BRANCH ACCOUNTING

What Is Branch Accounting?

Branch accounting is a bookkeeping system in which separate accounts are maintained for each branch or operating location of an organization. Typically found in geographically dispersed corporations, multinationals, and chain operators, it allows for greater transparency in the transactions, cash flows, and overall financial position and performance of each branch.

Branch accounting is a bookkeeping system in which separate accounts are kept for each branch or operating location of an organization. Technically, the branch account is a temporary or nominal ledger account, lasting for a designated accounting period.

Branch accounts can also refer to records individually produced to show the performance of different locations, with the accounting records actually maintained at the corporate headquarters. However, branch accounting usually refers to branches keeping their own books and later sending them into the head office to be combined with those of other units.

What are the rules of making record in branch Account?

Branch Account is debited with the opening balance of cash and further sum sent by Head Office to Branch. At the closing time, Branch Account is credited with the closing balance of Petty Cash. Thus, the petty expenses are automatically charged to Branch Account.

Important points:

- Branch accounting is a bookkeeping system in which separate accounts are kept for each branch or operating location of an organization.
- Technically, the branch account is a temporary or nominal ledger account, lasting for a designated accounting period.
- Branch accounting provides better accountability and control since profitability and efficiency can be closely tracked for each location.
- Branch accounting has a long history, going back to the Venetian banks of the 14th century.

Some typical features of a branch

A branch is not a separate legal entity, it is a part of the foreign-based company.

A foreign company may only have one branch in Sweden.

The foreign-based company shall appoint a managing director to run the business activities in Sweden.

The managing director represents the branch and is responsible for registering the branch with Bolagsverket.

A branch is subject to Swedish law and the decisions of Swedish authorities regarding legal matters in connection with its business activities in Sweden.

A branch has no independent capital and its assets and liabilities are a part of the total assets of the foreign-based company.

A branch is to keep its own accounting records, and these are to be kept separate from the foreign-based company. Read more on the page Annual reports for branches.

The accounts of a branch and the administration of the managing director are, when required, subject to examination by an authorized or approved public accountant.

When a branch has been registered with Bolagsverket, it receives a Swedish registration number.

How Branch Accounting Works

In branch accounting, each branch (defined as a geographically separate operating unit) is treated as an individual profit or cost centre. Its branch has its own account. In that account, it records such items as inventory, accounts receivable, wages, and equipment, expenses such as rent and insurance, and petty cash.

Like any double-entry bookkeeping system, the ledger keeps a tally of assets and liabilities, debits and credits, and ultimately, profits and losses for a set period.

Technically speaking, in bookkeeping terms, the branch account is a temporary or nominal ledger account. It lasts for a designated accounting period. At the period's end, the branch tallies up its figures and arrives at ending balances, which are then transferred to the appropriate head office or head department accounts. The branch account is left with a zero balance until the accounting process begins all over again with the next accounting period or cycle.

Branch Accounting Methods

There are several different methods for keeping branch accounts, depending on the nature and complexity of the business and the operational autonomy of the branch. The most common include:

- Debtor system
- Income statement system
- Stock and debtor system
- Final accounts system

Where Branch Accounting Applies

Branch accounting can also be used for a company's operating divisions, which usually have more autonomy than branches, as long as the division is not set up legally as a subsidiary company. A branch is not a separate legal entity, although it can (somewhat

confusingly) be referred to as an "independent branch" because it keeps its own accounting books.

However, branch accounting is not the same as departmental accounting. Departments may have their own accounts, but they usually operate from the same physical location. A branch, by its nature, is a geographically separate entity.

Branch accounting is a common practice for businesses that operate in different geographic locations.

History of Branch Accounting

Though it seems synonymous with contemporary chain stores and franchise operations, branch accounting actually goes back a long way. Venetian banks maintained a form of it as early as the 14th century. The ledgers of a firm of Venetian merchants, dating from around 1410, also show a form of it to try to account for overseas and home accounts. Luca Pacioli's Summa de Arithmetica (1494), the first accounting textbook, devotes a chapter to it.

By the 17th century, branch accounting was being widely used by German counting-houses and other businesses. Moravian settlements throughout the thirteen original colonies used it for their books in the mid-1700s.

Advantages and Disadvantages of Branch Accounting

The primary advantages (and often, the objectives) of branch accounting are better accountability and control since the profitability and efficiency of different locations can be closely tracked.

On the downside, branch accounting may involve added expenses for an organization in terms of manpower, working hours, and infrastructure. A separate account coding structure must be maintained for each operating unit. It may be necessary to appoint branch accountants to ensure accurate financial reporting and compliance with head office procedures and processes.

Types of Branches

Branches can be classified into two types.

1. Dependent Branches

The term dependent branch means a branch that does not maintain its own set of books. All records have to be maintained by the head office in case of a dependent branch.

Thus, the head office may keep accounts of the branch according to any of the following methods:

1. Debtors System.

2. Stock and Debtors system.
3. Final Accounting System.
4. Wholesale Branch system.

2. Independent Branch

An independent branch means a branch, which maintains its own set of books. Such a branch can either be a home branch or a foreign branch.

Related: Departmental Stores Accounts: Explanation, Importance (Explained).

The method of according is the same in both the case except that in case of a foreign branch, the trial balance sent by the foreign branch is to be converted into the currency of the country of the Head Office.

(A). Home Branch

Such a branch keeps a complete set of its books. It may also purchase goods from outside parties besides receiving goods from the head office.

It prepares its own trial balance and final accounts and sends its copies to the head office for their incorporation in the head office books. Thus, it maintains a head office account in its books this is of the nature of a personal account.

(B). Foreign Branch

In the case of a foreign branch, the accounting procedure is the same as in the case of a Home Branch.

On receipt of the trial balance from the foreign branch, the head office will scrutinize it and pass necessary entries for goods in transit, for cash in transit and other adjustments as may be necessary.

The trial balance of the foreign branch will have to be converted into home currency in the following manner.

Practical Problems:

Problem : 1

A head office in Kolkata supplies goods to its branch at Chennai at cost. The branch sells the goods for cash and on credit and remits the proceeds to the head office promptly, the branch expenses being met by the head office by cheque. The following are the transactions relating to the branch for the year ended 31st December, 2014 :

		₹
Stock at branch on 1.1.14		6,000
Debtors at branch on 1.1.14		8,000
Goods sent to branch during the year		45,000
Total sales at branch (including cash sales ₹ 22,000)		74,000
Goods returned by branch		2,000
Goods returned by customers		2,000
Collections from debtors		42,000
Discount allowed		2,000
Bad debts written off		1,000
Cheques sent by head office towards branch expenses :		
Salaries	5,000	
Rent	2,500	
Petty expenses	500	8,000
Stock at branch on 31.12.14		9,000

Prepare a branch account and goods sent to branch account in the head office books.

Solution :

In the Books of Head Office

Chennai Branch Account

Dr.		₹			Cr. ₹
1.1.14			31.12.14		
To Balance b/f :			By Bank (remittances received) :		
Stock	6,000		Cash sales	22,000	
Debtors	8,000	14,000	Collection from debtors	42,000	64,000
31.12.14			" Goods Sent to Branch A/c (returns)		2,000
To Goods Sent to Branch A/c		45,000	" Balance c/f :		
" Bank A/c (remittance for expenses) :			Stock	9,000	
Salaries	5,000		Debtors (see *Note*)	13,000	22,000
Rent	2,500				
Petty expenses	500	8,000			
" Profit and Loss A/c (branch profit transferred)		21,000			
		88,000			88,000

Goods Sent to Branch Account

Dr.	₹		Cr. ₹
31.12.14		31.12.14	
To Chennai Branch A/c	2,000	By Chennai Branch A/c	45,000
" Trading (or Purchases) A/c (transfer)	43,000		
	45,000		45,000

Working Note :

The figure for closing debtors has not been supplied in the problem. It can be ascertained by preparing a memorandum branch debtors account as under :

Memorandum Branch Debtors Account

Dr.	₹		Cr. ₹
To Balance b/f	8,000	By Bank (collection)	42,000
" Credit sales : ₹ (74,000 – 22,000)	52,000	" Discount allowed	2,000
		" Returns inward	2,000
		" Bad debts	1,000
		" Balance c/f	13,000
	60,000		60,000

Problem : 2

From the following particulars, prepare a branch account in head office books, showing the profit or loss of the branch :

	₹
Opening stock at the branch	30,000
Goods sent to branch	90,000
Sales (cash)	1,20,000
Expenses :	
Salaries	10,000
Other expenses	4,000

Closing stock could not be ascertained, but it is known that the branch sells at cost *plus* 20 per cent. The branch manager is entitled to a commission of 5 per cent on the profits of the branch before charging such commission.

Solution :

In the Books of Head Office

Branch Account

Dr. *Cr.*

		₹		₹
To Balance b/f :			By Bank A/c :	
Stock		30,000	Cash sales	1,20,000
" Goods Sent to Branch A/c		90,000	" Balance c/f :	
" Bank :			Stock (see *Note*)	20,000
Salaries	10,000			
Other expenses	4,000	14,000		
" Manager's commission :				
@ 5% on ₹ 6,000		300		
" Profit and Loss A/c		5,700		
(branch profit transferred)				
		1,40,000		1,40,000

Working Note :

Calculation of closing stock at branch :	₹
Opening stock	30,000
Add : Goods sent to branch	90,000
	1,20,000
Less : Cost of goods sold : ₹ 1,20,000 × $^{100}/_{120}$	1,00,000
Closing stock	20,000

Problem : 3

The Bengal Trading Corporation invoices goods to its Cuttack branch at cost which sells on credit as well as for cash. Cash received by the branch is remitted to the head office. Branch expenses are paid direct from the head office except petty expenses which are met by the branch and for which periodical transfers are made from the head office.

You are asked to prepare the Cuttack branch account and branch trading and profit and loss account in the head office books from the particulars hereunder mentioned :

	₹
Opening stock at branch	6,000
Opening petty cash at branch	250
Opening debtors at branch	15,200
Goods from head office	38,270
Goods returned by customers	360
Total sales	53,540
Cash sales	15,320
Goods returned to head office	450
Allowances to customers	200
Discount allowed to customers	1,530
Bad debts	370
Rent and rates	1,200
Salaries and wages	3,500
Petty expenses by the branch	1,350
Closing stock at branch	7,560
Pilferage of goods at branch	780
Closing debtors at branch	15,400
Closing petty cash at branch	210

Solution :

Books of Bengal Trading Corporation

Cuttack Branch Account

Dr.		₹			Cr. ₹
To Balance b/f :			By Bank (remittances received) :		
Stock	6,000		Cash sales	15,320	
Debtors	15,200		Collection from debtors (see *Note* 1)	35,560	50,880
Petty cash	250	21,450			
" Goods Sent to Branch A/c		38,270	" Goods Sent to Branch A/c (returns from branch)		450
" Bank (remittances for) :			" Balance c/f :		
Rent and rates	1,200		Stock	7,560	
Salaries and wages	3,500		Debtors	15,400	
Petty expenses (see *Note* 2)	1,310	6,010	Petty cash	210	23,170
" Profit and Loss A/c (branch profit transferred)		8,770			
		74,500			74,500

Cuttack Branch Trading and Profit and Loss Account

for the year ended .....

Dr.		₹			Cr. ₹
To Opening stock		6,000	By Sales A/c	53,540	
" Goods sent to branch	38,270		*Less* : Returns	360	53,180
Less : Returns	450	37,820	" Pilferage of goods		780
" Gross profit c/d		17,700	" Closing stock		7,560
		61,520			61,520
To Rent and rates		1,200	By Gross profit b/d		17,700
" Salaries and wages		3,500			
" Petty expenses		1,350			
" Pilferage of goods (written off)		780			
" Allowances to customers		200			
" Discount allowed		1,530			
" Bad debts		370			
" Net profit		8,770			
		17,700			17,700

Working Notes :

(1) Collection from debtors has been ascertained by preparing a Memorandum Branch Debtors A/c as shown below.

(2) Amount remitted to the branch for petty expenses (and not the amount of actual expenses) is required to be debited to the Branch A/c. This has been ascertained by preparing a Memorandum Branch Petty Cash A/c as shown below.

(3) Pilferage of goods (normal or abnormal) should not be shown in the Branch A/c under the synthetic method. Its omission in the account means that it has been fully written off and profit obtained is after charging this loss.

Memorandum Branch Debtors Account

Dr.	₹		Cr. ₹
To Balance b/f	15,200	By Returns inward	360
" Credit sales : ₹ (53,540 – 15,320)	38,220	" Allowances	200
		" Discount allowed	1,530
		" Bad debts	370
		" Bank (collection) *(balancing figure)*	35,560
		" Balance c/f	15,400
	53,420		53,420

Memorandum Branch Petty Cash Account

Dr.	₹		Cr. ₹
To Balance b/f	250	By Petty expenses	1,350
" Bank (remittance) *(balancing figure)*	1,310	" Balance c/f	210
	1,560		1,560

Problem : 5

The Empire Stores Ltd. invoice goods to their various branches at cost, and the branches sell on credit as well as for cash. From the following details relating to the Mumbai branch, prepare the necessary accounts in the head office books :

	₹
Debtors, 1st January, 2014	26,200
Debtors, 31st December, 2014	33,100
Cash balance, 1st January, 2014	300
Stock, 1st January, 2014	15,000
Stock, 31st December, 2014	13,900
Goods received from head office	50,800
Cash received from head office	1,500
Goods returned to head office	700
Cash sales	33,500
Credit sales	60,000
Allowances to customers	320
Returns from customers	580
Discount allowed to customers	2,400
Bad debts	600
Remittance to head office	74,900
Rent and rates	1,800
Wages and salaries	6,000
General trade charges	1,300
Normal loss of goods due to wastage	1,200
Abnormal loss of goods due to pilferage	3,000

Solution :

Books of Empire Stores Ltd.

Branch Stock Account

Dr.		₹			₹	Cr.
1.1.14			31.12.14			
To Balance b/f		15,000	By Branch Cash A/c (cash sales)			33,500
31.12.14			" Branch Debtors A/c (credit sales)			60,000
To Goods Sent to Branch A/c		50,800	" Goods Sent to Branch A/c (returns from branch)			700
" Branch Debtors A/c (customers returns)		580	" Pilferage of Goods A/c			3,000
" Branch Profit and Loss A/c (gross profit transferred)		44,720	" Balance c/f			13,900
		1,11,100				1,11,100

Note : No entry is required for normal loss of goods.

Branch Debtors Account

Dr.		₹			₹	Cr.
1.1.14			31.12.14			
To Balance b/f		26,200	By Branch Stock A/c (customers' returns)			580
31.12.14			" Branch Profit and Loss A/c :			
To Branch Stock A/c (credit sales)		60,000	Allowances	320		
			Discount	2,400		
			Bad debts	600		3,320
			" Branch Cash A/c (collection) *(balancing figure)*			49,200
			" Balance c/f			33,100
		86,200				86,200

Goods Sent to Branch Account

Dr.		₹			₹	Cr.
31.12.14			31.12.14			
To Branch Stock A/c (returns from branch)		700	By Branch Stock A/c			50,800
" Trading A/c (transfer)		50,100				
		50,800				50,800

Branch Cash Account

Dr.		₹			₹	Cr.
1.1.14			31.12.14			
To Balance b/f		300	By Branch Expenses A/c :			
31.12.14			Rent and rates	1,800		
To General Cash A/c (remittances from head office)		1,500	Wages and salaries	6,000		
" Branch Stock A/c (cash sales)		33,500	General trade charges	1,300		9,100
" Branch Debtors A/c (collection)		49,200	" General Cash A/c (remittances to head office)			74,900
			" Balance c/f			500
		84,500				84,500

Branch Expenses Account

Dr.		₹			₹	Cr.
31.12.14			31.12.14			
To Branch Cash A/c :			By Branch Profit and Loss A/c (transfer)			9,100
Rent and rates	1,800					
Wages and salaries	6,000					
General trade charges	1,300	9,100				
		9,100				9,100

Branch Profit and Loss Account

Dr.		₹			₹	Cr.
31.12.14			31.12.14			
To Branch expenses		9,100	By Branch Stock A/c (gross profit)			44,720
" Branch Debtors A/c :						
Allowances	320					
Discount	2,400					
Bad debts	600	3,320				
" Pilferage of Goods A/c		3,000				
" General Profit and Loss A/c (branch net profit transferred)		29,300				
		44,720				44,720

Problem : 6

A head office invoiced to their Delhi branch during the year ended 31.12.14 goods at selling price (being $33^1/_3$% added to cost) amounting to ₹ 74,000. The credit sales of the branch were ₹ 31,000 and cash sales ₹ 17,000. The branch returned ₹ 2,000 stock at invoice price and had returns from customers ₹ 1,000. The discounts allowed to customers by the branch amounted to ₹ 1,200. The branch remitted to head office ₹ 38,600 being the amount of cash sales and receipts from customers. The opening and closing stocks of the branch were ₹ 15,000 and ₹ 39,000 respectively at selling price. The branch had debtors of ₹ 12,000 at the beginning. Loss through pilferage was ascertained to be ₹ 1,000 at selling price.

Write up the necessary accounts to record the above in the books of head office under synthetic method.

[C.U., B.Com.]

Solution :

In the Books of Head Office

Delhi Branch Account

Dr.		₹			Cr. ₹
1.1.14			1.1.14		
To Balance b/f :			By Stock Reserve A/c (load on opening stock) : $^1/_4$ × ₹ 15,000		3,750
Stock	15,000				
Debtors	12,000	27,000			
31.12.14			31.12.14		
To Goods Sent to Branch A/c		74,000	By Bank A/c (remittances received)		38,600
" Goods Sent to Branch A/c (load on returns by branch) : $^1/_4$ × ₹ 2,000		500	" Goods Sent to Branch A/c (load on goods sent) : $^1/_4$ × ₹ 74,000		18,500
			" Goods Sent to Branch A/c (returns by branch)		2,000
" Stock reserve (load on closing stock) : $^1/_4$ × ₹ 39,000		9,750	" Balance c/f :		
			Stock	39,000	
" Profit and Loss A/c (branch profit transferred)		9,800	Debtors (see *Note* 3)	19,200	58,200
		1,21,050			1,21,050

Stock Reserve Account

Dr.	₹		Cr. ₹
1.1.14		1.1.14	
To Delhi Branch A/c (transfer)	3,750	By Balance b/f (load on opening stock)	3,750
31.12.14		31.12.14	
To Balance c/f	9,750	By Delhi Branch A/c (load on closing stock)	9,750
	13,500		13,500

Goods Sent to Branch Account

Dr.	₹		Cr. ₹
31.12.14		31.12.14	
To Delhi Branch A/c (load on goods sent)	18,500	By Delhi Branch A/c (goods sent)	74,000
" Delhi Branch A/c (returns by branch)	2,000	" Delhi Branch A/c (load on returns)	500
" Trading A/c (cost of net goods transferred)	54,000		
	74,500		74,500

Working Notes :

(1) In examination problems while calculating 'load' care should be taken to ascertain whether the percentage is stated on cost or on selling price. $33^1/_3$% or $^1/_3$ of cost means $^1/_4$ of selling price.

(2) It must be noted that goods pilfered (normal or abnormal) should not be shown in the Branch A/c under the synthetic method.

(3) Closing balance of branch debtors has been ascertained by preparing a Memorandum Branch Debtors A/c as under :

Memorandum Branch Debtors Account

Dr.	₹		Cr. ₹
To Balance b/f	12,000	By Bank (collection) : ₹ (38,600 – 17,000)	21,600
" Credit sales	31,000	" Returns inward	1,000
		" Discount allowed	1,200
		" Balance c/f *(balancing figure)*	19,200
	43,000		43,000

Problem : 8

A Kolkata trading firm has a branch at Patna to which goods are charged out at cost *plus* 25%. Branch keeps its own sales ledger and remits daily all cash received to the head office. All expenses are paid from the head office. The transactions for the branch for the year 2014 are given below :

	₹
Stock on 1.1.14	55,000
Sundry debtors on 1.1.14	550
Petty cash balance on 1.1.14	450
Cash sales	13,250
Goods sent to branch	1,00,000
Collections on ledger accounts	1,05,000

	₹
Goods returned to head office	1,500
Bad debts	1,500
Allowances to customers	1,250
Returns inward	2,500
Cheques sent to branch :	
for rent	2,500
for wages	1,500
for salary and other expenses	4,500
Stock on 31.12.14	60,000
Sundry debtors on 31.12.14	15,000
Petty cash on 31.12.14 (including miscellaneous income ₹ 50 not remitted within the year)	500

Prepare the branch account and branch trading and profit and loss account for the year 2014 in the head office books. *[C.U., B.Com. (Hons.)]*

Solution :

Books of Kolkata Head Office

Patna Branch Account

Dr.		₹			Cr. ₹
1.1.14			1.1.14		
To Balance b/f :			By Stock reserve (load on opening stock) : $^{25}/_{125}$ × ₹ 55,000		11,000
Stock	55,000		31.12.14		
Debtors	550		By Bank A/c (remittances received) :		
Petty cash	450	56,000	Cash sales	13,250	
31.12.14			Collection from debtors	1,05,000	1,18,250
To Goods Sent to Branch A/c		1,00,000	" Goods Sent to Branch A/c (returns from branch)		1,500
" Bank (remittances for) :			" Goods Sent Branch A/c (load on goods sent) : $^{25}/_{125}$ × ₹ 1,00,000		20,000
Rent	2,500		" Balance c/f :		
Wages	1,500		Stock	60,000	
Salary and other expenses	4,500	8,500	Debtors	15,000	
" Goods Sent to Branch A/c (load on returns) : $^{25}/_{125}$ × ₹ 1,500		300	Petty cash	500	75,500
" Stock Reserve A/c (load on closing stock) : $^{25}/_{125}$ × ₹ 60,000		12,000			
" Profit and Loss A/c (branch profit transferred)		49,450			
		2,26,250			2,26,250

Patna Branch Trading and Profit and Loss Account

for the year ended 31st December, 2014

Dr.		₹			Cr. ₹
To Opening stock (cost)		44,000	By Sales : Cash	13,250	
" Goods sent to branch	80,000		Credit (see *Note*)	1,24,700	
Less : Returns	1,200	78,800		1,37,950	
" Gross profit c/d		60,650	*Less* : Returns	2,500	1,35,450
			" Closing stock		48,000
		1,83,450			1,83,450
To Rent		2,500	By Gross profit b/d		60,650
" Wages		1,500	" Miscellaneous income		50
" Salary and other expenses		4,500			
" Bad debts		1,500			
" Allowances to customers		1,250			
" Net profit		49,450			
		60,700			60,700

Working Note :

Credit sales have been ascertained by preparing Memorandum Branch Debtors A/c as under :

Memorandum Branch Debtors Account

Dr.	₹		Cr. ₹
To Balance b/f	550	By Bank (collection)	1,05,000
" Credit sales *(balancing figure)*	1,24,700	" Bad debts	1,500
		" Allowances	1,250
		" Returns inward	2,500
		" Balance c/f	15,000
	1,25,250		1,25,250

Problem : 10

Sawan and Co. of Mumbai has a branch at Siliguri. Goods are invoiced to the branch at cost *plus* 25%. All branch expenses are paid through cheques by the head office except petty expenses which are paid by the branch out of cash collected from its debtors and cash sales and the balance of cash is remitted to head office on daily basis. From the following information, prepare Siliguri branch account in the books of head office :

	₹
Stock on 1.4.14 (invoice price)	82,000
Stock on 31.3.15 (invoice price)	96,000
Sundry debtors on 1.4.14	31,700
Sundry debtors on 31.3.15	42,150
Furniture and fixtures on 1.4.14	23,400
Cash sales	4,01,300
Credit sales	3,72,100
Goods sent to branch by head office (invoice price)	6,28,000
Expenses paid by head office	1,32,000
Petty expenses paid by branch	10,450
Furniture acquired by the branch on 1.10.14 (for which payment was made by head office by means of a cheque)	2,500

Depriciation to be provided on furniture and fixtures @ 10% p.a. on WDV basis.

[C.U., B.Com. (Hons.) '14 —Adapted]

Solution :

Head Office Books

Branch Account

Dr.		₹			*Cr.* ₹
1.1.14			1.1.14		
To Balance b/f :			By Stock Reserve A/c (load on opening stock) : $^{25}/_{125}$ × ₹ 82,000		16,400
Stock	82,000				
Debtors	31,700				
Furniture	23,400	1,37,100			
31.12.14			31.3.15		
To Goods Sent to Branch A/c		6,28,000	By Goods Sent to Branch A/c (load on goods sent) : $^{25}/_{125}$ × ₹ 6,28,000		1,25,600
" Bank A/c (expenses paid by head office)		1,32,000			
" Bank A/c (furniture)		2,500	" Bank A/c (remittances received) :		
			Cash Sales	4,01,300	
" Stock Reserve A/c (load on closing stock) : $^{25}/_{125}$ × ₹ 96,000		19,200	Collection from Debtors (See *Note* 1)	3,61,650	
				7,62,950	
" Profit and Loss A/c (branch profit transferred)		1,37,347	*Less* : Expenses paid by branch	10,450	7,52,500
			" Balance c/f :		
			Stock	96,000	
			Debtors	42,150	
			Furniture (See *Note* 2)	23,497	1,61,647
		10,56,147			10,56,147

Working Notes :

(1) *Collection from debtors :*

	₹
Debtors on 1.4.14	31,700
Credit sales during the year	3,72,100
	4,03,800
Less : Debtors on 31.3.15	42,150
Collection	3,61,650

(2) *Furniture :*

Balance on 1.4.14		23,400
Add : Purchase (1.10.14)		2,500
		25,900
Less : Depreciation :		
on ₹ 23,400 @ 10% for 1 year	2,340	
on ₹ 2,500 @ 10% for 3 months	63	2,403
Balance on 31.3.15		23,497

Problem : 11

Smart Traders Ltd. has a branch at Sonepur and for control purposes it keeps the books of account at head office. All goods are purchased by head office and invoiced to the branch at selling price which is cost *plus* 50%.

The branch transactions during the year ended 31st December, 2014 were :

	₹
Opening stock at invoice price	24,000
Branch debtors at 1st January, 2014	33,200
Goods sent by head office at invoice price	2,94,000
Credit sales during the year	1,71,200
Cash sales during the year	1,13,200
Goods returned to head office at invoice price	12,600
Petty cash balance at 31st December, 2014	60
Cash received from debtors and paid direct into head office bank account	1,67,800
Branch expenses paid direct by head office	29,000
Petty cash balance at 1st January, 2014	40

On the first day of each week the head office sent ₹ 80 to the branch for petty cash payments.

The result of the physical stock-taking on 31st December, 2014 agreed with the stock account.

Write up the following accounts for the year ended 31st December, 2014 for the Sonepur branch : *(i)* Stock account ; *(ii)* Goods sent to branch account ; *(iii)* Branch adjustment account ; *(iv)* Debtors account ; *(v)* Petty cash account ; and *(vi)* Profit and loss account.

Solution :

Books of Head Office

Branch Stock Account

Dr.			Cr.
1.1.14	₹	31.12.14	₹
To Balance b/f	24,000	By Bank (cash sales)	1,13,200
31.12.14		" Branch debtors (credit sales)	1,71,200
To Goods Sent to Branch A/c	2,94,000	" Goods Sent to Branch A/c (returns from branch)	12,600
		" Balance c/f	21,000
	3,18,000		3,18,000

Goods Sent to Branch Account

Dr.			Cr.
31.12.14	₹	31.12.14	₹
To Branch Stock Adjustment A/c (load on goods sent) : $^1/_3$ × ₹ 2,94,000	98,000	By Branch Stock A/c	2,94,000
" Branch Stock A/c (returns from branch)	12,600	" Branch Stock Adjustment A/c (load on returns from branch) : $^1/_3$ × ₹ 12,600	4,200
" Trading A/c (transfer)	1,87,600		
	2,98,200		2,98,200

Branch Stock Adjustment Account

Dr.			Cr.
31.12.14	₹	1.1.14	₹
To Goods Sent to Branch A/c (load on returns from branch)	4,200	By Balance b/f (load on opening stock) : $^1/_3$ × ₹ 24,000	8,000
" Branch Profit and Loss A/c (gross profit transferred)	94,800	31.12.14 By Goods Sent to Branch A/c (load on goods sent)	98,000
" Balance c/f (load on closing stock) : $^1/_3$ × ₹ 21,000	7,000		
	1,06,000		1,06,000

Branch Debtors Account

Dr.			Cr.
1.1.14	₹	31.12.14	₹
To Balance b/f	33,200	By Bank (collections)	1,67,800
31.12.14		" Balance c/f	36,600
To Branch Stock A/c (sales)	1,71,200		
	2,04,400		2,04,400

Branch Petty Cash Account

Dr.			Cr.
1.1.14	₹	31.12.14	₹
To Balance b/f	40	By Sundry expenses *(balancing figure)*	4,140
31.12.14		" Balance c/f	60
To Bank (cash sent) : 52 × ₹ 80	4,160		
	4,200		4,200

Branch Profit and Loss Account

Dr.			Cr.
31.12.14	₹	31.12.14	₹
To Expenses paid by head office	29,000	By Branch Stock Adjustment A/c (gross profit)	94,800
" Sundry petty expenses	4,140		
" General Profit and Loss A/c (branch profit transferred)	61,660		
	94,800		94,800

Problem : 16

Sun Ltd. with head office in Kolkata has a branch in New Delhi. Goods are invoiced to the branch at cost *plus* $33^1/_3$%. From the following information in respect of the branch for the year ended 31st December, 2014, prepare branch stock account, branch debtors account and branch adjustment account :

	₹
Stock at branch on 1.1.14 (invoice price)	20,000
Branch debtors on 1.1.14	30,000
Goods sent to branch (cost price)	3,60,000
Goods received by branch (invoice price)	4,70,000
Cash sales	1,80,000
Return from debtors	10,000
Discount allowed	1,500
Bad debts	1,000
Collection from debtors	2,75,000
Cheques received from debtors but dishonoured	10,000
Branch expenses	49,000
Stock at branch on 31.12.14	48,000
Branch debtors on 31.12.14	36,000

[C.U., B.Com. (Hons.) '14 —Adapted]

Solution :

In Head Office Books

Branch Stock Account

Dr.	₹			Cr. ₹
1.1.14		31.12.14		
To Balance b/f	20,000	By Bank A/c (cash sales)		1,80,000
31.12.14		" Branch Debtors (credit sales)		2,83,500
To Goods Sent to Branch A/c :		" Balance c/f :		
$^4/_3$ × ₹ 3,60,000	4,80,000	Stock-in-transit	10,000	
" Branch Debtors A/c (return from debtors)	10,000	Stock at branch	48,000	58,000
" Branch Adjustment A/c (apparent gross profit transferred)	11,500			
	5,21,500			5,21,500

Branch Debtors Account

Dr.	₹			Cr. ₹
1.1.14		31.12.14		
To Balance b/f	30,000	By Bank A/c (collection)		2,75,000
31.12.14		" Branch Stock A/c (return from debtors)		10,000
To Branch Stock A/c (credit sales) *(balancing figure)*	2,83,500	" Branch Profit and Loss A/c :		
" Bank A/c (cheque dishonoured)	10,000	Discount allowed	1,500	
		Bad debts	1,000	2,500
		" Balance c/f		36,000
	3,23,500			3,23,500

Branch Adjustment Account

Dr.	₹		₹
31.12.14		1.1.14	
To Gross profit c/d *(balancing figure)*	1,22,000	By Balance b/f (load on opening stock) : $^1/_4$ × ₹ 20,000	5,000
" Balance c/f (load on closing stock) : $^1/_4$ × ₹ 58,000	14,500	31.12.14	
		By Goods Sent to Branch A/c (load on goods sent) : $^1/_4$ × ₹ 4,80,000	1,20,000
		" Branch Stock Adjustment A/c (apparent gross profit)	11,500
	1,36,500		1,36,500
To Branch Debtors A/c (bad debts and discount)	2,500	By Gross profit b/d	1,22,000
" Branch expenses	49,000		
" Profit and Loss A/c (branch net profit transferred)	70,500		
	1,22,000		1,22,000

Working Note :

Stock-in-transit :	₹
Invoice value of goods sent to branch : $^4/_3$ × ₹ 3,60,000	4,80,000
Invoice value of goods received by branch	4,70,000
	10,000

Problem : 21

A large Kolkata retailer runs branch shops at Ballygunge and Alipore with head office at Shyambazar. Purchases are made by the head office and charged to the branches at selling price which is $33^1/_3$ per cent over the cost. The branches keep sales ledgers.

From the following information prepare the branch stock account in columnar form at selling price and cost and also the branch debtors accounts in the head office books.

	Ballygunge ₹	*Alipore* ₹
Debtors at April 1, 2013	18,750	9,642
Stock at April 1, 2013 at selling price	76,632	48,264
Goods sent to branches at selling price	3,63,576	1,84,512
Cash sales	2,85,960	1,43,016
Credit sales	70,800	43,032
Cash received from debtors	73,392	42,162
Stock at March 31, 2014 at selling price	77,784	52,152

During the year goods to the value of ₹ 7,104 were sent from the Ballygunge branch to the Alipore branch.

[C.U., B.Com. (Pass)]

Solution :

Head Office Books

Ballygunge Branch Stock Account

Dr. *Cr*

	Invoice (memo.) ₹	*Actual* ₹		*Invoice (memo.)* ₹	*Actual* ₹
1.4.13			31.3.14		
To Balance b/f	76,632	57,474	By Ballygunge Branch Cash A/c (cash sales)	2,85,960	2,85,960
31.3.14			" Ballygunge Branch Debtors A/c (credit sales)	70,800	70,800
To Goods Sent to Branch A/c	3,63,576	2,72,682	" Goods Sent to Branch A/c (goods transferred to Alipore branch)	7,104	5,328
" Ballygunge Branch Profit and Loss A/c (surplus of stock)	1,440	1,080	" Balance c/f	77,784	58,338
" Ballygunge Branch Profit and Loss A/c (gross profit transferred)	—	89,190			
	4,41,648	4,20,426		4,41,648	4,20,426

Alipore Branch Stock Account

Dr. *Cr*

	Invoice (memo.) ₹	*Actual* ₹		*Invoice (memo.)* ₹	*Actual* ₹
1.4.13			31.3.14		
To Balance b/f	48,264	36,198	By Alipore Branch Cash A/c (cash sales)	1,43,016	1,43,016
31.3.14					
To Goods Sent to Branch A/c	1,84,512	1,38,384	" Alipore Branch Debtors A/c (credit sales)	43,032	43,032
" Goods Sent to Branch A/c (goods transferred from Ballygunge branch)	7,104	5,328	" Alipore Branch Profit and Loss A/c (shortage of stock)	1,680	1,260
" Alipore Branch Profit and Loss A/c (gross profit transferred)	—	46,512	" Balance c/f	52,152	39,114
	2,39,880	2,26,422		2,39,880	2,26,422

Ballygunge Branch Debtors Account

Dr. *Cr*

	₹		₹
1.4.13		31.3.14	
To Balance b/f	18,750	By Ballygunge Branch Cash A/c (collection)	73,392
31.3.14			
To Ballygunge Branch Stock A/c (credit sales)	70,800	" Balance c/f	16,158
	89,550		89,550

Alipore Branch Debtors Account

Dr. *Cr*

	₹		₹
1.4.13		31.3.14	
To Balance b/f	9,642	By Alipore Branch Cash A/c (collection)	42,162
31.3.14			
To Alipore Branch Stock A/c (credit sales)	43,032	" Balance c/f	10,512
	52,674		52,674

Problem : 22

There are two branches, *A* and *B*. Goods are consigned to them at loaded figures of 20% and 25% on cost respectively. The invoices to the branches are ₹ 1,200 and ₹ 2,000 respectively. Included in the item ₹ 1,200 are invoices for goods costing ₹ 300, invoiced to branch *A* at ₹ 360, which should have been invoiced to *B*. Sales are all for cash being *A* ₹ 720 ; *B* ₹ 1,500.

Show the appropriate ledger entries in head office books. It may be assumed that the closing stocks are correct.

[C.U., B.Com. (Hons.)]

Solution :

Head Office Books

Branch Stock Account

Dr.	A ₹	B ₹		A ₹	B ₹
To Goods Sent to Branch A/c	1,200	2,000	By Goods Sent to Branch A/c	360	—
" Goods Sent to Branch A/c : $^{125}/_{100}$ × ₹ 300	—	375	" Branch Cash A/c (sales)	720	1,500
			" Balance c/f	120	875
	1,200	2,375		1,200	2,375

Goods Sent to Branch Account

Dr.	A ₹	B ₹		A ₹	B ₹
To Branch Stock A/c	360	—	By Branch Stock A/c	1,200	2,000
" Branch Stock Adjustment A/c (load on goods sent)	140	475	" Branch Stock A/c	—	375
" Trading A/c (transfer)	700	1,900			
	1,200	2,375		1,200	2,375

Branch Stock Adjustment Account

Dr.	A ₹	B ₹		A ₹	B ₹
To Branch Profit and Loss A/c (gross profit transferred)	120	300	By Goods Sent to Branch A/c (load on goods sent) [see *Note* 1]	140	475
" Balance c/f (load on closing stock) [see *Note* 2]	20	175			
	140	475		140	475

Working Notes :

(1) *Load on goods sent :*

Branch *A* : $^{20}/_{120}$ × ₹ (1,200 − 360) = ₹ 140

Branch *B* : $^{25}/_{125}$ × ₹ (2,000 + 375) = ₹ 475

(2) *Load on closing stock :*

Branch *A* : $^{20}/_{120}$ × ₹ 120 = ₹ 20

Branch *B* : $^{25}/_{125}$ × ₹ 875 = ₹ 175

Problem : 26

A head office in Kolkata operates a retail branch at Ranchi. All purchases are made by the head office in Kolkata, goods for the branch being delivered to it direct and charged out at selling price which is cost price *plus* 50 per cent. All cash received by the branch is remitted to Kolkata. Branch expenses are paid by the branch out of an imprest amount which is reimbursed by Kolkata monthly.

The branch keeps a sales ledger and certain essential subsidiary books ; but otherwise all branch transactions are recorded in the books of the Kolkata office.

On 1st January, 2014, stock-in-trade at the branch, at selling price, amounted to ₹ 48,660 and debtors to ₹ 6,440.

During the year ended 31st December, 2014, the following transactions took place at the branch :

	₹
Goods received by the branch at selling price	1,21,800
Cash sales	64,150
Credit sales	51,280
Goods returned to Kolkata at selling price	1,560
Reduction in selling price authorised by head office	970
Cash received from debtors	42,660
Debtors written off as irrecoverable	650
Cash discounts allowed	1,120

A consignment of goods despatched to the branch in December, 2014, at a selling price of ₹ 1,200, was not received by the branch until January 6th, 2015 and had not been included in its stock figure. The expenses relating to the branch for the year ended 31st December, 2014, amounted to ₹ 17,290. On 31st December, 2014, physical stock at the branch, at selling price, amounted to ₹ 52,200.

You are required to write up the branch stock account and the branch total debtors account maintained in Kolkata books and to prepare the trading and profit and loss account of the branch for the year ended 31st December, 2014.

[C.U., B.Com. (Hons.)]

Solution :

Books of Head Office
Branch Stock Account

Dr. | Cr.

	Invoice (memo.) ₹	Actual ₹		Invoice (memo.) ₹	Actual ₹
1.1.14			31.12.14		
To Balance b/f	48,660	32,440	By Bank (cash sales)	64,150	64,150
31.12.14			" Branch Total Debtors A/c (credit sales)	51,280	51,280
To Goods Sent to Branch A/c : ₹ (1,21,800 + 1,200)	1,23,000	82,000	" Goods Sent to Branch A/c (returns from branch)	1,560	1,040
" Branch gross profit	—	37,630	" Reduction in selling price	970	—
			" Stock shortage (see *Note*)	300	—
			" Balance c/f :		
			Stock at branch	52,200	34,800
			Stock-in-transit	1,200	800
	1,71,660	1,52,070		1,71,660	1,52,070

Note : Stock shortage of ₹ 300 has come out as a balancing figure. Considering the amount involved, it has been treated as normal loss ; hence not entered in the actual column.

Dr. | ***Branch Total Debtors Account*** | Cr.

	₹		₹
1.1.14		31.12.14	
To Balance b/f	6,440	By Bank (collection)	42,660
31.12.14		" Bad Debts A/c	650
To Branch Stock A/c (sale)	51,280	" Discount Allowed A/c	1,120
		" Balance c/f	13,290
	57,720		57,720

Dr. | ***Branch Trading and Profit and Loss Account*** *for the year ended 31st December, 2014* | Cr.

		₹			₹
To Opening stock		32,440	By Sales :		
" Goods from Head Office A/c	82,000		Cash	64,150	
Less : Returns	1,040	80,960	Credit	51,280	1,15,430
" Gross profit c/d		37,630	" Closing stock :		
			with branch	34,800	
			in transit	800	35,600
		1,51,030			1,51,030
To Branch expenses		17,290	By Gross profit b/d		37,630
" Bad debts		650			
" Discount allowed		1,120			
" General Profit and Loss A/c (branch profit transferred)		18,570			
		37,630			37,630

Problem : 29

B.B. & Co. with their head office at Kolkata, invoiced goods to their Bangalore branch at 20% *less* than list price, which is cost *plus* 100%, with instruction that cash sales are made at invoice price and credit sales at list price.

From the following particulars, prepare branch stock account, branch adjustment account, branch profit and loss account and branch debtors account for the year ended 31.12.14 :

	₹		₹
Stock on 1.1.14 *(at invoice price)*	24,000	Cash received from debtors	1,71,268
Debtors 1.1.14	20,000	Expenses at branch	34,732
Goods received from head office *(at invoice price)*	2,64,000	Remittance to head office	2,40,000
		Debtors 31.12.14	48,732
Goods returned to head office *(at invoice price)*	2,000	Stock on 31.12.14 *(at invoice price)*	30,800
Sales — cash	92,000		
— credit	2,00,000		

[C.U., B.Com.]

Solution :

B.B. & Co.

Branch Stock Account

Dr.			Cr.
1.1.14	₹	31.12.14	₹
To Balance b/f	24,000	By Bank (cash sales)	92,000
31.12.14		" Branch debtors (credit sales)	2,00,000
To Goods Sent to Branch A/c	2,64,000	" Goods Sent to Branch A/c (returns from branch)	2,000
" Branch Adjustment A/c (apparent gross profit)	40,000	" Stock Shortage A/c (see *Note* 2)	3,200
		" Balance c/f	30,800
	3,28,000		3,28,000

Branch Stock Adjustment Account

Dr.			Cr.
31.12.14	₹	1.1.14	₹
To Goods Sent to Branch A/c (load on returns from branch) : $^{60}/_{160}$ × ₹ 2,000	750	By Balance b/f (load on opening stock) : $^{60}/_{160}$ × ₹ 24,000	9,000
" Stock Shortage A/c (load on stock shortage) : $^{60}/_{160}$ × ₹ 3,200	1,200	31.12.14 By Goods Sent to Branch A/c (load on goods sent) : $^{60}/_{160}$ × ₹ 2,64,000	99,000
" Branch Profit and Loss A/c (gross profit transferred) *(balancing figure)*	1,34,500	" Branch Stock A/c (apparent gross profit)	40,000
" Balance c/f (load on closing stock) : $^{60}/_{160}$ × ₹ 30,800	11,550		
	1,48,000		1,48,000

Branch Profit and Loss Account

Dr.			Cr.
31.12.14	₹	31.12.14	₹
To Branch Expenses A/c	34,732	By Branch Stock Adjustment A/c (gross profit)	1,34,500
" Stock Shortage A/c : $^{100}/_{160}$ × ₹ 3,200	2,000		
" General Profit and Loss A/c (branch net profit transferred)	97,768		
	1,34,500		1,34,500

Branch Debtors Account

Dr.			Cr.
1.1.14	₹	31.12.14	₹
To Balance b/f	20,000	By Bank	1,71,268
31.12.14		" Balance c/f	48,732
To Branch Stock A/c (credit sales)	2,00,000		
	2,20,000		2,20,000

Working Notes :

(1) When cost price is ₹ 100, list price is ₹ 200 (i.e., cost price *plus* 100%), and invoice price is ₹ 160 (i.e., list price *minus* 20%).

(2) *Calculation of stock shortage :*

		₹
Stock on 1.1.14 at invoice price		24,000
Goods from head office at invoice price		2,64,000
		2,88,000
Less : Returns to head office at invoice price		2,000
		2,86,000
Less : Cash sales	92,000	
Invoice value of credit sales : $^{160}/_{200}$ × ₹ 2,00,000	1,60,000	2,52,000
Stock that should have been on 31.12.14 at invoice price		34,000
Less : Actual stock on 31.12.14 at invoice price		30,800
Stock shortage at invoice price		3,200

Problem : 32

P.K. Co. Ltd. with their head office at Kolkata, invoiced goods to their Mumbai branch at invoice price. The invoice price is 20% *less* than list price, which is cost *plus* 100% with instruction that sales are made at list price.

From the following particulars ascertain the profit earned by the head office and branch :

	Kolkata H.O.	*Mumbai Branch*
	₹	₹
Opening stock	40,000	32,000
Purchases	2,00,000	—
Goods sent to branch at cost price	62,500	—
Goods received from head office at invoice price	—	96,000
Sales	1,70,000	80,000
Trade expenses	14,000	8,000

Stock at head office are valued at cost price but those of branch are valued at invoice price.

[C.U., B.Com. (Hons.)]

Solution :

Trading and Profit and Loss Account
for the year ended ....

Dr. | *Cr.*

	H.O. ₹	*Branch* ₹		*H.O.* ₹	*Branch* ₹
To Opening stock	40,000	32,000	By Sales	1,70,000	80,000
" Purchases	2,00,000	—	" Goods to branch	1,00,000	—
" Goods from head office	—	1,00,000	" Closing stock :		
" Gross profit c/d	1,22,500	16,000	in hand	92,500	64,000
			in transit	—	4,000
	3,62,500	1,48,000		3,62,500	1,48,000
To Trade expenses	14,000	8,000	By Gross profit b/d	1,22,500	16,000
" Provision for unrealised profit	13,500	—			
" Net profit	95,000	8,000			
	1,22,500	16,000		1,22,500	16,000

Working Note :

When cost price is ₹ 100, list price is ₹ 200 (cost price + 100%) and invoice price ₹ 160 (list price – 20%).

		₹
Closing stock of head office :		
Opening stock		40,000
Purchases		2,00,000
		2,40,000
Less : Cost of goods sold : $^{100}/_{200}$ × ₹ 1,70,000	85,000	
Less : Cost of goods transferred to branch	62,500	1,47,500
Closing stock		92,500
Closing stock of branch :		
Opening stock (at invoice price)		32,000
Invoice price of goods sent by head office : $^{160}/_{100}$ × ₹ 62,500		1,00,000
		1,32,000
Less : Invoice price of goods sold : $^{160}/_{200}$ × ₹ 80,000		64,000
Closing stock (at invoice price)		68,000
Stock-in-transit : ₹ (1,00,000 – 96,000)		4,000
Stock at branch		64,000
		68,000

Provision for unrealised profit on stock held by branch :	₹
Provision required on closing stock : $^{60}/_{160}$ × ₹ 68,000	25,500
Less : Provision already existing on opening stock : $^{60}/_{160}$ × ₹ 32,000	12,000
Additional provision to be made	13,500

Problem : 33

Rahul Ltd. operates a number of retail outlets to which goods are invoiced at wholesale price which is cost *plus* 25%. These outlets sell the goods at the retail price which is wholesale price *plus* 20%.

Following is the information regarding one of the outlets for the year ended 31.3.15 :

	₹
Stock at the outlet on 1.4.14	30,000
Goods invoiced to the outlet during the year	3,24,000
Gross profit made by the outlet	60,000
Goods lost by fire	?
Expenses of the outlet for the year	20,000
Stock at the outlet on 31.3.15	36,000

You are required to prepare the following accounts in the books of Rahul Ltd. for the year ended 31.3.15 : *(a)* Outlet stock account ; *(b)* Outlet profit and loss account ; and *(c)* Stock reserve account. *[C.A., Inter.]*

Solution :

Books of Rahul Ltd.

Outlet Stock Account

Dr.	₹		₹	Cr.
1.4.14		31.3.15		
To Balance b/f	30,000	By Sales (see *Note*)	3,60,000	
31.3.15		" Goods lose by fire *(balancing figure)*	18,000	
To Goods Sent to Outlet A/c	3,24,000	" Balance c/d	36,000	
" Outlet Profit and Loss A/c (gross profit)	60,000			
	4,14,000		4,14,000	

Outlet Profit and Loss Account

Dr.	₹		₹	Cr.
31.3.15		31.3.15		
To Expenses	20,000	By Outlet Stock A/c (gross profit)	60,000	
" Goods lost by fire	18,000			
" General Profit and Loss A/c (outlet profit transferred)	22,000			
	60,000		60,000	

Stock Reserve Account

Dr.	₹		₹	Cr.
31.3.15		1.4.14		
To Balance c/f : $^{25}/_{125}$ × ₹ 36,000	7,200	By Balance b/f : $^{25}/_{125}$ × ₹ 30,000	6,000	
		31.3.15		
		By General Profit and Loss A/c *(balancing figure)*	1,200	
	7,200		7,200	

Working Note :

When cost price is ₹ 100, wholesale price is ₹ 125 (cost price + 25%), retail price is ₹ 150 (wholesale price + 20%) and outlet gross profit is ₹ 25 (retail price – wholesale price). Retail sales at outlet = ₹ 60,000 × $^{150}/_{25}$ = ₹ 3,60,000.

Problem : 38

A Mumbai merchant has a branch at Chennai. The ledger balances of the branch for the year ended 31st March, 2015 were as follows :

	₹
Interest received	2,500
Purchases	9,000
Sales	30,000
Goods from head office	14,000
Creditors	1,200
Sundry expenses	400
Bank *(Dr.)*	3,300
Head office current account	22,000
Machinery	10,000
Stock (1.4.14)	15,000
Debtors	4,000

Closing stock ₹ 7,000.

You get the following information from the head office :

(1) The head office sent goods to branch ₹ 1,000 on 30.3.15 which the branch received on 3.4.15.

(2) Branch furniture account stood in head office books at ₹ 800.

(3) Branch current account in head office books had a debit balance of ₹ 23,000.

Prepare trading, profit and loss account and balance sheet in branch books after depreciating furniture by 5% and machinery by 10%.

Also give the branch current account in head office books after posting incorporating entries to that account.

[C.U., B.Com.]

Solution :

In Branch Books

Trading and Profit and Loss Account

for the year ended as at 31st March, 2015

Dr.		₹		₹	*Cr.*
To Opening stock		15,000	By Sales		30,000
" Purchases		9,000	" Closing stock		7,000
" Goods from head office		14,000	" Gross loss c/d		1,000
		38,000			38,000
To Gross loss b/d		1,000	By Interest received		2,500
" Sundry expenses		400			
" Depreciation :					
on furniture	40				
on machinery	1,000	1,040			
" Net profit transferred to Head Office A/c		60			
		2,500			2,500

Balance Sheet *as at 31st March, 2015*

Liabilities		₹	*Assets*		₹
Creditors		1,200	Cash at bank		3,300
Head Office Current A/c	22,000		Debtors		4,000
Add : Depreciation on furniture	40		Stock		7,000
Net profit	60	22,100	Machinery	10,000	
			Less : Depreciation	1,000	9,000
		23,300			23,300

In Head Office Books

Dr. ***Chennai Branch Current Account*** *Cr.*

31.3.15	₹	31.3.15		₹
To Balance b/f	23,000	By Goods-in-Transit A/c		1,000
" Branch Furniture A/c (depreciation)	40	" Branch Assets A/c :		
" Profit and Loss A/c (branch net profit)	60	Cash at bank	3,300	
" Branch creditors	1,200	Debtors	4,000	
		Stock	7,000	
		Machinery	9,000	23,300
	24,300			24,300

Note : Machinery A/c is kept in branch books, Furniture A/c is kept in head office books. Notice the difference in treatment of depreciation on these two assets in the balance sheet.