls (Bad debts)	xxx	By Branch PL (B/P)	xxx
TO Br. Dls (Disc, Allowance)	xxx		
TO Br. Cash (Exp paid by Br.)	xxx		
TO Br. Fixed Asset (Deprn)	xxx		
TO Ho CIB (Exp directly paid by Ho)	xxx		

Branch PL A/c

TO Br. Exp	xxx	By Br. Adj (Gross profit b/d)	xxx
TO Net profit	xxx		

Goods sent to Branch

TO Br. Adj (loading on GSB)	xxx	By Br. Stk (GSB)	xxx
TO Br. Stk (GSB return)	xxx	By Br. Adj (loading on GSB return)	xxx
TO Cost of Goods sent to Branch. (No Trading)			

Illus 3@ LOR

Branch stock A/c

TO bal b/d (Op. stk)	30000	By Br. D/S (Credit Sales)	165000
TO GSB (@ 1P)	240000	By Br. C/B (Cash Sales)	59000
(includes 20k Goods in Transit)			
TO Surplus (Br. Adj)	2000	By bal c/d	48000
		(25000 + 20000 Goods in transit)	

Br. Adj

TO Stk reserve (cls stk)	8000	By Stk reserve (Op. stk)	5000
$48000 \times \frac{20}{120}$		By GSB (loading)	40000
		By surplus (from Br. stock)	2000
TO Gross profit	39000		

Br. Debtors

TO bal b/d	32750	By Br. Exp (Bad debts)	750
TO Br. Stk (Credit Sales)	165000	By Br. C/B (Collection from D/S)	171000
		By bal c/d	26000
	=		=

Br. Cash

To bal bld	5000	By HO ClB	2,22,500
To Br. SHK (Cash Sales)	59000		
To Br. Dds (Collection)	171000	By Branch Exp	10000
		By bal cld	2500

~~Br. Fixed Asset~~

Br. Exp

To HO ClB (Exp paid by Ho)	12000	By Br. PlC	22750
To Br. Dds (Bad debts)	750		
To Br. ClB (Exp paid by Br.)	10000		

Br. PlC

To Br. Exp	22750	By G.P bld	39000
To Net profit	16250		

Goods sent to Branch

To Br. Adj (loading on GSB)	40000	By Br. SHK (GSB)	240000
To Br. SHK (GSB return)	xxx	By Br. Adj (loading on GSB return)	xxx.
To Cost of Goods sent to Branch. (HO Trading)	200000		

Illus 6

Note: Where opn/crs of CIB is Not given & Br. does not incur exp on its own, in that case we can choose not to prepare Br- Cash/Bank ledger instead we will adjust trf cash transaction with HO CIB A/c.

Branch Stock A/c

TO bal b/d	60000		
TO GSB	600000	By GSB Returns	12000
TO Br-Debtors (Sales return)	8000	By HO CIB (Cash sales)	200000
		By Br. Dae (Credit sales)	360000
TO Surplus	24000	By bal c/d	120000

Br. Adj A/c

		By stk reserve (op stk)	$60000 \times \frac{25}{125}$ 12000
TO GSB Returns (loading)	2400	By GSB (loading)	120000
	$(12000 \times \frac{25}{125})$		$(600000 \times \frac{25}{125})$
TO stk reserve (crs stk)	24000	By Surplus	24000
	$(120000 \times \frac{25}{125})$		
TO GP	129600		

Branch Debtors

TO bal b/d	72000	By HO CIB	320000
TO Br-stk (Credit sales)	360000	By Br-Exp (Disc)	6000
		By Br-Exp (B-D)	4000
		By Br stock (sales return)	8000
		By bal c/d	94000

~~Dr CIB~~ Refer Note.

~~Dr Fixed Asset~~

Br. Exp Alc	
TO Br. Dds (Dis)	6000
TO Br. Dds (Bad debt)	4000
TO HO CIB (exp paid)	
Rent	18000
Salary	60000
Other Exp	6000
By Br. PLL	94000

Br. PLL	
TO Br Exp	94000
TO NP	35600
By G.P	129600

Goods Sent to Branch Alc	
TO Br Adj (G.S.B loading)	120000
TO Br stk (return)	12000
TO Cost of goods sent to Branch (Purchase)	470400
By Br. stock	600000
By Br. Adj (G.S.B Returns loading)	2400

Ques 8 (WIP)

Branch Stock A/c

TO bal b/d (Op. Stk)	36000		
TO GSB (@ IP)	420000	By GSB (returns)	30000
TO Br-Dos (returns)	7000	By Ho CIB (Cash Sales)	92500
TO Surplus	47000	By Br-Dos (Credit Sales)	312500
		By bal c/d (Us Stk) @ IP	62500
		(62500 + 20%)	75000

Br. Adj

TO GSB returns (loading)	5000	By GSB (loading)	70000
(30000 × 20/120)		(420000 × 20/120)	
TO Stk reserve (Us Stk)	12500	By Stk reserve (Op. Stk)	6000
$\frac{75000 \times 20}{120}$		(36000 × 20/120)	
By IP	105500	By Surplus	47000

Br. Debtors

TO bal b/d	48000	By Ho CIB (Cash rec'd)	219000
TO Br Stk (Credit Sales)	312500	By Br. Exp (Disc.)	3750
		By Br. Stk (returns)	7000
		By Br. Exp (B.D)	2750
		By bal c/d	128000

~~Br. CIB~~

~~Br. FA~~

Br. Exp		
TO Br. Dls (Disc)	3750	By Br. PIL
TO Br. Dls (B.D)	2750	
TO HO ClB (Exp paid by HO)		
Rent	12000	
Salary	36000	
Office	4600	

59100

Br. PIL		
To Br. Exp.	59100	By GP
		105500
		By HO ClB (Bad debts recovered)
		500
TO NP	46900	

GrSB		
TO Br Adj (loading)	70000	By Br. str
		420000
TO Br str (returns)	30000	By Br. Adj
		5000
TO Cost of goods sent to Branch (Purchases)	325000	

Stock & Debtors method

||

Adjustments

- ① Normal loss → [to be adjusted from gross profits] Br Adj

$$\text{Cost} + 20\% = \text{IP}$$

Normal loss of stock @ IP 18000

Br. Stock	
	By Br. Adj (Normal loss) 18000

Pr Adj	
TO Br. Stk (Normal loss) 18000	

- ② Abnormal loss (lost by fire, pilferage, theft)

→ loading Amt → Adj from GP (Br Adj)
→ cost Amt → Adj from NP (Br Pil)

Abnormal loss of goods is ₹ 15000 @ IP. Goods are sold by HO to Br @ cost + 25%.

$$\begin{aligned} C + P &= S \\ 100 + 25 &= 125 \\ \text{2000} & \quad 15000 \end{aligned}$$

Br Stock

By Abnormal loss

Br Adj (loading) 3000

Br P/L 12000 → 15000

Br Adj

To Br Stock (Ab loss) 3000

Br P/L

To Br Stock (Ab loss) 12000

Ques 13 (WR)

Branch Stock

TO bal bld (opn stk)	360000	By GSB (returns)	120000
TO GSB (incl. GIT)	2400000	By Br. Debtors (Credit Sales)	120000
		By HO CIB (Cash Sales)	2160000
TO Surplus	36000	By Abnormal loss ($2400 \times 1/4$)	
		Br Adj (loading)	6000
		Br PLC (lost)	18000
			24000
		By Br. Adj (Normal loss)	36000
			336000
		By bal cld (cu stk)	288000
		(288000 + 48000)	

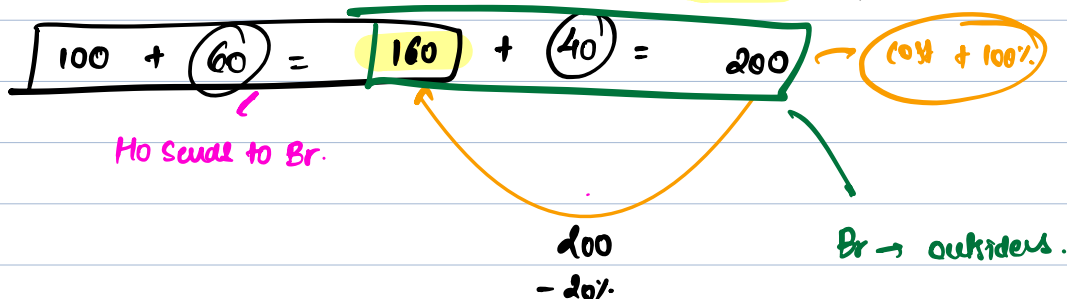
Br. Adj

TO stk reserve (CIB)	72000	By stk reserve (op. stk)	90000
($288000 \times 1/4$)	84000	($360000 \times 1/4$)	
336000		By GSB (loading) ($240 \times 1/4$)	60000
TO GSB returns (loading)	30000		
($120000 \times 1/4$)		By Surplus	36000
TO Br. Stk (Abnormal loss)	6000		
TO Br. Stk (Nor. loss)	36000		
TO G-P	570000		
	Br. PLC		

TO Br. Stk (Abnormal loss)	18000	By GP	570000
TO Net profit	552000		

Ques 15 (LOR)

Cost + Profit = Wholesale Price + Profit = List Price / Retail price.



Branch Stock Alc

TO bal bld (cap stk) @ WOP / IP	12000	By HO cIB (Cash Sales)	48000
TO GSB	132000	By Br. DBs (Credit Sales)	100000
# TO Surplus that fig (Sold above invoice price)	20000	By <u>shortage</u> (Ab. loss) / ^{ICAI} Alternative Nor-loss	400
$(100000 \times \frac{40}{200})$		By bal cld (cur stk)	17600

Branch Adj Alc

		By stk reserve	4500
		$(12000 \times \frac{60}{160})$	
TO stk reserve (cur stk)	6600	By GSB (loading)	49500
$(17600 \times 60/160)$		$(132000 \times 60/160)$	
TO Br. stk (Shortage)	150	By Surplus (Br. stk)	20000
loading $(400 \times 60/160)$			
TO WP			

67250

Br. Debtors A/c

TO bal b/d	10000	By HOCLB	85000
TO Br. Stk (Credit Sales)	100000		
		By bal c/d	25000
	<u>110000</u>		<u>110000</u>

Br. P/L

TO HOCLB (B.exp)	17500	By GP	67250
TO Br. Stk (Shortage) Cost (400 - 150)	250		
TO Net profit	<u>49500</u>		

Branch sale to outsiders

Cash sales → wholesale Price / IP → No surplus.

Credit Sales → List price → Surplus

cost @ WP 160 Sale @ WP 160
 cost @ WP 160 + 20 = 200
 100000

Question 16 (LTK)

Branch Stock A/c

To bal b/d	60000		
To CrsB	150000	By HO c/B (Cash sales)	69000
* To CrsB (Goods in transit)	1800	By CrsB returns	3000
		By Br Dls (Credit Sales)	63000
		* By Br Adj (Reduction in S.P)	1500
		By bal c/d	74700
		* $(1800 + 72900)$	
		G.T.T. (L.S.H)	
		By shortage (Normal loss)	600

Mentioned in Ques

Br Adj

To CrsB Returns (loading)	1125	By CrsB (loading)	56250
$(2000 \times 60/160)$		$(150000 \times 60/160)$	
* To Br-Stk (Reduction in S.P)	1500	By stk reserve (op.)	22500
		$(60000 \times 60/160)$	
To stk reserve (L.S)	28013	By CrsB (Goods in transit) loading	675
$(74700 \times 60/160)$		$(1800 \times 60/160)$	
To Br-Stk (Shortage)			
D CrP			
	600		
	48187		

Branch D/B

To bal b/d	40000		
To Br-Stk (Credit Sales)	63000	By HO c/B	48000
		By Br P/L (Bad debts)	2000
		By Br P/L (Disc)	1500
		By bal c/d (Bif)	51500

Br. P/L		
To Br. Drs (B.O)	2000	By GP 48187
To Br. Drs (Disc)	1500	
To Br. Exp	18000	
To Net profit	26687	

Illus 24 (WOP) → Debtors Method

(In '000s)

Branch A/c		
To bal b/d (Opening Assets)		
Cash	10	By Ho C/B (remittance) 11700
Debtors	384	
Stock @ IP	1080	By Stk Rese (Opn) $(1080 \times \frac{20}{120})$ 180
Furniture	500	
To GSB	13200	By GSB (loading) $(13200 \times \frac{20}{120})$ 2200
To GSB Return (loading) $(72 \times \frac{20}{120})$ 12	12	By GSB returns 72
* To Ho C/B (furniture payment by Ho)	100	
To bal c/d (Liab)		By bal c/d
ols exp	6	C/L Stk 1470
Byulaaa... 😊		Debtors 485
To Stk reserve C/L Stk $(1470 \times \frac{20}{120})$ 245	245	Cash 10
To NP	1096	Furniture 516

WN

①

Memorandum Stock

To bal b/d	1080	By GSB Returns	72
To GSB	13200	By Br. Cash (Cash sales)	9700
To Br. Drs (Returns)	102	By Br. Drs (Credit Sales)	3140
		By bal c/d	1470

Memorandum Debtors

To bal b/d	384	By Br. cash	2842
To Br. SHK (Credit Sales)	3140	By Disc	58
		By Br. SHK (Returns)	102
		By B.D	37
		By bal c/d	485

Memo Cash

To bal b/d	10	By Br. Exp paid	842
To Br. SHK (Cash Sales)	9700	By HO CIB (remittance)	11700
To Br. Drs (Cash collected)	2842	By bal c/d	10

Memo Furniture

To bal b/d	500	By Depn	
↙ 10/10/12 To HO CIB (purch of furniture)	100	$(500 \times 16\% + 100 \times 16\% \times 3/12)$	84
		By bal c/d	516

* Wholesale price Method

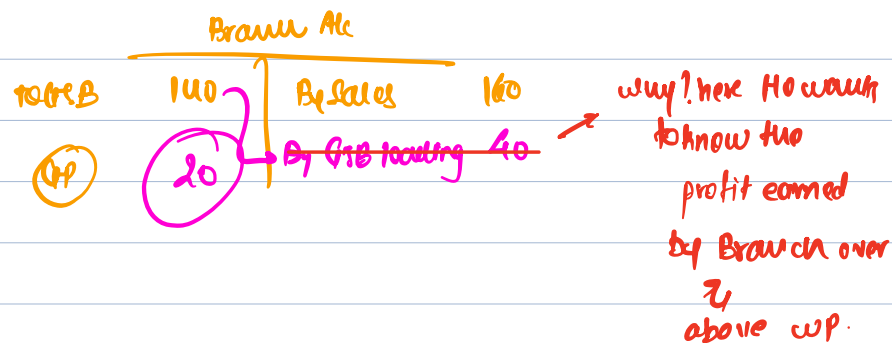
Example: Cost 100

(+) Profit 40

WP 140 → Ho trf @ 140 to Br.

(+) Retail Price 20

List price / Retail Price 160 → Br trf @ 160 to outside customers.



Under this method, the head office supplies goods to branch at cost plus wholesale profit, which is equal to wholesale price. The branches sell these goods to customers at retail price

In such case, head office is interested in knowing the additional profit Which has been earned by branch. The additional profit is difference between retail price and wholesale price

Draft of Trading A/c of Branch (under wholesale price method)

* To opening stock @ WP

To GSB @ WP

To Gross profit

xxx

By Sales @ Retail Price

* By closing stock @ WP

The real cost of branch is wholesale price so closing stock at branch Has to be valued at wholesale price.

But in the books of head office it would be necessary to create a stock reserve on opening stock and closing stock. The amount of stock reserve will be equal to difference between wholesale price and cost to HO.

Stock reserve will be transferred in the head office, P&I account

Illus 27

$$\begin{array}{ccccccc} & \text{wholesale} & & \text{Retail} & & & \\ \text{Cost to HO} & \text{Profit} & \text{WP} & + & \text{Profit} & = & \text{Retail Price} \\ 100 & + & 80 & = & 180 & + & 20 = 200 \end{array}$$

\downarrow HO hrf to Br. \downarrow Br sells to outside customers.
 HO sells to customer.

(cost to HO + 100%)

Trading & Profit & loss A/c

	HO	Branch		HO	Branch
To opening stock	225000	—	* By GSB	954000	
To purchases	2550000	—	By Sales	2781000	950000
* TO GSB		954000	By closing stock (Bld)	700000	990000
To Gross profit (wnr)	1660000	95000			
To office expenses	90000	8500			
To selling exp	72000	6300	By glp bld	1660000	95000
To Staff Salaries	60000	12000	By stk reserve (Opn stk of Br)	—	
July To stk reserve (99000 x 80/180)	44000				
To Net profit	1389000	68200			

WN ① Gross profit

$$\text{HO } 954000 \times \frac{80}{180} = 424000$$

$$1781000 \times 80/180 = 1236000$$

1660000

$$C + P = SP$$

$$80 \quad 180$$
~~$$954000$$~~

Branch $950000 \times \frac{20}{200} = 95000$

$$C + P = SP$$

$$100 + 20 = 200$$

~~$$950000$$~~

Illus

$$C + P = WP \quad + \quad P = RP \quad \text{Cost} + 50\%$$

$$100 + 20 = 120 \quad + \quad (30) = 150$$

Wholesale Profit Wholesale Price Retail Profit

HO trf to Br. Br sale to customer.

Trading ZPL A/c (Branch)

To op. stk @ WP	220000
To GSB @ WP	1100000
To gross profit (WN1)	<u>240000</u>

By Sales @ RP	1200000
By closing stk @ WP (WN2)	<u>360000</u>
	<u> </u>

To Expenses	45000
To NP (Bal. fig)	<u>195000</u>

By glp bid	240000
------------	--------

WMD G.P.

$$1200000 \times \frac{30}{150} = 240000$$

} This can be used only when there is no Direct Exp in trading Ac.

(OR)

WMD CU Stk @ WP

Opn Stk @ WP	220000	
(+) Purchase (b/s) @ WP	1100000	
(-) Cost of Goods Sold @ WP	<u>(960000)</u>	$(1200000 \times \frac{120}{150})$
= CU Stk @ WP	360000	

ii) Stock Reserve in HO PL on Branch Stock

$$\text{Stk Reserve on Op. stock} = \left(220000 \times \frac{20}{120} \right) = 36667 \rightarrow \text{HO PL Cr.}$$

$$\text{Stk Reserve on cu. Stk} = \left(360000 \times \frac{20}{120} \right) = 60000 \rightarrow \text{HO PL Dr.}$$

Ex 8 (WQ)

$$C + \text{wholesale Profit} = \text{WP} + \text{Retail Profit} = \text{R.P}$$

$$100 + 25 = 125 + \textcircled{25} = 150 \rightarrow \begin{matrix} \text{WP + dr.} \\ 125 \end{matrix}$$

↓
Ho sends to Br.

Just like trading A/c.

Outlet stock A/c

To bal bld (op. stk)	30000	By sales (WNI)	360000
To CRB	324000		
To gross profit (given)	60000	By goods lost by fire (Bal fig)	18000
		By bal old (cls stk)	36000

Just like PL A/c

Outlet Profit & loss A/c

To Expenses	20000	By glp bld	60000
To goods lost by fire	18000		
To net profit	22000		

In the Books of HO

Stock Reserve A/c

To HO PL A/c	6000	By bal bld (opn stk reserve) (30000 × 25/125)	6000
To bal old (cls stk Reserve) (36000 × 25/125)	7200	By HO PL A/c	7200
	=		=

WNI

Calculation of Sales

$$\begin{aligned} \text{Cost} + P &= \text{RP} \\ 125 + 25 &= 150 \end{aligned}$$

$$60000 \times \frac{150}{125} = 360000$$

Illus 14 (Not Based on cost)

It is a normal Final A/c's method ques.

Trading A/c

Opn stk ~~at~~ Cost
Grs B ~~at~~ Cost

Sales @ IP.
Grs B Returns ~~at~~ Cost
cls stk ~~at~~ Cost

$$C + P = S$$

20% on sales

$$80 + 20 = 100$$

~~50K~~

outside purchases
outside opn stk
outside cls stk } already @ cost

Delli Branch Trading & P/L A/c

To opn stk	Ho $(4000 \times \frac{80}{100})$	3200	By sales	100000
other goods		500		
To Grs B @ cost $(50K \times \frac{80}{100})$		40000	By Grs B returns (already at cost)	3000
To purchases		20000	By cls stk	2400
To gross profit		42700	Ho $(3000 \times \frac{80}{100})$	1000
			other goods	
To Salaries		7000		
To Rent		3000	By glp bid	42700
To of exp		2000		
To Depn $(5000 \times 10\%)$		500		
To net profit		30200		

Branch Fixed Assets

01/01/21 To bal b/d	5000	31/12/21 By Dep'n	500
		31/12/21 By bal c/d	4500

* Independent Branch

Branch is considered as independent if it maintains its own set of books of accounts

ij Accounting Entries

<u>Transactions</u>	<u>HO Books</u>	<u>Branch Books</u>
1) Goods sent by HO to Branch	Branch A/c Dr TO GSB	Goods recd from HO A/c Dr TO HO
2) Goods returned by Branch to HO	GSB Return A/c Dr TO Branch	HO A/c Dr TO Goods recd returned
3) Br. Exp incurred and paid by Branch	No entry	Exp A/c Dr TO ClB A/c.
4) Br. Exp paid by HO	Branch A/c TO ClB	Exp A/c Dr. TO HO A/c.
5) Purchases made from party other than HO, by branch directly.	No entry	Purchases A/c Dr TO Cash / Creditors A/c
6) Sales made by Branch to outside customers.	No entry	Cash / Debtors TO Sales
7) Collection from Debtors directly received by HO	ClB A/c Dr TO Branch	HO A/c Dr. TO Debtors.

⑧ Purchases made by Branch & payment done by HO	Branch A/c Dr. TO C/B	Purchases A/c Dr. TO HO
⑨ Purchase of Asset by Branch & paid by Branch	No entry	Asset A/c Dr. TO C/B
⑩ Asset account maintained at HO but purchased by Branch & paid by Branch.	Branch Asset A/c Dr. TO Branch	HO A/c Dr. TO C/B
⑪ Depn when asset account is maintained at HO for Branch Asset	Branch A/c Dr. TO Br. Asset A/c	Depn A/c Dr. TO HO A/c.
⑫ Remittance of funds by HO to Branch	Branch A/c Dr. TO C/B	C/B A/c Dr. TO HO A/c.
⑬ Remittance of funds by Branch to HO.	C/B A/c Dr. TO Branch	HO A/c Dr. TO C/B
⑭ Goods dispatched by HO But not rec'd by Branch	No entry	Goods in transit A/c Dr. TO HO A/c.
⑮ Cash remitted by Br. to HO, But not rec'd by HO	Cash in transit A/c Dr. TO Branch A/c	No entry.
⑯ Cash remitted by HO to Br But not rec'd. by Branch	No entry	Cash in transit A/c Dr. TO HO

⑪ Inter Branch Transactions

eg: Kolkata Branch incurred an expenditure of advt of ₹1000 for Delhi Branch.

(Hint: Inter Br. Transacⁿ are usually adjusted as if they were entered into with Head office)

Delhi Br. A/c Dr 1000
TO Kolkata Br. A/c 1000

Kolkata Branch

Ho A/c Dr 1000
TO CB 1000

Delhi Branch

Advt Exp A/c Dr 1000
TO HO A/c. 1000

⑫ Ho Expenses allocated to some extent to Branch

Branch A/c Dr
TO Expense
↓
(Exp Reverse)

Exp A/c Dr.
TO HO A/c.

Illus 9

i) HO A/c Dr 15000
TO Salary A/c 15000

(Being rectification of entry done to salary payment changed to HO)

Rough work
Already passed
Salg
TO ClB

Correct Entry
HO
To ClB

Rectified entry.

ii) HO A/c Dr
TO ClB

(Being)

HO Br.
Asset HO
TO Br. TO ClB

iii) No entry

iv) HO A/c Dr 25000
TO Debtors 25000

(Being)

HO Br.
ClB Dr HO
TO Br. TO Debtors

v) Cash in transit A/c 5000
TO HO 5000

(Being)

★ Illus 23

i) Expense Dr 3500
TO HO 3500

HO Branch
Branch Exp
TO Exp TO HO

ii) Depur Dr 1500
TO HO 1500

HO Branch
Br Depur
TO Asset TO HO

iii) HO Dr 2000
TO Salary 2000

Company Exp Corr
Salary HO
TO ClB TO ClB

iv) HO Alc Dr 10000
TO Debtors 10000

HO Br
ClB HO
TO Br TO Debt

v) No entry

vi) HO Alc Dr 3000
TO ClB 3000

Br. A Br. B HO
HO Exp Dr Br. B
TO ClB TO HO TO Br A

* Illustration

Branch Book

i) Ho Ac Dr 2000
TO Income 2000

ii) Ho 3000
TO Sales 3000

iii) Ho 5000
TO P/B 5000

iv) No entry

v) Exp Dr 75000
TO Ho 75000

vi) Ho Ac Dr 30000
TO Debtors 30000

vii) Goods in transit 10000
TO Ho Ac 10000

Q6

iii) Prov for Doubtful Debts Ac Dr. 2000
TO Ho Ac 2000

Ho
Br.
TO Des

Br.
Bad Debt
TO Ho

Q.11 (LDR) → GTD

Illus II (COR)

HO to Branch \rightarrow cost + 15%

$$100 + 15 = 115$$

HO to wholesale customers \rightarrow Sales \times 30%

Br to general public \rightarrow Sales \times 30%

1) HO Books \rightarrow BK (om Br) \uparrow
 Cash in transit 1500
 TO Branch 1500

Branch
Goods in transit 1500
 TO HO 1500

Inter unit Accounts
HO
 Branch Dr 5000
 Cr (1500)

Branch
 HO Cr. 2000
 Cr 1500

Br. Bal Dr. 3500

HO Bal Cr. 3500

4) Branch Emp Bonus

Bonus Exp \rightarrow (PL) 156
 TO Bonus Payable 156
 \rightarrow (Liab)

Trading & P/L A/c for the Yr ended 31/12/21

	HO	Branch	Total		HO	Branch	Total
To op ⁿ stk							
Raw mat ^e	1800	-	1800	By sales	200000	65200	265200
FG	13000	9200	22200	By GSB	46000	-	-
To purchases	35000	-	35000				
To Direct wages	108500	-	108500	By cb stk			
To Factory OH's	39000	-	39000	Goods in transit	-	1500	1500
To GSB (includes GIT of ₹1500)	-	46000	-	Raw Material	2300	-	2300
				Fin Goods (Bal fig)	15000	8060	23060
To Gross profit (WN 1)	66000	19560	85560				
To Admin Sal's	13900	4000	17900	By stk Ret ^e (Op ⁿ stk)	1200	-	1200
To Sales man	22500	6200	28700	By glp bld	66000	19560	85560
To other Admin	12500	2300	14800				
To Bonus Exp	-	156	156				
To stock Ret ^e (ls)	1247	-	1247				
To Net profit (Bal fig)	17053	6904	23957				

WN ① Calculation of Gross profit

HO

Cost $200000 \times 30\% = 60000$

Rs $46000 \times 15/115 = 6000$

HO CrP 66000

Br

Customer = $65200 \times 30\% = 19560$

wn ② stock Reserve on cls stk (Br ke clsd stk pe HO will create stock Reserve)

Cls stk of Br. $15000 + 8060 = 9560$

$$\text{Stk reserve} = 9560 \times \frac{15}{115}$$

= 1247 approx.

Balance sheet as on 31st Dec 20x1 for entire Bus

Liabilities		Assets	
Capital	50000		
Add: Net profit	23957		
	→ 73957		
Sundry Creditors	13000	Debtors	37000
July Bonus Payable	156	Cash → HO	22000
		Br	1000
		Cash in transit	1500
		→	24500
		cls stk	
		Raw materials	2300
		FG (15000 + 8060)	23060
		GIT	1500
		Less: Stk res (cls)	(1247)
		→	25613
	87113		87113

Illus 10 (WR)

WN

HO Books

① Cash in transit 3500
TO Branch 3500

Branch Books

① Goods in transit 3641
TO HO A/c 3641

② Asset (Invnt) A/c 2500
TO HO 2500

③ HO A/c 750
TO Debtors 750

→ Jics ledger ko aur mein change hai, woh
Ho Books Sab banane.

① Branch A/c

TO bal b'd 31536	By Cash in transit 3500
	By bal c'd 28036

Cash in transit

TO Branch A/c 3500	By bal c'd 3500
--------------------	-----------------

Blk
Cash Bal
Cash in transit x x x

Stk Reserve

TO PL 693	By bal b'd (Opn Stk Reserve) 693
TO bal c'd (Clk Stk Reserve) 746	By PL 746

Br. clk stk pe
HO creates stk
reserve

↓

GIT

$$\text{Br. clg shk} = 4565 + 3641$$

$$= 8206$$

$$\text{Shk Reserve} = 8206 \times \frac{10}{110}$$

$$= 746$$

Revenue A/c (P/L) A/c	
	By bal b/d 43210
TO P/L (12 shk Rese) 746	By P/L (Opn Rese) 693
To bal c/d 43957	

Branch Books

Jies ledger ko aunt mein change hai, woh Banao.

HO A/c	
TO Debtors (Inv Asset) 750	By bal b/d 22645
To bal c/d 28036	By Goods in transit 3641
	By Fixed Asset (lorry) 2500

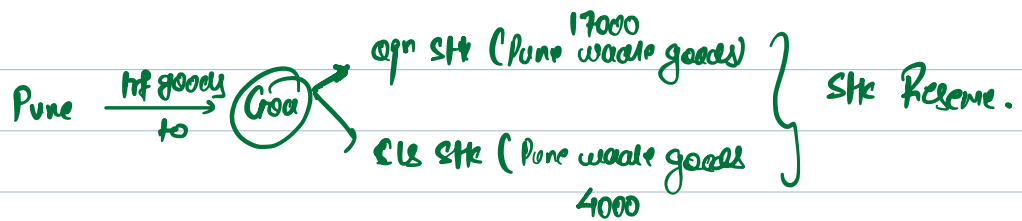
Goods in transit	
TO HO 3641	By bal c/d 3641

Fixed Asset		Icar hit to separate ledger of motor vehicle.	
Total b/d	18901	By bal old	21401
To HO	2500		

Cur. Asset	
TO bal b/d	23715
	By HO (Payment by Debtors to HO) 750
	By bal old 22965

★ Ques 4

Trading & P/L of Pune Branch			
To opn stock	40000	By Sales	280000
TO purchases	200000	By closing stock	30000
To chargeable exp	15000		
TO gross profit (Bal fig.)	55000		
TO c/c Exp	13250	By GP b/d	55000
TO Sells Exp	15000	By opn str res	4250
★ TO c/c str reserve	1000	(17000 × $\frac{1}{4}$)	
(4000 × $\frac{1}{4}$)			
★ TO Net profit	30000		



Ilus 22 (W.R)

J.E for inter Br. Transaction in the Books of HO on 30th April

30th April Mumbai Branch At Dr. 3000
 Chennai Branch At Dr. 7000

To Delhi Branch 15000

TO Kolkata Branch 58000

Debit the receiver, Credit the gives.

<u>WN</u>	<u>Particulars</u>	<u>Delhi</u>	<u>Mumbai</u>	<u>Chennai</u>	<u>Kolkata.</u>
<u>A. Delhi Branch</u>					
① Rec'd goods	Dr. 50000		Cr. 35000	-	Cr. 15000
② Sent goods	Cr. 45000			Dr. 25000	Dr. 20000
③ Bills rec'd	Dr. 20000			Cr. 20000	
④ Acceptances sent	Cr. 35000		Dr. 25000		Dr. 10000
<u>B. Mumbai</u>					
① Rec'd goods	Cr. 20000		Dr. 35000		Cr. 15000
② Cash sent	Dr. 15000		Cr. 22000		Dr. 7000
<u>C. Chennai</u>					
① Rec'd goods				Dr. 30000	Cr. 30000
② Acceptances & cash sent				Cr. 30000	Dr. 30000

d. Kolkata

① Sent goods

Dr. 35000 Cr. 35000

② Paid cash

Dr. 15000 Cr. 15000

③ Acceptances sent

Dr. 15000 Cr. 15000

Delhi	Mumbai	Chennai
Cr. 15000	Dr. 3000	Dr. 70000 Cr. 58000

* Independent Branch

Incorporation of Branch Books in the Books of Ho

Example

Particulars	Ho		Branch	
	Dr.	Cr.	Dr.	Cr.
Fixed Assets	35L		25L	
Current Assets	25L		20L	
Current Liab		20L		17.5L
P/L A/c		17.5L		12.5L
Inter unit A/c	15L			15L
Capital A/c		37.5L		
	75L	75L	45L	45L

Soln:

i) Takeover entry of Branch by Ho (Incorporation entries)

In the Books of Ho

① FA Ac Dr 25L
CA Ac Dr 20L
TO Branch 45L

② Branch Ac 30L
TO Curr Liab Ac 17.5L
TO P/L Ac 12.5L

FA 25L
CA 20L
TO CL 17.5L
TO P/L 12.5L
TO Branch 15L

Ho records
evaporating of
Branch &
eliminates
inter unit Bal
of 15L

In the Books of Branch

i) HO Ac Dr 45L
TO FA 25L
TO CA 20L

2) CL Ac Dr 17.5L
P/L Ac Dr 12.5L
TO HO 30L

B/s (Entire Bus)

Capital	37.5L		FA	(35L + 25L)	60L
H/P/L (Net Profit)	30L	67.5L	CA	(25L + 20L)	45L
CL (20L + 17.5L)		37.5L			
		<u>105L</u>			<u>105L</u>

Illus 13

HO Books

① Cash in transit 3000
 TO Branch 3000

→ Jump
② Goods stolen/lost 1700
 TO Branch 1700

↓
Iski entry HO me maaregi, Branch nahi as this transit goods will never reach Branch as they are stolen.

Branch Books

~~QTY~~
TO HO

→ This is not GIT this goods are stolen from HO & will never reach Branch

HO Books

Interposition entries

① Branch FA 95000
 Branch Stock 50460
 Branch Debtors 19100
 Br Cash 6550
 TO Branch A/c 17110

② Branch A/c Dr 31700
 TO P/L 31700

③ Branch A/c Dr 10400
 TO Creditors 10400

Branch A/c (In Books of Ho)

To bal b/d	13370	By cash in transit	9000
To P/L	31700	By Goods stolen	1700
To Creditors	10400	By sundry Assets	17110
	<u> </u>		<u> </u>

Illus 25

i) Branch Books

1] Goods in transit 10 lakhs

↗ GSB Add
↖ Cls Stk Add

TO HO 10 lakhs

2] Exp Acc Dr 1 lakh

TO HO 1 lakh

ii) Final Accounts of Branch

Trading & P/L A/c of Branch

To op ⁿ stock	60	By GSB Returns	5
To GSB	288	By Sales	360
G.I.G.T	10 → 298	By cls stk	62
To carriage inwards	7	G.I.G.T	10 72
TO GP	72	By GP b/d	72
To Depn	2		
To Salaries	25		
To Rent	10		
To Advt	6		

TO telephone	3
TO Sunday exp	1
TO Exp	1
TO Net profit	24

Balance Sheet of Branch

o/s exp		3	Furniture & Eq	18
Imp HO	80		Debtors	20
(+) G/T	10		Cash Bal	8
(+) Exp	1			
(+) NP	24	118	Cls stk	72
HO Bal will not come when we prepare B/S of entire Busn. Here we are preparing B/S only of Branch ∴ it will appear.				
		118		118

iii) Journal entries to incorporate Br. Trial Bal in HO Books → Refer Q.B

Plz self practice

Ilus 12

I] Journal entries in Branch Books

i) Prepaid Salary 2000
 TO Salary Exp 2000

2) Prepared Insurance 1600
 To Insurance Exp 1600
 (3200 → 12m
 2.1 6m)

9) Branch
EP Bahar Korega Income Bahar Korega Asset Bahar Liab Bahar

HO A/c Dr. 88400

IcAT did not pass this entry.

HO Alc Dg 88400

TO purchases	48000
TO wages	20000
TO Salaries (6400-2000)	4400
TO Gen. Exp	1600
TO Fire Ins (3200 x 6/12)	1600
TO Manager's Salary	4800
TO Disc Allowed	2000

Sales At D2 240000

Disc Earned AIC Dg 1200

TO HQ 24/200

HO Alc D2 38400

TO CIB 38400

HO Acc Dr	4000
TO Bldg	4000

ii) In the Books of Branch

Head office A/c			
TO Sundry exp	88400	By bal cld	168000
TO Cl B	38400	By sundry incomes	241200
TO Bldg	4000		
TO bal cld	278400		

Branch B/c as at 30.09.11			
HO Bal	278400	Prepaid Salary	2000
		Prepaid Ins	1600
		Debtors (wn)	272000
Credit	26800		
		Cash in hand	1600
		Cash at Bank	28000
	<u>305200</u>		<u>305200</u>

From Entry

Credit
TO HO

HO Acc Dr

TO Prepaid Sal
Prep Ins
Dr
C in hand
C B

Debitus

To bal old	200000	By clb (collection)	160000
To Sales	240000	By Disc Allowed	8000
		By bal old	272000

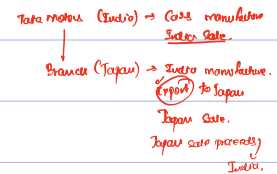
Creditus

roclb (paid to me)	60000	By bal old	40000
To Disc Earned	1200	By purchases	48000
To bal old	26800		

* Foreign Branch (Only Independent Branch) → AS 11

Meaning:

A branch outside the home country Where the head office is situated is known as foreign branch. Since the accounts of foreign branch Are maintained in foreign currency They have to be translated Into the home currency of head office.



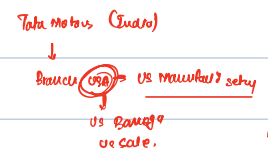
Two Types of Foreign Branch.

1] Integral foreign operation (IFO)

Integral foreign operation is a operation Where the activities are an integral part of the head office

The business of IFO is carried on as if it were an extension of head office operations

Example, head office exports goods to the foreign branch And foreign branch remits proceeds to head office



2] Non Integral Foreign operation (NIFO)

NIFO is a foreign operation That is not an integral for an operation.

The business of NIFO is carried on in substantially independent way by manufacturing own goods, accumulating cash , incurring own expenses , generating income And arranging borrowing in its local currency

NIFO may also enter into transactions With head office to some extent

Exchange Rate to be used for translation of foreign Branch

Particulare	IFO	NIFO
1] Bk item's other than closing stock & Fixed Assets	Closing Rate	Closing Rate
2] Fixed Assets	Actual Rate on the date of purchase of fixed assets	Closing Rate
3] Depn on Fixed Assets	"	"
4] Closing stock	Closing Rate	Closing Rate
5] Opening stock	Opening Rate	Opening Rate
6] Other Items of Trading & PL Alc	Average Rate	Average Rate
7] Goods sent to Branch	Actual Rate (Taken at amounts recorded in HO Books)	Actual Rate (Taken at amounts recorded in HO Books)
8] Balance of HO Alc in Branch Books	"	"

Ex Diff

Trf to PL

Ex Gain / loss

Trf to Foreign
currency Translation

Reserve (FCTR)

~~PL~~ Directly
Accumulate in Res

Illus 16 → IFO

(A\$ 'in 000's)

(£ in '000s)

Particulars	A\$		Exchange Rate	£	
	Ds	Cs		Ds	Cs
Plant & Mach ^y	200	-	Actual Rate (£18/£)	3600	-
Plant & Mach Dep Prov (Acc. Dep)	-	130	18	-	2340
Debtors / Creditors	60	30	Closing Rate (£24/£)	1440	720
Stock (Otr. & r)	20	-	Opn Rate (£20/£)	400	-
Cash Bal	10	-	Cs Rate (£24/£)	240	-
Invn Sales	20	123	Avg Rate (£22/£)	440	2706
Goods sent to Branch	5	-	Actual (see HO Books for converted value)	100	-
Wages & Salaries	45	-	Avg Rate (£22)	990	-
Rent	12	-	22	264	-
Ok Exp	18	-	22	396	-
Comm ⁿ receipts	-	100	22	-	2200
HO Acc	-	7	Actual Rate (see HO Books)	-	120
				7870	8086
Ex loss (Bif) → Trf to PL				216	
				8086	8086

Closing Stock of Branch \$3125 → closing Rate = £ 75000
24

Can be shown below Trial Balance

Illus 17 (LDR)

IFO

Before Adjustments (eg Depn) Opn 40, cl 42, Avg 41

2) Conversion of Mumbai Branch Trial Balance in Rs (£)

Particulars	₹		Exchange Rate	\$	
	Dr	Cr		Dr	Cr
Stock on 01.04.11	300000	-	40	7500 (30 ÷ 40)	-
Purch / Sales	800000	1200000	41	19512.20	29268.29
Sundry Debtors / Creditors	400000	300000	42	9523.81	7142.86
Bills Payable / Bills Receivable	120000	240000	42	2857.14	5714.29
Wages & Salaries	560000		41	13658.54	
Rent, Rates & Taxes	360000		41	8780.49	
Sundry charges	160000		41	3902.44	
Computers	240000		-	6000	
Bank Bal.	420000		42	10000	
New York A/c		1620000			39609.18
				81734.62	81734.62
No Ex Diff					
as Stk of Branch ₹ 420000 rate closing ₹ 42 \$ 10000					

Trading & P/L A/c for the year ended 31/3/12
for Mumbai Branch "in \$"

To opening stock	7500		
To purchase	19512.20	By sales	29268.29
To wages & salaries	13658.54	By closing stock	10000
		By gross loss (B/L)	1402.45
To gross loss b/d	1402.45		
To Rent, Rates & taxes	8780.49		
To Sundry charges	3902.44		
* To Depn (6000 x 60%)	3600		
		By Net loss (B/L)	17685.38

Balance sheet of Mumbai Branch
as on 31st March, 12 (in \$)

HO A/c	39609.18	Debtors	9523.81
less: Net loss	<u>(17685.38)</u>	Bills receivable	2857.14
	21923.80	Computers	6000
		less: Depn	<u>(3600)</u>
Creditors	7142.86		2400
Bills payable	5714.29	Bank Bal	10000
		Closing stock	10000
	<u>34780.95</u>		<u>34780.95</u>

Illus 29 (COP)

i)

Trading & P/L A/c
for the year ended 31/12/21 (in \$)

	\$		\$
To opn stock	11200	By sales	84000
To CRB	64000	By crb stk (BIF)	8000
To gross profit (WN)	16800		
To Depn (24000 x 10%)	2400	By g/p b/d	16800
To Expenses	5000		
To Mngt (comm'n)	470		
(16800 - 2400 - 5000) = 9400 x 5%			
To Net profit BIF	8930		

WN

$$\begin{array}{l} \text{Cost} + \text{Wholesale Profit} \\ 100 \quad 10 \end{array} = 110 \quad \begin{array}{l} \text{WP/IP} \\ 25\% \\ 27.5 \end{array} = 137.5$$

$$\text{GP} = 84000 \times \frac{27.5}{137.5} = 16800$$

(OR)

$$84000 \times \frac{25}{125}$$

ii) Convert trial Balance of Washington Branch into '₹'

Particulars	\$		Exch. Rate	"₹"	
	Dr	Cr		Dr	Cr
Head office		22800	-		860000
Sales		84000	47		3948000
Debtors & Credits	4800	3400	48	230400	163200
• Machinery	24000		40	960000	-
Cash at Bank	1200		48	57600	-
Stock @ 1st Jan	11200		46	515200	-
Goods from Ho	64000		-	2926000	
Expenses	5000		47	235000	
				4924200	4971200
				47000	
				4971200	4971200

Ex diff (loss) Bal fig → (PIL)

Clk str \$8000 x ₹ 48 = 384000

Note: If nothing is mentioned at IFO / NIFO & also if no hint is given in ques, then assume the Branch to be IFO.

Trading & P/L for the year ended 31/12/11

To opn stk	515200	By Sold	3948000
To GSB	2926000	By closing stock	384000
To GP (B/P)	890800		
		By G/P b/d	890800
raised on last day of the year			
To Mgr's commn (\$470 x F48/g)	22560		
To Depn (960 x 10%)	96000		
To Expense	235000		
To Exch. Diff	47000		
To Net profit (Bal fig)	490240		

J.E-

Mgr comm (P/L) 22560

To comm payable 22560
(Liab)

Always do this in ques of foreign Branch when Branch A/c is asked.

July

In the Book of Head office

Branch A/c

→ Incorporation of Asset / Liab from Branch to H.O.

TO bal B/d	860000	By Main ^t	960000	
TO Net profit	490240	↳ Dep ⁿ	<u>(96000)</u>	864000
TO Credit	163200	By Dis		230400
TO o/s Comm ⁿ	22560	By Cash at Bank		57600
		By closing stock		384000
	<u>1536000</u>			<u>1536000</u>

Ques 1 (WDR)

IFO

Before Adj (eg. Depn, Prov for D-D etc)

(£ in 000s)

1) Converted Branch Trial Balance of Canberra Branch to "£"

Particulars	A\$ Dr	A\$ Cr	Exchange Rate	£ Dr	£ Cr
Plant & Mach ^y	200	-	46	9200	-
Plant & Mach ^y (Acc. Dep)	-	130	46		5980
Debtors / Creditors	60	30	53	3180	1590
Op Stock	20		50	1000	
Cash	10		53	530	
Purch / Sales	20	123	51	1020	6273
GSP	5		-	100	
Wages & Salaries	45		51	2295	
Rent	12		51	612	
Ofc Exp	18		51	918	
Comm receipts		100	51		5100
Ho		7	-		120
				18855	19063
				(208)	
				19063	19063
Closing Stock $3125 \times 53 =$		165625			
		↓ in '000s			
		165-625			

Trading & PL A/c for HO & Branch (In '000s)

	HO	Branch	Total		HO	Branch	Total
To op. stock	100	1000	1100	By sales	520	6273	6793
To purchase	240	1020	1260	By GSB	100		-
To GSB		100	-	By closing stock	150	165.625	315.625
To wages & salaries	75	2295	2370				
To g/p	355	2023.625	2378.625				
				By stk Res. (op)	4	-	4
To Mng Rtnr Calt	30	-	30	By Comm. Res. b	256	5100	5356
To Rent	-	612	612	By g/p bid	355	2023.625	2378.625
To oh Exp	25	918	943				
* To stk Res. (Clb stock of Branch)	-	-	-				
To Prov for D.D	14	159	173				
@ 5% HO (280 x 5%)							
Br (3180 x 5%)							
To Depn (WN)	460	644	1104				
To Ex loss \rightarrow Bhul gaur Hua		208					
To Net profit	86	4582.625	4668.625				

There will no closing stock reserve as in closing stock of Branch there are no goods from HO. All are outside purchased stock.

Depn

Blg

HO

1000

Branch

-

(-) Acc Dep

(200)

WDV

800

Depn @ 10%

80

1

PUM

2500

9200

Acc Dep

(600)

(5480)

WDV

1900

WDV

3220

Depn @ 20%

(380) B

Dep @ 20%

(644)

Total Dep
(A+B)

460

-

Ques 7

NIFO

FA @ clb rate
Ex Diff ~~the~~ FCTR

1] Total Balance conversion of Virginia Branch (after incorporating adjustments)

1] Salary als

Sal's Exp \$400 → Avg Rate
TO als Sal's \$400 → clb rate
↳ Lab

2] Depn

Office Eq

Depn \$4800
TO Office Eq 4800 } clb Rate
\$

Depn \$320
TO Furniture \$320 } clb Rate

Opn 47, clb 50, Avg 45

	\$	\$	Exch	£	£
Particulars	Dr	Cr	Rate	Dr	Cr
Office Equipment (48000 - 4800)	43200		50	2160000	
Depn on ofc equip (Exp)	4800		50	240000	
Furniture (3200 - 320)	2880		50	144000	
Depn on furniture (Exp)	320		50	16000	
Opn Stock	22400		47	1052800	
Purchases	96000		45	4320000	
Sales		166400	45		7488000

Goods sent from Ho	32000		-	1580000	
Salaries (32000 + 400)	3600		45	162000	
ols sal ^o (Wab)		400	45 50		20000
Carriage Inward	400		45	18000	
Rent	800		45	36000	
Ins	400		45	18000	
Trade exp	400		45	18000	
Ho Ac		45600	-		2050000
Debtors	9600		50	480000	
Creditors		6800	50		340000
Cash in Bank	2000		50	100000	
Cash in hand	400			20000	
				1,03,64,800	9898000
Foreign Curr Translat ⁿ Reserve (FCTR) → PK R28 ✓					466800
				10364800	10364800

$$\text{CLB SHK } \$21500 \times 50 = 1075000$$

Trading & Profit & loss A/c

TO opn stk	1052800
TO purch	4320000
TO GSB	1580000
TO carriage inward	18000
TO glp	1592200

By sales	7488000
By clb stk	1075000

TO Depn on chr eq.	240000
TO Depn on furniture	16000
TO Salary (incl. o/s sal ^y)	162000
TO Rent	36000
TO Ins	18000
TO trade exp	18000
TO Net profit	1102200

By glp	1592200
--------	---------

Q 12 (LOR)

① Sold Exp \$ 600
 TO O/S Sold \$ 600

② Depn
 ↓

Office Equipment

Included Depn on new office equip. (56400 - 5400) x 10%.

Depn \$ 5100 ✓
~~TO Office Eq~~
 To Acc Depn \$ 5100 ✓

Furniture

Depn \$ 2916
 TO Acc. Depn on Furniture \$ 2916
 (36000 - 6840) x 10%.

Jump ③ Sale of Furniture.

01.04.21 WDN \$ 450 (Cost \$ 500, Acc. Dep \$ 50)
 (10% Depn 21-22 (10%) \$ 45)
 31.3.22 WDN \$ 405

S.P. \$ 405
 No profit No loss

J.E. Mild Acc Dr. \$ 405
 Acc. Depn Acc Dr. \$ 95
 ✓ To Furniture (Cost) \$ 500

\$ 50 + \$ 45

~~Mild 405~~

~~TO FA 405~~

Mild \$ 405
 Acc. Dep \$ 95
 TO PPE (Cost) \$ 500

Total Balance of Houston Branch (after incorporating adjustments) in £

Particulars	\$ Dr	\$ Cr	Exch. Rate	£ Dr	£ Cr
Office equip (cost)	56400		75	4230000	
Acc. Depr on off eq (5400 + 5100)		10500	75		787500
Depr on off eq. (Exp)	5100		75	382500	
Furniture (cost) (36000 - 500)	35500		75	2662500	
Acc. Depr on furniture (6840 + 2916 - 95)		9661	75		724575
Depr on furniture	2916		75	218700	
M Hd (money from sale of furniture re'able)	405		75	30375	
Op stock	24500		64	1568000	
Purchases	96000		72	6948000	
Sales		176250	72		1,26,90,000
Salaries (4200 + 600)	4800		72	349200	
ofs Sal's (Wab)		600	75		45000
Carriage Inward	256		72	18432	
Rent	956		72	68832	
Trade re'able	12560		75	942000	
Trade payable		8650	75		648750
Cash in hand	2540		75	190500	
Cash at Bank	500		75	37500	
HO Mc		37322	-		2375614
Ex Gain (FCR)					375100
				1,76,46,539	1,76,46,539

$$\text{CU SHK } \$24650 \times 75 = 18,48,750$$

