DEPENDENT BRANCH QUESTIONS

Q 1 STUDY MAT

Buckingham Bros, Bombay have a branch at Nagpur. They send goods at cost to their branch at Nagpur. However, direct purchases are also made by the branch for which payments are made at head office. All the daily collections are transferred from the branch to the head office.

From the following, prepare Nagpur branch account in the books of head office by Debtors method:

	₹		₹
Opening balance (1-1-20X1) Imprest Cash	2,000	Bad Debts	1,000
Sundry Debtors	25,000	Discount to Customers	2,000
Stock: Transferred from H.O.	24,000	Remittances to H.O.	
Direct Purchases	16,000	(received by H.O.)	1,65,000
Cash Sales	45,000	Remittances to H.O.	
Credit Sales	1,30,000	(not received by H.O. so far)	5,000
Direct Purchases	45,000	Branch Exp. directly paid by H.O.	30,000
Returns from Customers	3,000	Closing Balance (31-12-20X1)	
Goods sent to branch from H.O.	60,000	Stock: Direct Purchase	10,000
Transfer from H.O. for Petty	4,000	Transfer from H.O.	15,000

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Cash expenses		Debtors	?
		Imprest Cash	?
		Petty Cash expenses	4,000

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Solution-

In the Books of Buckingham Bros, Bombay

Nagpur Branch Account

Particulars	₹	Particulars		₹
To Opening Branch Assets-		By Bank – Remittances received from branch		
Stock (24,000+16,000)	40,000	Cash Sales	45,000	
Debtors	25,000	Cash from Debtors *	1,20,000	
		Cash in transit *	5,000	1,70,000
Imprest Cash	2,000	By Closing Branch Assets		
To Goods sent to Branch A/c	60,000	Stock (15,000 +10,000)		25,000
To Creditors (Direct Purchases)	45,000	Debtors (W.N. 1)		24,000
		Imprest Cash (W.N. 2)		2,000
To Bank (Sundry exp.)	30,000			
To Bank (Petty cash exp.)	4,000			
To Net Profit transferred to General Profit & Loss A/c	15,000			
	2,21,000			2,21,000

Working Notes:

1. Memorandum Debtors A/c

Particulars	₹	Particulars	₹
To To Bal b/d	25,000	By By Sales Return	3,000

CA SONAL KALRA

To	To Sales	130,000	By	By Bad Debts	1,000
			By	By Discount	2,000
			By	By Cash *	125,000
			By	By Bal c/d	24,000
		155,000			155,000

2. Memorandum Petty Cash

Particulars	₹	Particulars	₹
To Bal b/d	2,000	By Expenses (met by Branch)	4,000
To Transfer from H.O.	4,000	By Bal c/d	2,000
	6,000		6,000

* Collection from Debtors = Total Remittances (1,65,000+5,000) – Cash Sales (45,000) = ₹1,25,000.

Q 2 STUDY MAT

From the information given in the illustration 1(a), prepare Nagpur Branch Tradingand Profit and Loss Account in the books of head office.

Solution

Buckingham Bros. Bombay
Nagpur Branch-Trading and Profit and Loss Account
for the year ending 31st December, 20X1

Particulars	₹	Particulars	₹	₹
To Opening Stock	40,000	By Sales		
To Goods transferred	60,000	Cash	45,000	
from Head Office		Credit sales	1,30,000	
To Purchases	45,000		1,75,000	
To Gross Profit c/d	52,000	Less: Returns	(3,000)	1,72,000
		By Closing		25,000

CA SONAL KALRA

		Stock		
	1,97,000			1,97,000
To Expenses	30,000	By Gross Profit b/d		52,000
To Discounts	2,000			
To Bad Debts	1,000			
To Petty Cash Expenses	4,000			
To Net Profit transferred to General P&L A/c	15,000			
	52,000			52,000

Q 3 STUDY MAT

The Bombay Traders invoiced goods to its Delhi branch at cost. Head Office paid allthe branch expenses from its bank account, except petty cash expenses which were met by the Branch. All the cash collected by the branch was banked on the same day to the credit of the Head Office. The following is a summary of the transactions entered into at the branch during the year ended December 31, 20X1.

	₹		₹
Balances as on 1.1.20X1:			
Stock	7,000	Bad Debts	600
Debtors	12,600	Goods returned by customers	500
Petty Cash,	200	Salaries & Wages	6,200
Goods sent from H.O.	26,000	Rent & Rates	1,200
Goods returned to H.O.	1,000	Sundry Expenses	800
Cash Sales	17,500	Cash received from Sundry	
Credit Sales	28,400	Debtors	28,500

CA SONAL KALRA

Allowances to customers	200	Balances as on 31.12.20X1:	
Discount to customers	1,400	Stock	6,500
		Debtors	9,800
		Petty Cash	100

Prepare: (a) Branch Account (Debtors Method), (b) Branch Stock Account, Branch Profit & Loss Account, Branch Debtors and Branch Expenses Account by adopting the Stock and Debtors Method and (c) Branch Trading and Profit & Loss Account to prove the results as disclosed by the Branch Account.

Solution

(a) Debtors Method

Delhi Branch Account

CA SONAL KALRA

20X1		₹	₹	20X1		₹	₹
Jan. 1	To Opening Branch assets:			Dec 31	24 Bank		
	Stock	7,000			Cash Sales	17,500	
	Debtors	12,600			Cash from sundry Debtors	28,500	46,000
	Petty cash	200	19,800				
Dec. 31	To Goods sent to Branch A/c		26,000		By Goods sent to Branch A/c – Returns to H.O.		1,000
	To Bank:						
	Salaries & Wages	6,200			By Closing branch assets		
	Rent & Rates	1,200			Stock	6,500	
	Sundry Exp.	800	8,200		Debtors	9,800	
					Petty Cash	100	16,400
	To Net profit ts/f to General P&L A/c		9,400				
			63,400				63,400
Jan. 1, 20X2	To Balance b/d		16,400				

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(b) Stock and Debtors Method

Branch Stock Account

20X1		₹	20X1			₹
Jan. 1	To Balance b/d – Opening Stock	7,000	Dec. 31	By Sales:		

Dec. 31	To Goods Sent to Branch A/c	26,000		Cash	17,500	
				Credit	28,400	
	To Branch P&L A/c	19,900		Less: Return	(500)	45,400
				By Goods sent to Branch A/c – Return		1,000
				By Balance c/d – Closing Stock		6,500
		52,900				52,900
20X2 Jan. 1	To Balance b/d – Opening Stock	6,500				

Delhi Branch Debtors Account

20X1		₹	20X1		₹
Jan. 1	To Balance b/d	12,600	Dec. 31	By Cash	28,500
Dec. 31	To Sales	28,400		By Returns	500
				By Allowances	200
				By Discounts	1,400
				By Bad debts	600
				By Balance c/d	9,800
		41,000			41,000
20X2 Jan. 1	To Balance b/d	9,800			

Delhi Branch Expenses Account

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20X1		₹	20X1		₹
Dec. 31	To Salaries & Wages	6,200	Dec. 31	By Branch P&L A/c	10,500
	To Rent & Rates	1,200			
	To Sundry Expenses	800			
	To Petty Cash expenses (200-100)	100			
	To Allowance to customers	200			
	To Discount Bad Debts	1,400			
		600			
		10,500			10,500

Delhi Branch Profit & Loss Account

20X1		₹	20X1		₹
Dec. 31	To Branch Exp. A/c	10,500	Dec. 31	By Gross Profit b/d	19,900
	To Net Profit ts/f to General P & L A/c	9,400			
		19,900			19,900

(c) Branch Trading and Profit and Loss Account

CA SONAL KALRA

		₹	₹			₹	₹
To	Stock		7,000	By	Sales:		
To	Goods sent				Cash	17,500	
	from H.O.	26,000			Credit 28,400		
	Less: Returnsto H.O.	(1,000)	25,000		Less: returns (500)	27,900	45,400
To	Gross profitc/d		19,900	By	Closing Stock		6,500
			51,900				51,900
To	Salaries & Wages		6,200	By	Gross Profit b/d		19,900
To	Rent & Rates		1,200				
To	Sundry Exp.		800				
To	Petty Cash Exp.		100				
To	Allowances to Customers		200				
To	Discounts		1,400				
To	Bad Debts		600				
To	Net Profit		9,400				
			19,900				19,900

CA SONAL KALRA

Q 4 STUDY MAT

Harrison of Chennai has a branch at New Delhi to which goods are sent @ 20% above cost. The branch makes both cash and credit sales. Branch expenses are met partly from H.O. and partly by the branch. The statement of expenses incurred bythe branch every month is sent to head office for recording.

Following further details are given for the year ended 31st December, 20X1:

	₹

Cost of goods sent to Branch at cost		2,00,000
Goods received by Branch till 31-12-20X1 at invoice price		2,20,000
Credit Sales for the year @ invoice price		1,65,000
Cash Sales for the year @ invoice price		59,000
Cash Remitted to head office		2,22,500
Expenses paid by H.O.		12,000
Bad Debts written off		750
Balances as on	1-1-20X1	31-12-20X1
	₹	₹
Stock	25,000 (Cost)	28,000 (invoice price)
Debtors	32,750	26,000
Cash in Hand	5,000	2,500

Show necessary ledger accounts in the books of the head office and determine the Profit or Loss of the Branch for the year ended 31st December, 20X1.

Solution

Books of Harrison

Branch Stock Account

	₹		₹
To Balance b/d – Op Stock	30,000	By Branch Debtors (Sales)	1,65,000
To Goods Sent to Branch A/c	2,40,000	By Branch Cash	59,000
To Branch Adjustment A/c (Balancing Figure – Excess of Sale over Invoice Price)	2,000	By Balance c/d	
		Goods in Transit (₹ 2,40,000 – ₹ 2,20,000)	20,000
		Closing Stock at Branch	28,000
	2,72,000		2,72,000

Branch Debtors Account

CA SONAL KALRA

	₹		₹
To Balance b/d	32,750	By Bad debts written off	750
To Branch Stock A/c (Sales)	1,65,000	By Branch Cash (bal fig.)	1,71,000
		By Balance c/d	26,000
	1,97,750		1,97,750

Branch Cash Account

	₹		₹
To Balance b/d	5,000	By Bank Remittance to H.O.	2,22,500
To Branch Stock	59,000	By Branch Expenses	10,000
To Branch Debtors	1,71,000	[met by Branch (Bal. fig.)]	
		By Balance c/d	2,500
	2,35,000		2,35,000

Branch Adjustment Account

	₹		₹
		By Stock Reserve opening (25,000 × 20%)	5,000
To Branch P &L – Gross Profit (Bal. fig.)	39,000	By Goods sent to Branch A/c	40,000
To Stock Reserve (on closing stock (48,000 × 1/6)	8,000	By Branch Stock A/c	2,000
	47,000		47,000

Branch Expenses

CA SONAL KALRA

	₹		₹
To Cash (H.O)	12,000	By Branch P&L A/c	22,000
To Branch Cash	10,000		
	22,000		22,000

Branch Profit and Loss Account

	₹		₹
To Branch Expenses	22,000	By Gross Profit (from Branch Adjustment A/c)	39,000
To Branch Debtors (bad debts)	750		
To Net Profit	16,250		
	39,000		39,000

Goods Sent to Branch Account

	₹		₹
To Branch Adjustment A/c	40,000	By Branch to Stock A/c	2,40,000
To Purchase A/c- Transfer	2,00,000		
	2,40,000		2,40,000

CA SONAL KALRA

Q 5 STUDY MAT

Take figures from Question 4 and prepare branch account following debtors' method.

Solution

Books of Harrison

New Delhi Branch Account

	₹		₹
To Balance B/d			
Stock	30,000	By Stock Reserve	5,000
Debtors	32,750		
Cash	5,000		
To Goods Sent to Branch A/c (2,00,000 + 20%)	2,40,000	By Goods Sent to Branch A/c	40,000
To Cash (Exp. Paid by H.O.)	12,000	By Cash – Remittance from branch	2,22,500
To Net Profit ts/f to H.O. Profit & Loss A/c (Balancing Figure)	16,250	By Balance c/d	26,000
		Debtors	
To Stock reserve (48,000X20/120)	8,000	Stock (including Transit – W.N 2)	48,000
		Cash	2,500
	3,44,000		3,44,000

Working Note:

Closing Stock = Stock at branch + Stock in Transit (Goods sent by HO – Goods Received by Branch) = ₹28,000 + (₹2,40,000 – ₹2,20,000) = ₹48,000.

Q 6 STUDY MAT

Sell Well who carried on a retail business opened a branch X on January 1st, 20X1 where all sales were on credit basis. All goods required by the branch were supplied from the Head Office and were invoiced to the branch at 10% above cost.

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The following were the transactions:

	Jan. 20X1	Feb. 20X1	March 20X1
	₹	₹	₹
Goods sent to Branch (Purchase Price)	40,000	50,000	60,000
Sales as shown by the branch monthly report	38,000	42,000	55,000
Cash received from Debtors and remitted to H.O.	20,000	51,000	35,000
Returns to H.O. (Invoice price to Branch)	1,200	600	2,400

The stock of goods held by the branch on March 31, 20X1 amounted to ₹ 53,400 at invoice to branch.

Record these transactions in the Head Office books, showing balances as on 31st March, 20X1 and the branch gross profit for the three months ended on that date.

All workings should form part of your solution.

Solution

Books of Sell Well

Branch Account

	₹			₹
To Goods sent to Branch A/c (1,50,000+10%)	1,65,000	By Goods sent to Branch-Loading		15,000
To Goods sent to Branch A/c (4,200 X 10/110)	382	By Goods sent to Branch-returns		4,200

CA SONAL KALRA

		By Bank		1,06,000
		By Balance c/d – Closing Branch Assets	53,400	
To Stock Reserve (53,400 X 10/110)	4,855	Stock		
To Net Profit (Bal fig) ts/f to General P&L A/c	37,363	Debtors (Sales–Collection)	29,000	82,400
	2,07,600			2,07,600

Working Note:

Memorandum Branch Debtors Account

	₹		₹
To Balance b/d	---	By Cash/Bank	1,06,000
To Sales	1,35,000	By Balance c/d	29,000
	1,35,000		1,35,000

Goods Sent to Branch Account

	₹		₹
To Branch A/c – Loading	15,000	By Branch A/c	1,65,000
To Branch A/c – Returns	4,200	By Branch A/c – Loadingon returns	382
To Purchases A/c	1,46,182		
	1,65,382		1,65,382

CA SONAL KALRA

Q 7 STUDY MAT

Hindustan Industries Mumbai has a branch in Cochin to which office goods are invoiced at cost plus 25%. The branch sells both for cash and on credit. Branch Expenses are paid direct from head office, and the Branch has to remit all cash received into the Head Office Bank Account.

From the following details, relating to calendar year 20X1, prepare the accounts inthe Head Office Ledger and ascertain the Branch Profit. Branch does not maintainany books of account, but sends weekly returns to the Head Office:

	₹
Goods received from Head Office at invoice price	6,00,000
Returns to Head Office at invoice price	12,000
Stock at Cochin as on 1st Jan., 20X1	60,000
Sales in the year - Cash	2,00,000
Credt	3,60,000
Sundry Debtors at Cochin as on 1st Jan. 20X1	72,000
Cash received from Debtors	3,20,000
Discount allowed to Debtors	6,000
Bad debts in the year	4,000
Sales returns at Cochin Branch	8,000
Rent, Rates, Taxes at Branch	18,000
Salaries, Wages, Bonus at Branch	60,000
Office Expenses	6,000
Stock at Branch on 31st Dec. 20X1 at invoice price	1,20,000

Prepare Branch accounts in books of head office by Stock and debtors method.

CA SONAL KALRA

Books of Hindustan Industries, Mumbai

Cochin Branch Stock Account

	₹		₹
To Balance b/d – Op Stock	60,000	By Bank A/c – Cash Sales	2,00,000
To Branch Debtors A/c – Sales Return	8,000	By Branch Debtors A/c -Credit Sales	3,60,000
To Goods sent to Branch A/c	6,00,000	By Goods sent to Branch(Returns to H.O.)	12,000
To Branch Adjustment A/c (Excess of Selling Price over Invoice Price)	24,000	By Balance c/d - Closingstock	1,20,000
	6,92,000		6,92,000

Cochin Branch Stock Adjustment Account

	₹		₹
To Goods sent to Branch A/c (1/5 of ₹ 12,000) (onreturns)	2,400	By Balance b/d (1/5 of ₹ 60,000)	12,000
To Branch P & L A/c (Profiton sale) – Bal fig	1,29,600	By Goods sent to Branch A/c (1/5 of ₹ 6,00,000)	1,20,000
To Balance c/d (1/5 of ₹ 1,20,000)	24,000	By Branch Stock	24,000
	1,56,000		1,56,000

Goods Sent to Branch Account

	₹		₹
To Cochin Branch Stock Adjustment A/c	1,20,000	By Cochin Branch Stock A/c	6,00,000
To Cochin Branch Stock	12,000	By Cochin Branch Stock	2,400

CA SONAL KALRA

A/c (Returns)		Adj. A/c	
To Purchases A/c	4,70,400		
	6,02,400		6,02,400

Branch Debtors Account

	₹		₹
To Balance b/d	72,000	By Bank	3,20,000
To Branch Stock		By Branch P&L A/c Discount	6,000
A/c	3,60,000	By Branch P&L A/c - Bad Debts	4,000
		By Branch Stock - Sales Returns	8,000
		By Balance c/d	94,000
	4,32,000		4,32,000

Branch Expenses Account

	₹		₹
To Bank A/c (Rent, Rates & Taxes)	18,000	By Branch Profit & Loss A/c (Transfer)	84,000
To Bank A/c (Salaries & Wages)	60,000		
To Bank A/c (office exp.)	6,000		
	84,000		84,000

Branch Profit & Loss Account for the year ending 31st Dec. 20X1

	₹		₹
To Branch Expenses A/c	84,000	By Branch Stock Adj. A/c	1,29,600
To Branch Debtors A/c	6,000		
To Branch Debtors A/c	4,000		
To Net Profit transferred to Profit & Loss A/c	35,600		
	1,29,600		1,29,600

Q 8 STUDY MAT

Widespread invoices goods to its branch at cost plus 20%. The branch sells goods for cash as well as on credit. The branch meets its expenses out of cash collected from its debtors and cash sales and remits the balance

CA SONAL KALRA

of cash to head office after withholding ₹ 10,000 necessary for meeting immediate requirements of cash. On 31st March, 20X1 the assets at the branch were as follows:

	₹ ('000)
Cash in Hand	10
Trade Debtors	384
Stock, at Invoice Price	1,080
Furniture and Fittings	500

During the accounting year ended 31st March, 20X2 the invoice price of goods dispatched by the head office to the branch amounted to ₹ 1 crore 32 lakhs. Out of the goods received by it, the branch sent back to head office goods invoiced at ₹ 72,000. Other transactions at the branch during the year were as follows:

	(₹ '000)
Cash Sales	9,700
Credit Sales	3,140
Cash collected by Branch from Credit Customers	2,842
Cash Discount allowed to Debtors	58
Returns by Customers	102
Bad Debts written off	37
Expenses paid by Branch	842

On 1st January, 20X2 the branch purchased new furniture for ₹ 1 lakh forwhich payment was made by head office through a cheque.

On 31st March, 20X2 branch expenses amounting to ₹ 6,000 were outstanding and cash in hand was again ₹ 10,000. Furniture is subject to depreciation @ 16% per annum on diminishing balance method.

Prepare Branch Account in the books of head office for the year ended 31st March, 20X2.

Solution

In the Head Office Books

Branch Account

for the year ended 31st March, 20X2

CA SONAL KALRA

	₹ '000		₹'000
To Balance b/d		By Balance b/d	
Cash in hand	10	Stock reserve ₹ 1,080 × $\frac{1}{6}$	180
Trade debtors	384		
Stock	1,080	By Goods sent to branch A/c (Returns to H.O.)	72
Furniture and fittings	500		
To Goods sent to branchA/c	13,200	By Goods sent to branch A/c (Loading on net goods sent to branch – (13,128x 1/6)	2,188
To Bank A/c (Payment for furniture)	100		
To Balance c/d Stock Reserve (1,470 x 1/6)	245		
		By Bank A/c (Remittance from branch to H.O.) (W.N.5)	11,700
To Net profit transferred to General P/L account	1,096	By Balance c/d	
		Cash in hand	10
To Balance c/d – Outstanding expenses	6	Trade debtors (W.N.3)	485
		Stock (W.N.1)	1,470
		Furniture and fittings (W.N.4)	516
	16,621		16,621

Working Notes:

1. Invoice price and cost

Let cost be	100
So, invoice price	120
Loading	20
Loading: Invoice price= 20 : 120	= 1 : 6

2. Memorandum Branch Stock Account

	₹ '000		₹ '000
To Balance b/d	1,080	By Goods sent to branch	72
To Goods sent to branch	13,200	By Branch Cash	9,700

CA SONAL KALRA

To Branch debtors	102	By Branch debtors	3,140
		By Balance c/d	1,470
	14,382		14,382

3. Memorandum Branch Debtors Account

	₹ '000		₹ '000
To Balance b/d	384	By Branch cash	2,842
To Branch stock	3,140	By Branch expenses discount	58
		By Branch stock (Returns)	102
		By Branch expenses (Bad debts)	37
		By Balance b/d	485
	3,524		3,524

4. Memorandum Branch Furniture and Fittings Account

	₹ '000		₹ '000
To Balance b/d	500	By Depreciation [(500x16%) + (100 x 16% x 3/12)]	84
To Bank	100	By Balance c/d	516
	600		600

Note: Since the new furniture was purchased on 1st Jan 20X2 depreciation will be for 3 months.

5. Memorandum Branch Cash Account

	₹ '000		₹ '000
To Balance b/d	10	By Branch expenses	842
To Branch stock	9,700	By Remittances to H.O. (b.f)	11,700
To Branch debtors	2,842	By Balance b/d	10
	12,552		12,552

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CA SONAL KALRA

Treadmill invoices goods to its branch at cost plus 20%. The branch sells goods for cash as well as on credit. The branch meets its expenses out of cash collected from its debtors and cash sales and remits the balance of cash to head office after withholding₹ 20,000 necessary for meeting immediate requirements of cash. On 31st March, 2022 the assets at the branch were as follows:

	₹ ('000)
Cash in Hand	20
Trade Debtors	768
Stock, at Invoice Price	2,160
Furniture and Fittings	1,000

During the accounting year ended 31st March, 2023 the invoice price of goods dispatched by the head office to the branch amounted to ₹ 2 crore 64 lakhs. Out of the goods received by it, the branch sent back to head office goods invoiced at ₹ 1,44,000. Other transactions at the branch during the year were as follows:

	(₹ '000)
Cash Sales	19,400
Credit Sales	6,280
Cash collected by Branch from Credit Customers	5,684
Cash Discount allowed to Debtors	116
Returns by Customers direct to Head office (at invoice price)	204
Bad Debts written off	74
Expenses paid by Branch	1,684

On 1st January, 2023 the branch purchased new furniture for ₹ 2 lakh for which payment was made by head office through a cheque.

On 31st March, 2023 branch expenses amounting to ₹ 12,000 were outstanding and cash in hand was again ₹ 20,000. Furniture is subject to depreciation @ 16% per annum on diminishing balance method.

Prepare Branch Account in the books of head office for the year ended 31st March, 2023.

Solution **In the Head Office Books**

Branch Account

for the year ended 31st March, 2023

	₹ '000		₹'000

CA SONAL KALRA

To Balance b/d		By Balance b/d	
Cash in hand	20	Stock reserve ₹2160 ×1/6	360
Trade debtors	768	By Goods sent to branch A/c	314
Stock	2,160	(Returns to H.O.) {144 + [204 -34 (loading]}	
Furniture and fittings	1,000	By Goods sent to branch A/c (Loading	4,376
To Goods sent to branch A/c	26,400	on net goods sent to branch – (26,256 x 1/6)	
To Bank A/c (Payment for furniture)	200	By Bank A/c (Remittance from branch to H.O.)	23,400
To Balance c/d		By Balance c/d	
Stock reserve (2,736 x1/6)	456	Cash in hand	20
To Outstanding expenses		Trade debtors	970
To Profit and loss A/c (Net Profit)	12	Stock	2,736
	2,192	Furniture and fittings	1,032
	33,208		33,208

Working Notes:

1. **Invoice price and cost**

Let cost be	100
So, invoice price	120
Loading	20
Loading: Invoice price	= 20 : 120 = 1 : 6

2. **Invoice price of closing stock in branch**

Branch Stock Account

	₹ '000		₹ '000
To Balance b/d	2,160	By Goods sent to branch	144
To Goods sent to Branch	26,400	By Branch Cash	19,400
		By Branch debtors	6,280

CA SONAL KALRA

	28,560	By Balance c/d (Bal fig)	2,736 28,560

Note: adjustment regarding returns by Customers direct to Head office has not been made in branch stock account.

3. **Closing balance of branch debtors**

Branch Debtors Account

	₹ '000		₹ '000
To Balance b/d	768	By Branch cash	5,684
To Branch stock	6,280	By Branch expenses discount	116
		By Goods sent to Branch (Returns)	204
		By Branch expenses (Bad debts)	74
		By Balance c/d (Bal fig)	970
	7,048		7,048

4. **Closing balance of furniture and fittings**

Branch Furniture and Fittings Account

	₹ '000		₹ '000
To Balance b/d	1,000	By Depreciation (160+8)	168
To Bank	200	By Balance c/d	1,032
	1,200		1,200

Note: Since the new furniture was purchased on 1st Jan 2023 depreciation will be for 3 months.

5. **Remittance by branch to head office**

Branch Cash Account

	₹ '000		₹ '000
To Balance b/d	20	By Branch expenses	1,684
To Branch stock	19,400	By Remittances to H.O.	23,400
To Branch debtors	5,684	By Balance b/d	20
	25,104		25,104

Q 9 NOV 2020 EXAM

Vijay & Co. of Jaipur has a branch in Patna to which goods are sent @ 20% above cost.

CA SONAL KALRA

The branch makes both cash & credit sales. Branch expenses are paid direct from Head office and the branch has to remit all cash received into the bank account of Head office. Branch doesn't maintain any books of accounts, but sends monthly returns to the head office.

Following further details are given for the year ended 31st March, 2020:

	Amount (₹)
Goods received from Head office at Invoice Price	8,40,000
Goods returned to Head office at Invoice Price	60,000
Cash sales for the year 2019-20	1,85,000
Credit Sales for the year 2019-20	6,25,000
Stock at Branch as on 01-04-2019 at Invoice price	72,000
Sundry Debtors at Patna branch as on 01-04-2019	96,000
Cash received from Debtors	4,38,000
Discount allowed to Debtors	7,500
Goods returned by customer at Patna Branch	14,000
Bad debts written off	5,500
Amount recovered from Bad debts previously written off as Bad	1,000
Rent, Rates & taxes at Branch	24,000
Salaries & wages at Branch	72,000
Office Expenses (at Branch)	9,200
Stock at Branch as on 31-03-2020 at cost price	1,25,000

Prepare necessary ledger accounts in the books of Head office by following Stock and Debtors method and ascertain Branch profit.

Solution

Branch Stock Account

			₹				₹	₹	₹
1.4.19	To	Balance b/d (opening stock)	72,000	31.3.20	By	Sales:			
31.3.20	To	Goods Sent to Branch A/c	8,40,000			Cash		1,85,000	
						Credit	6,25,000		
	To	Branch P&L	94,000			Less:			
						Return	(14,000)	6,11,000	7,96,000
					By	Goods			60,000

CA SONAL KALRA

						sent to branch - Returns			
					By	Balance c/d (closing stock)			1,50,000
			10,06,000						10,06,000
1.4.20	To	Balance b/d	1,50,000						

CA SONAL KALRA

Branch Debtors Account

			₹				₹
1.4.19	To	Balance b/d	96,000	31.3.20	By	Cash	4,38,000
31.3.20	To	Sales	6,25,000		By	Returns	14,000
					By	Discounts	7,500
					By	Bad debts	5,500
					By	Balance c/d	2,56,000
			7,21,000				7,21,000
1.4.20	To	Balance b/d	2,56,000				

Branch Expenses Account

			₹				₹
31.3.20	To	Salaries & Wages	72,000	31.3.20	By	Branch P&LA/c	1,18,200
	To	Rent, Rates &Taxes	24,000				
	To	Office Expenses	9,200				
	To	Discounts	7,500				
	To	Bad Debts	5,500				
			1,18,200				1,18,200

Branch Profit & Loss Account for year ended 31.3.20

			₹				₹
31.3.20	To	Branch Expenses A/c	1,18,200	31.3.20	By	Branch stock	94,000
	To	Net Profit transferred to General P & LA/c	93,800		By	Branch Stock Adjustment account	1,17,000
					By	Bad debts recovered	1,000
			2,12,000				2,12,000

CA SONAL KALRA

Branch Stock Adjustment Account for year ended 31.3.20

			₹				₹
31.3.20	To	Goods sent to branch (60,000x1/6) - Returns	10,000	31.3.20	By	Balance b/d (72,000x1/6)	12,000
	To	Branch P & LA/c	1,17,000		By	Goods sent to branch (8,40,000x1/6)	1,40,000
	To	Balance c/d (1,50,000x1/6)	25,000				
			1,52,000				1,52,000

Q 10 RTP NOV 2019

From the following particulars relating to Pune branch for the year ending December 31, 2018, prepare Branch Account in the books of Head office.

		₹
Stock at Branch on January 1, 2018		10,000
Branch Debtors on January 1, 2018		4,000
Branch Debtors on Dec. 31, 2018		4,900
Petty cash at branch on January 1, 2018		500
Furniture at branch on January 1, 2018		2,000
Prepaid fire insurance premium on January 1, 2018		150
Salaries outstanding at branch on January 1, 2018		100
Good sent to Branch during the year		80,000
Cash Sales during the year		1,30,000
Credit Sales during the year		40,000

CA SONAL KALRA

Cash received from debtors		35,000
Cash paid by the branch debtors directly to the Head Office		2,000
Discount allowed to debtors		100
Cash sent to branch for Expenses:		
Rent	2,000	
Salaries	2,400	
Petty Cash	1,000	
Annual Insurance up to March 31, 2019	600	6,000
Goods returned by the Branch		1,000
Goods returned by the debtors		2,000
Stock on December 31,2018		5000
Petty Cash spent by branch		850
Provide depreciation on furniture 10% p.a.		

Goods costing ₹ 1,200 were destroyed due to fire and a sum of ₹ 1,000 was received from the Insurance Company.

Solution

Pune Branch Account

Particulars		₹	Particulars	₹	₹
To Opening Balance			By Opening Balance:		
Stock		10,000	Salaries outstanding		100
Debtors		4,000	By Remittances:		
Petty Cash		500	Cash sales	1,30,000	
Furniture		2,000	Cash received from debtors	35,000	
Prepaid Insurance		150	Cash paid by debtors directly to H.O.	2,000	

CA SONAL KALRA

To Goods sent to Branch Account		80,000	Received from Insurance Company	1,000	1,68,000
To Bank (expenses)			By Goods sent to branch		1,000
Rent	2,000		(return of goods by		
Salaries	2,400		the branch to H.O.)		
Petty Cash	1,000		By Closing Balances:		
Insurance	600	6,000	Stock		5,000
To Net Profit		78,950	Petty Cash		650
			Debtors		4,900
			Furniture (2,000 – 10% depreciation)		1,800
			Prepaid insurance (1/4 x ₹ 600)		150
		1,81,600			1,81,600

Working Note:

Calculation of petty cash balance at the end:	₹
Opening balance	500
Add: Cash received form the Head Office	1,000
Total Cash with branch	1,500
Less: Spent by the branch	850
Closing balance	650

Q 11 MAY 2018 EXAM

Ayan Ltd. invoices goods to its branch at cost plus $33\frac{1}{3}\%$*.

From the following particulars prepare Branch Stock Account, Branch Stock Adjustment Account and Branch Profit and Loss Account as they would appear in the books of head office.

CA SONAL KALRA

	₹
Stock at commencement at Branch at invoice Price	3,60,000
Stock at close at Branch at Invoice Price	2,88,000
Goods sent to Branch during the year at invoice price (including goods invoiced at ₹ 48,000 to Branch on 31.03.2018 but not received by Branch before close of the year).	24,00,000
Return of goods to head office (invoice Price)	1,20,000
Credit Sales at Branch	1,20,000
Invoice value of goods pilfered	24,000
Normal loss at Branch due to wastage and deterioration of stock (atinvoice price)	36,000
Cash Sales at Branch	21,60,000

Ayan closes its books on 31st March, 2018. **(10 Marks)**

Solution **In the books of Head Office**

Branch Stock Account

Particulars	₹	Particulars	₹
To Balance b/d	3,60,000	By Bank A/c (cash Sales)	21,60,000
To Goods sent to Branch A/c	24,00,000	By Branch Debtors A/c(Credit Sales)	1,20,000
To Branch Adjustment A/c – balancing fig. (Surplus)***	36,000	By Goods sent to BranchA/c (Returns to H.O.)	1,20,000
		By Branch Adjustment A/c*(₹ 24,000 x25/100)	6,000
		By Branch P&L A/c * (Cost of Abnormal Loss)	18,000
		By Branch Adjustment A/c** (Invoice price of normal loss)	36,000

CA SONAL KALRA

		By Balance c/d:	
		In hand In	2,88,000
		transit	48,000
	27,96,000		27,96,000

*Alternatively, combined posting for the amount of ₹ 24,000 may be passed through Goods pilfered account.

** Alternatively, it may first be transferred to normal Loss account which may ultimately be closed by transfer to Branch Adjustment account. The final amount of net profit will however remain same.

*** It has been considered that the surplus may be due to sale of goods by branch at price higher than invoice price.

Branch Stock Adjustment Account

Particulars	₹	Particulars	(₹)
To Branch Stock A/c (Loading on Abnormal Loss)	6,000	By Stock Reserve A/c (₹ 3,60,000 x 25/100)	90,000
To Branch Stock A/c (Normal Loss)	36,000	By Goods Sent to Branch A/c (₹ 24,00,000 – ₹ 1,20,000) x 25/100	5,70,000
To Stock Reserve A/c(₹ 3,36,000 x25/100)	84,000	By Branch Stock A/c (Surplus)	36,000
To Gross Profit t/f to P& L A/c	5,70,000		
	6,96,000		6,96,000

Branch Profit and Loss Account

Particulars	₹	Particulars	₹
To Branch Stock A/c (Costof Abnormal Loss)	18,000	By Branch Adjustment A/c(Gross Profit)	5,70,000

CA SONAL KALRA

To	Net Profit t/f to General P & L A/c	5,52,000		
		5,70,000		5,70,000

Q 12 MTP MAY 2018

XYZ is having its Branch at Kolkata. Goods are invoiced to the branch at 20% profit on sale. Branch has been instructed to send all cash daily to head office. All expenses are paid by head office except petty expenses which are met by the Branch Manager. From the following particulars, you are required to prepare branch account in the books of Head Office.

	(₹)		(₹)
Stock on 1st April 2017 (invoice price)	30,000	Discount allowed to debtors	160
Sundry Debtors on 1st April, 2017	18,000	Expenses paid by head office:	
Cash in hand as on 1st April, 2017		Rent	1,800
Office furniture on 1st April, 2017	3,000	Salary	3,200
Goods invoiced from the head office (invoice price)	1,60,000	Stationery & Printing	800
Goods returned to Head Office	2,000	Petty expenses paid by the branch	600
Goods returned by debtors	960	Depreciation to be provided on branch	
Cash received from debtors	60,000	furniture at 10% p.a.	
Cash Sales	1,00,000	Stock on 31st March, 2018	
Credit sales	60,000	(at invoice price)	28,000

Solution **In the books of Head Office– XYZ**

Kolkata Branch Account (at invoice)

CA SONAL KALRA

	`		`
To Balance b/d		By Stock reserve (opening)	6,000
Stock	30,000	By Remittances:	
Debtors	18,000	Cash Sales 1,00,000	
Cash in hand	800	Cash from Debtors 60,000	1,60,000
Furniture	3,000	By Goods sent to branch (loading)	32,000
To Goods sent to Branch	1,60,000	By Goods returned by branch (Return to H.O.)	2,000
To Goods returned by branch (loading)	400	By Balance c/d	
		Stock	28,000
To Bank (expenses paid by H.O.)		Debtors	16,880
		Cash (800-600)	200
Rent 1,800		Furniture (3,000-300)	2,700
Salary 3,200			
Stationary & printing 800	5,800		
To Stock reserve (closing)	5,600		
To Profit transferred to General Profit & Loss A/c	24,180		
	2,47,780		2,47,780

Working Note:

Debtors Account

	`		`
To Balance b/d	18,000	By Cash account	60,000
To Sales account (credit)	60,000	By Sales return account	960
		By Discount allowed account	160
		By Balance c/d	16,880

CA SONAL KALRA

	78,000		78,000

Note: It is assumed that goods returned by branch are at invoice price.

Q 13 MTP MAY 2019

XYZ is having its Branch at Kolkata. Goods are invoiced to the branch at 20% profit on sale. Branch has been instructed to send all cash daily to head office. All expenses are paid by head office except petty expenses which are met by the Branch Manager. From the following particulars, you are required to prepare branch account in the books of Head Office.

	(Rs.)		(Rs.)
Stock on 1st April 2017 (invoice price)	30,000	Discount allowed to debtors	160
Sundry Debtors on 1st April, 2017	18,000	Expenses paid by head office:	
Cash in hand as on 1st April, 2017	-	Rent	1,800
Office furniture on 1st April, 2017	3,000	Salary	3,200
Goods invoiced from the head office (invoice price)	1,60,000	Stationery & Printing	800
Goods returned to Head Office (invoice price)	2,000	Petty expenses paid by the branch	600
Goods returned by debtors	960	Depreciation to be provided on branch	
Cash received from debtors	60,000	furniture at 10% p.a.	
Cash Sales	1,00,000	Stock on 31st March, 2018	
Credit sales	60,000	(at invoice price)	28,000

Solution

In the books of Head Office – XYZ

CA SONAL KALRA

Kolkata Branch Account (at invoice)

		Rs.			Rs.
To Balance b/d			By Stock reserve (opening)		6,000
Stock		30,000	By Remittances:		
Debtors		18,000	Cash Sales	1,00,000	
Furniture		3,000	Cash from Debtors	60,000	
To Goods sent to			Less: Petty expenses	(600)	1,59,400
Branch		1,60,000	By Goods sent to branch (loading)		32,000
To Goods returned by		400	By Goods returned by		
branch (loading)			branch (Return to H.O.)		2,000
To Bank (expenses			By Balance c/d		
paid by H.O.)			Stock		28,000
Rent	1,800		Debtors		16,880
Salary	3,200		Furniture (3,000-300)		2,700
Stationary &					
Printing	800	5,800			
To Stock reserve (closing)		5,600			
To Profit transferred to					
General Profit & Loss A/c		24,180			
		2,46,980			2,46,980

Working Note:

Debtors Account

	Rs.		Rs.
To Balance b/d	18,000	By Cash account	60,000
To Sales account (credit)	60,000	By Sales return account	960
		By Discount allowed account	160
		By Balance c/d	16,880
	78,000		78,000

Note: In the absence of opening cash balance, remittance to Head Office has been made after payment of petty expenses.

CA SONAL KALRA

Q 14 DEC 2021 EXAM

Delta Ltd. has a branch at Kanpur. Goods are invoiced from head office to Branch atcost plus 50%. Branch remits all cash received to head office and all expenses are met by head office.

Prepare necessary Ledger accounts in the books of Delta Ltd. under Stock and Debtors system to show profit earned at the branch for the year ending 31 st March, 2021.

Following information related to Branch is given:

Stock on 1st April, 2020(Invoice price)	31,200	Goods returned by Debtors	3,000
Debtors on 1st April, 2020	17,400	Surplus in stock (Invoice price)	600
Goods invoiced at cost	72,000	Expenses at Branch	13,400
Sales at Branch: Cash sales	20,000	Discount allowed to Debtors	700
Credit sales	68,200	Debtors on 31st March, 2021	14,300

Solution

Books of Delta Ltd.

Kanpur Branch Stock Account

	₹		₹
To Balance b/d – Opening Stock	31,200	By Bank A/c – Cash Sales	20,000
To Branch Debtors A/c – Sales Return	3,000	By Branch Debtors A/c - CreditSales	68,200
To Goods sent to Branch A/c (72,000 +50% of 72,000)	1,08,000	By Balance c/d - Closing stock	54,600
To Surplus in stock	600		
	1,42,800		1,42,800

Kanpur Branch Stock Adjustment Account

CA SONAL KALRA

	₹		₹
To Branch Profit and Loss Account	28,400	By Balance b/d (1/3 of ₹ 31,200)	10,400
To Balance c/d (1/3 of 54,600)	18,200	By Goods sent to BranchA/c (1/3 of ₹ 1,08,000)	36,000
		By Surplus in stock	200
	46,600		46,600

Goods Sent to Branch Account

	₹		₹
To Kanpur Branch Stock Adjustment A/c	36,000	By Kanpur Branch Stock A/c	1,08,000
To Purchases A/c	72,000		
	1,08,000		1,08,000

Branch Debtors Account

	₹		₹
To Balance b/d	17,400	By Bank (Bal fig.)	67,600
To Branch Stock A/c	68,200	By Branch Expenses A/c (Discount allowed)	700
		By Branch Stock - Sales Returns	3,000
		By Balance c/d	14,300
	85,600		85,600

Branch Expenses Account

	₹		₹
To Bank A/c (expenses)	13,400	By Branch Profit & Loss A/c (Transfer)	14,100
To Branch Debtors A/c(Discount allowed)*	700		
	14,100		14,100

CA SONAL KALRA

Branch Profit & Loss Account for the year ending 31st March 2021

	₹		₹
To Branch Expenses A/c	14,100	By Branch Adjustment A/c	28,400
To Net Profit	14,700	By surplus in stock (Cost)	400
	28,800		28,800

Note: * Discount allowed to debtors may be shown in Branch Profit and Loss account directly instead of transferring it through Branch Expenses account.

Q 15 NOV 22 EXAM

Modern Stores of Delhi operates a branch at Nagpur. The Head office affects all purchases and the branch is charged at cost plus 60%. All the cash received by Nagpur Branch is remitted to Delhi. The Branch expenses are met by the Branch out of an Imprest Account which is reimbursed by the Delhi Head Office every month. The Branch maintains a Sales Ledger and certain essential subsidiary records, but otherwise all branch transactions are recorded at Delhi.

The following branch transactions took place during the year ended 31st March, 2022:

	₹
Goods received from Delhi at Selling Price	1,50,000
Cash Sales	69,000
Goods returned to Delhi at Selling Price	3,000
Credit Sales (Net of returns)	63,000
Authorized Reduction in Selling Price of Goods Sold	1,500
Cash Received from Debtors	48,000
Debtors written off as irrecoverable	2,000
Cash Discount allowed to Debtors	1,500

- On 1st April, 2021 the Stock in trade at the Branch at Selling Price amounted to ₹ 60,000 and the Debtors were ₹ 40,000.
- A consignment of goods sent to the Branch on 27th March,2022 with a Selling Price of ₹ 1,800 was not received until 5th April,2022 and had not been accounted

CA SONAL KALRA

for in stock.

- The Closing Stock at Selling Price was ₹ 72,900.
- The expenses relating to the Branch for the year ended 31 st March,2022 amounted to ₹ 18,000.

You are required to prepare the Branch Stock Account, Branch Debtors Account, Branch Adjustment Account and Branch Profit and Loss Account maintained at Delhi under Stock and Debtors method. Any stock unaccounted for is to be regarded as normal wastage. (10 Marks)

Solution **Books of Modern Store Delhi**

Nagpur Branch Stock A/c

Particulars	₹	Particulars	₹
To Opening stock	60,000	By Bank A/c (Cash Sales)	69,000
To Goods sent to branch A/c	1,50,000	By Branch Debtors A/c (Credit sales)	63,000
To Goods sent to branch A/c	1,800	By Goods sent to branch A/c (Return)	3,000
		By Branch adjustment A/c (Reduction in selling price)	1,500
		By Branch adjustment A/c (Normal Loss)	600
		By Closing stock (including stock in transit of ₹ 1,800)	74,700
	2,11,800		2,11,800

Branch Debtors A/c

Particulars	₹	Particulars	₹
To Bal. b/d	40,000	By Cash/Bank A/c	48,000
To Branch Stock (Sales)	63,000	By Branch P&L A/c (Bad debts)	2,000

CA SONAL KALRA

		By Branch P&L A/c (Discount)	1,500
		By Bal. c/d	51,500
	103,000		103,000

Branch Adjustment A/c

Particulars	₹	Particulars	₹
To Branch Stock Account (Reduction in selling price)	1,500	By Stock reserve A/c (60,000 X 60/160)	22,500
To Branch Stock Account (Normal loss*)	600	By Goods sent to branch A/c (Loading) (1,51,800 X 60/160)	56,925
To Goods sent to branch A/c (loading on returns) (3,000 X 60/160)	1,125		
To Branch P&L A/c	48,187		
To Stock reserve A/c (74,700 X 60/160)	28,013**		
	79,425		79,425

Note: * Alternatively, the loading of ₹ 225 on normal loss may be charged to Branch Adjustment A/c and cost ₹375 thereof may be charged to Branch P&L A/c.

** rounded off. Alternatively may be rounded off as ₹ 28,012.

Branch P&L A/c

Particulars	₹	Particulars	₹
To Branch expenses A/c	18,000	By Branch Adjustment A/c	48,187
To Bad debts A/c	2,000		
To Discount A/c	1,500		
To Net Profit	26,687		
	48,187		48,187

CA SONAL KALRA

Q 16 MAY 2022 EXAM

Walkaway Footwears has its head office at Nagpur and Branch at Patna. It invoiced goods to its branch at 20% less than the list price which is cost plus 100%, with instruction that cash sales were to be made at invoice price and credit sales at catalogue price (i.e. list price).

The following information was available at the branch for the year ended 31st March,2022.

(Figures in ₹)

Stock on 1st April,2021 (invoice price)		12,000
Debtors on 1st April, 2021		10,000
Goods received from head office (invoice price)		1,32,000
Sales:		
Cash	46,000	
Credit	1,00,000	1,46,000
Cash received from debtors		85,000
Expenses at branch		17,500
Debtors on 31st March, 2022		25,000
Stock on 31st March,2022 (invoice price)		17,600
Remittances to head office		1,20,000

You are required to prepare Branch Stock Account, Branch Adjustment Account, Branch Profit & Loss Account and Branch Debtors Account for the year ended 31st March,2022.

(10 Marks)

Solution

In the books of walkaway footwears

Patna Branch Stock Account

CA SONAL KALRA

	Particulars	Amount (₹)		Particulars	Amount (₹)
1.1.21	To Balance b/d	12,000	31.12.21	Bank A/c (Cash sales)	46,000
31.12.21	To Goods sent to branch A/c	1,32,000		Branch debtors A/c (credit sales)	1,00,000
	To Branch adjustment A/c (Surplus over invoice price)	20,000	31.12.21	Shortage in stock A/c	400
				Balance c/d	17,600
		1,64,000			1,64,000

Patna Branch Adjustment Account

	Particulars	Amount (₹)		Particulars	Amount (₹)
31.12.21	To Stock reserve - ₹ 17,600 x 60/160 (closing stock)	6,600	31.12.21	By Stock reserve - ₹ 12,000 x 60/160 (Opening stock)	4,500
	To Shortage (400x 60/160)	150		By Goods sent tobranch A/c	49,500
	To Branch profit & loss A/c (Gross profit)	67,250		(₹ 1,32,000 x 60/160)	
				By Branch stockA/c	20,000
		74,000			74,000

Branch Profit & Loss Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Branch expenses A/c	17,500	By Branch adjustment A/c	67,250

CA SONAL KALRA

To	Shortage in stock A/c	250	(Gross Profit)	
To	Net profit (transferred to Profit &Loss A/c)	49,500		
		67,250		67,250

Branch Debtors Account

	Particulars	Amount (₹)		Particulars	Amount (₹)
1.1.21	To Balance b/d	10,000	31.12.21	By Bank A/c	85,000
31.12.21	To Branch stock A/c	1,00,000		By Balance c/d(bal. fig.)	25,000
		1,10,000			1,10,000

Q 17 RTP MAY 2021, RTP MAY 2018

Alpha Ltd. has a retail shop under the supervision of a manager. The ratio of gross profit at selling price is constant at 25 per cent throughout the year to 31 st March, 2020.

Branch manager is entitled to a commission of 10 per cent of the profit earned by his branch, calculated before charging his commission but subject to a deduction from such commission equal to 25 per cent of any ascertained deficiency of branch stock. All goods were supplied to the branch from head office.

The following details for the year ended 31st March, 2020 are given as follows:

	₹		₹
Opening Stock (at cost)	74,736	Chargeable expenses	49,120
Goods sent to branch (at cost)	2,89,680	Closing Stock (Selling Price)	1,23,328
Sales	3,61,280		
Manager's commission paid on account			

CA SONAL KALRA

	2,400		

From the above details, you are required to calculate the commission due to manager for the year ended 31st March, 2020.

Solution

In the books of Alpha Ltd.

Step 1: Calculation of Deficiency

Branch stock account (at invoice price)

Particulars	₹	Particulars	₹
To Opening Stock (₹ 74,736 + 1/3 of ₹ 74,736)	99,648	By Sales	3,61,280
To Goods sent to Branch A/c (₹ 2,89,680 + 1/3 of ₹ 2,89,680)	3,86,240	By Closing Stock	1,23,328
		By Deficiency at sale price [Balancing figure]	1,280
	4,85,888		4,85,888

Step 2: Calculation of Net Profit before Commission

Branch account

Particulars	₹	Particulars	₹
To Opening Stock [₹74,736 + 1/3 of ₹ 74,736]	99,648	By Sales	3,61,280
To Gross sent to Branch A/c (₹ 2,89,680+ 1/3 of ₹ 2,89,680)	3,86,240	By Closing Stock	1,23,328
To Expenses	49,120	By Stock Reserve A/c	24,912
To Stock Reserve [₹ 1,23,328 x 25/100] A/c	30,832	By Goods sent to Branch A/c	96,560
To Net Profit – subject to manager's commission	40,240		
	6,06,080		6,06,080

Step 3: Calculation of Commission still due to manager

CA SONAL KALRA

		₹
A	Calculation at 10% profit before charging his commission [₹ 40,240 x 10/100]	4,024
B	Less: 25% of cost of deficiency in stock [25% of (75% of ₹ 1,280)]	(240)
C	Commission for the year [A-B]	3,784
D	Less: Paid on account	(2,400)
E	Balance due (C-D)	1,384

Q 18 STUDY MAT

Arnold of Delhi, trades in Ghee and Oil. It has a branch at Lucknow. He dispatches 25 tins of Oil @ ₹ 1,000 per tin and 15 tins of Ghee @ ₹ 1,500 per tin on 1st of every month. The branch incurs some expenditure which is met out of its collections; thisis in addition to expenditure directly paid by Head Office.

Following are the other details:

		Delhi	Lucknow
		₹	₹
Purchases	Ghee	14,75,000	-
	Oil	29,32,000	-
Direct expenses		3,83,275	-
Expenses paid by H.O.		-	14,250
Sales	Ghee	18,46,350	3,42,750
	Oil	27,41,250	3,15,730
Collection during the year (including Cash Sales)		-	6,47,330
Remittance by Branch to Head Office		-	6,13,250

	(Delhi)	
Balance as on:	1-1-20X1	31-12-

CA SONAL KALRA

			20X1
Stock:	Ghee	1,50,000	3,12,500
	Oil	3,50,000	4,17,250
Debtors		7,32,750	-
Cash on Hand		70,520	55,250
Furniture & Fittings		21,500	19,350
Plant/Machinery		3,07,250	7,73,500

	(Lucknow)	
Balance as on:	1-1-20X1	31-12-20X1
Stock: Ghee	17,000	13,250
Oil	27,000	44,750
Debtors	75,750	?
Cash on Hand	7,540	12,350
Furniture & Fittings	6,250	5,625
Plant/Machinery	-	

Addition to Plant/Machinery on 1-1-20X1 ₹ 6,02,750.

Rate of Depreciation: Furniture / Fittings @ 10% and Plant / Machinery @ 15% (already adjusted in the above figures).

The Branch Manager is entitled to 10% commission after charging such commission whereas, the General Manager is entitled to 10% commission on overall company profits after charging such commission. General Manager is also entitled to a salary of ₹ 2,000 p.m. General expenses incurred by H.O. ₹ 24,000.

Prepare Branch Account in the head office books and also prepare the Arnold's
Trading and Profit and Loss A/c (excluding branch transactions).

Solution

In the books of Arnold

Lucknow Branch Account

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		₹		₹
To	Balance b/d		By Bank (Remittance)	6,13,250
	-Opening Branch Assets		By Closing Branch Assets	
	Opening stock:		Closing stock:	
	Ghee	17,000	Ghee	13,250
	Oil	27,000	Oil	44,750
	Debtors	75,750	Debtors (W.N. 1)	86,900
	Cash on hand	7,540	Cash on hand (W.N. 2)	12,350
	Furniture & fittings	6,250	Furniture & fittings	5,625
To	Goods sent to Branch A/c			
	Ghee (15 x 1500 x 12)	2,70,000		
	Oil (25 x 1000 x 12)	3,00,000		
To	Bank (Expenses paid)	14,250		
To	Branch Manager commission			
	(₹ 58,335 x 1/11)	5,303		
To	Net Profit transferred to General P & L A/c	53,032		
		7,76,125		7,76,125

Arnold

Trading and Profit and Loss account for the year ended 31st December,20X1

(Excluding branch transactions)

	₹		₹
To Opening Stock:		By Sales:	
Ghee	1,50,000	Ghee	18,46,350

CA SONAL KALRA

	Oil		3,50,000	Oil	27,41,250
To	Purchases:			By Closing Stock:	
	Ghee	14,75,000		Ghee	3,12,500
	Less: Goods sent			Oil	4,17,250
	to Branch	(2,70,000)	12,05,000		
	Oil	29,32,000			
	Less: Goods sent				
	to Branch	(3,00,000)	26,32,000		
To	Direct Expenses		3,83,275		
To	Gross Profit c/d		5,97,075		
			53,17,350		53,17,350
To	Manager's Salary		24,000	By Gross Profit b/d	5,97,075
To	General Expenses		24,000	By Branch Profit	
To	Depreciation:			transferred	53,032
	Furniture @10%	2,150			
	Plant & Machinery				
	@ 15% (W.N.3)	1,38,650			
	1,36,500				
To	General Manager's				
	Commission @ 10%				
	(i.e., 4,63,457 × 1/11)		42,132		
To	Net profit		4,21,325		
			6,50,107		6,50,107

Working Notes:

(1) Memorandum Branch Debtors Account

	₹		₹
To Balance b/d	75,750	By Cash Collections (including Cash Sales)	6,47,330

CA SONAL KALRA

To Sales (including Cash Sales)		By Balance c/d	86,900
Ghee	3,42,750		
Oil	3,15,730		
	7,34,230		7,34,230

(2) Memorandum Branch Cash Account

	₹		₹
To Balance b/d	7,540	By Remittance	6,13,250
To Collections	6,47,330	By Exp. (Balance fig.)	29,270
		By Balance c/d	12,350
	6,54,870		6,54,870

(3) Depreciation on Plant & Machinery

3,07,250 x 15% + 6,02,750 x 15% = ₹1,36,500

Q 19 RTP MAY 2022

Mr. Chena Swami of Chennai trades in Refined Oil and Ghee. It has a branch at Salem. He despatches 30 tins of Refined Oil @ ₹ 1,500 per tin and 20 tins of Ghee @ ₹ 5,000 per tin on 1st of every month. The Branch has incurred expenditure of ₹ 45,890 which is met out of its collections; this is in addition to expenditure directly paid by Head Office.

Following are the other details:

	Chennai H.O.	Salem B.O.
	Amount (₹)	Amount (₹)
Purchases:		
Refined Oil	27,50,000	
Ghee	48,28,000	
Direct Expenses	6,35,800	

CA SONAL KALRA

Expenses paid by H.O.		76,800
Sales:		
Refined Oil	24,10,000	5,95,000
Ghee	38,40,500	14,50,000
Collection during the year		20,15,000
Remittance by Branch to Head Office		19,50,000

Chennai H.O.		
Balance as on	01-04-2020 Amount (₹)	31-03-2021 Amount (₹)
Stock:		
Refined Oil	44,000	8,90,000
Ghee	10,65,000	15,70,000
Building	5,10,800	7,14,780
Furniture & Fixtures	88,600	79,740

Salem Brach Office		
Balance as on	01-04-2020 Amount (₹)	31-03-2021 Amount (₹)
Stock:		
Refined Oil	22,500	19,500
Ghee	40,000	90,000
Sundry Debtors	1,80,000	?
Cash in hand	25,690	?
Furniture & Fixtures	23,800	21,420

Additional information:

(i) Addition to Building on 01-04-2020 ₹ 2,41,600 by H.O.

(ii) Rate of depreciation: Furniture & Fixtures @ 10% and Building @ 5% (already adjusted in the above figure)

(iii) The Branch Manager is entitled to 10% commission on Branch profits (after charging his commission).

CA SONAL KALRA

(iv) The General Manager is entitled to a salary of ₹ 20,000 per month.

(v) General expenses incurred by Head Office is ₹ 1,86,000.

You are requested to prepare Branch Account in the Head Office books and also prepare Chena Swami's Trading and Profit & loss Account (excluding branch transactions) for the year ended 31st March, 2021.

Solution

In the books of Mr. Chena Swami

Salem Branch Account

		₹		₹
To	Balance b/d		By	19,50,000
	Opening stock:		Bank (Remittance toH.O.)	
	Ghee	40,000	By Balance c/d	
	Refined Oil	22,500	Closing stock:	
	Debtors	1,80,000	Refined oil	19,500
	Cash on hand	25,690	Ghee	90,000
	Furniture & fittings	23,800	Debtors (W.N. 1)	2,10,000
To	Goods sent to Branch A/c		Cash on hand (W.N. 2)	44,800
	Refined Oil (30 x ₹ 1,500x12)	5,40,000	Furniture & fittings	21,420
	Ghee (20 x ₹ 5,000 x12)	12,00,000		
To	Bank (Expenses paid by H.O.)	76,800		
To	Manager's commission in profits			
	10% (2,26,930x10/110)	20,630		
To	Net Profit transferred			

CA SONAL KALRA

to General P & L A/c	2,06,300		
	23,35,720		23,35,720

Mr. Chena Swami

Trading and Profit and Loss account for the year ended 31st March, 2021

(Excluding branch transactions)

	₹		₹
To Opening Stock:		By Sales:	
Refined Oil	44,000	Refined Oil	24,10,000
Ghee	10,65,000	Ghee	38,40,500
To Purchases:		By Closing Stock:	
Refined Oil 27,50,000		Refined Oil	8,90,000
Less: Goods sent		Ghee	15,70,000
to Branch (5,40,000)	22,10,000		
Ghee 48,28,000			
Less: Goods sent			
to Branch (12,00,000)	36,28,000		
To Direct Expenses	6,35,800		
To Gross Profit	11,27,700		
	87,10,500		87,10,500
To Manager's Salary	2,40,000	By Gross Profit	11,27,700
To General Expenses	1,86,000	By Branch Profi ttransferred	2,06,300
To Depreciation			
Furniture (88,600 - 79,740)	8,860		
Building (5,10,800 + 2,41,600 - 7,14,780)	37,620		
To Net profit	8,61,520		
	13,34,000		13,34,000

Working Notes:

CA SONAL KALRA

(1) Debtors Account

	₹		₹
To Balance b/d	1,80,000	By Cash Collections	20,15,000
To Sales made during		By Balance c/d	2,10,000
the year:		(Bal. Figure)	
Refined oil	5,95,000		
Ghee	14,50,000		
	22,25,000		22,25,000

(2) **Branch Cash Account**

	₹		₹
To Balance b/d	25,690	By Remittance	19,50,000
To Collections	20,15,000	By Exp.	45,890
		By Balance c/d (Bal. Figure)	44,800
	20,40,690		20,40,690

CA SONAL KALRA

DEPENDENT BRANCH

WHOLESALE PRICE QUESTIONS

Q 20 MTP MAY 2020

From the following details of Western Branch Office of M/s. XYZ Corp. for the year ending 31st March, 2020, ascertain branch stock reserve in respect of unrealized profit in opening stock and closing stock:

(i) Goods are sent to the branch at invoice price and branch also maintains stock at the same price.

(ii) Sale price is cost plus 40%.

(iii) Invoice price is cost plus 15%.

(iv) Other information from accounts of branch:

Opening Stock as on 01-04-2019	3,45,000
Goods sent during the year by Head Office to Branch	16,10,000
Sales during the year	21,00,000
Expenses incurred at the branch	45,000

Solution

Branch Stock Reserve in respect of unrealized profit

on opening stock = Rs. 3,45,000 x (15/115) = Rs.45,000

on closing stock = Rs. 2,30,000 x (15/115) = Rs. 30,000

Working Note: Rs.

Cost Price	100

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Invoice Price	115
Sale Price	140
Calculation of closing stock at invoice price	Rs.
Opening stock at invoice price	3,45,000
Goods received during the year at invoice price	16,10,000
	19,55,000
Less: Cost of goods sold at invoice price [21,00,000 X (115/140)]	(17,25,000)
Closing stock	2,30,000

Q 21 STUDY MAT

Following is the information of the Jammu branch of Best New Delhi for the year ending 31st March, 20X2 from the following:

(1) Goods are invoiced to the branch at cost plus 20%.

(2) The sale price is cost plus 50%.

(3) Other information:

	₹
Stock as on 01.04.20X1 (invoice price)	2,20,000
Goods sent during the year(invoice price)	11,00,000
Sales	12,00,000
Expenses incurred at the branch	45,000

Ascertain

(i) the profit earned by the branch during the year.

(ii) branch stock reserve in respect of unrealized profit

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Solution

(I) Calculation of profit earned by the branch

In the books of Jammu Branch

Trading Account and Profit and Loss Account

Particulars	Amount	Particulars	Amount
	₹		₹
To Opening stock	2,20,000	By Sales	12,00,000
To Goods received by Head office	11,00,000	By Closing stock (Refer W.N.)	3,60,000
To Expenses	45,000		
To Net profit (Balfig)	1,95,000		
	15,60,000		15,60,000

(II) Stock reserve in respect of unrealised profit

= ₹ 3,60,000 x (20/120) = ₹ 60,000

Working Note:

	₹	
Cost Price	100	
Invoice Price	120	
Sale Price	150	
Calculation of closing stock at invoice price	₹	
Opening stock at invoice price	2,20,000	
Goods received during the year	11,00,000	

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atinvoice price		[12,00,000 x(120/150)]
	13,20,000	
Less: Cost of goods sold at invoice price	(9,60,000)	
Closing stock	3,60,000	

Q 22 STUDY MAT

M/s Rahul 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 31.3.20X2:

	₹
Stock at the outlet 1.4.20X1	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 31.3.20X2	36,000

You are required to prepare the following accounts in the books of Rahul Limitedfor the year ended 31.3.20X2:

(a) Outlet Stock Account.

(b) Outlet Profit & Loss Account.

(c) Stock Reserve Account.

Solution

CA SONAL KALRA

Outlet Stock Account

	₹		₹
To Balance b/d	30,000	By Sales (Working Note 1)	3,60,000
To Goods sent to outlet	3,24,000	By Goods lost by fire (b.f.)	18,000
To Gross Profit c/d	60,000	By Balance c/d	36,000
	4,14,000		4,14,000

Outlet Profit & Loss Account

	₹		₹
To Expenses	20,000	By Gross Profit b/d	60,000
To Goods lost by fire (W.N.2)	18,000		
To Profit transferred	22,000		
	60,000		60,000

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Stock Reserve Account

	₹		₹
To HO P & L A/c – Transfer	6,000	By Balance b/d	6,000
To Balance c/d (Stock Res. required)	7,200	By HO P&L (W.N.3)	7,200
	13,200		13,200

Working Notes:

			₹
(1)	Wholesale Price	100+25 =	125
(2)	Retail Price	125 + 20% =	150

(3) Gross Profit at the outlet

Wholesale Price – Retail Price (150 – 125) 25

Retail sales value =

60,000 * 125 /25 =
₹3,60,000

(4) Goods lost by fire

Opening Stock + Goods Sent + Gross Profit – Sales – Closing Stock30,000 + 3,24,000 + 60,000 – 3,60,000 – 36,000 =

₹ 18,000

(5) Stock Reserve

Opening Stock = 30,000 x 25/125 = ₹ 6,000 Closing Stock = 36,000 x 25/125 = ₹ 7,200

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Q 23 STUDY MAT

Beta, having head office at Mumbai has a branch at Nagpur. The head office does wholesale trade only at cost plus 80%. The goods are sent to branch at the wholesale price viz., cost plus 80%. The branch at Nagpur is wholly engaged in retail trade and the goods are sold at cost to H.O. plus 100%.

Following details are furnished for the year ended 31st March, 20X1:

	Head Office (₹)	Branch (₹)
Opening stock	2,25,000	
Purchases	25,50,000	
Goods sent to branch (Cost to H.O. plus 80%)	9,54,000	
Sales	27,81,000	9,50,000
Office expenses	90,000	8,500
Selling expenses	72,000	6,300
Staff salary	65,000	12,000

You are required to prepare Trading and Profit and Loss Account of the head office and branch for the year ended 31st March, 20X1.

Trading and Profit and Loss A/c

For the year ended 31st March 20X1

	Head office ₹	Branch ₹		Head office ₹	Branch ₹
To Opening stock	2,25,000	-	By Sales	27,81,000	9,50,000

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To Purchases	25,50,000	-	By Goods sent to branch	9,54,000	-
To Goods received from head office	-	9,54,000	By Closing stock (W.N.1 & 2)	7,00,000	99,000
To Gross profit c/d	16,60,000	95,000			
	44,35,000	10,49,000		44,35,000	10,49,000
To Office expenses	90,000	8,500	By Gross profit b/d	16,60,000	95,000
To Selling expenses	72,000	6,300			
To Staff salaries	65,000	12,000			
To Branch Stock Reserve (W.N.3)	44,000	-			
To Net Profit	13,89,000	68,200			
	16,60,000	95,000		16,60,000	95,000

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Working Notes:

(1)	**Calculation of closing stock of head office:**	₹
	Opening Stock of head office	2,25,000
	Goods purchased by head office	25,50,000
		27,75,000
	Less: Cost of goods sold [37,35,000 x 100/180]	(20,75,000)
		7,00,000
(2)	Calculation of closing stock of branch:	₹
	Goods received from head office [At invoice value]	9,54,000
	Less: Invoice value of goods sold [9,50,000 x 180/200]	(8,55,000)
		99,000
(3)	Calculation of unrealized profit in branch stock:	
	Branch stock ₹ 99,000	
	Profit included 80% of cost	
	Hence, unrealized profit would be = ₹ 99,000 x80/180	₹44,000

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Q 24 MTP NOV 2020 , MTP MAY 2022

L Ltd. has its head office at Mumbai and two branches at Pune and Goa. The branches purchase goods independently. Pune branch makes a profit of one third on cost and Goa branch makes a profit of 20% on sales. Goods are also supplied by one branch to another at the respective sales price. From the following particulars, prepare the Trading and Profit and Loss Account of Pune branch and find out the profit or loss made by it considering the reserve for unrealised profits:

Particulars	Pune Branch ₹	Goa Branch ₹
Opening Stock	40,000	30,000
Purchases (Including Inter Branch transfers)	2,00,000	2,50,000
Sales	2,80,000	2,95,625
Chargeable Expenses	15,000	27,500

Closing Stock	30,000	43,500
Office and Administration Expenses	13,250	7,000
Selling and Distribution Expenses	15,000	10,000

Information:

(i) Opening stock at Pune Branch includes goods of ₹ 10,000 (invoice price) taken from Goa Branch,

(ii) Opening stock at Goa Branch includes goods of invoice price ₹ 17,000 taken from Pune Branch,

(iii) The Pune Branch sales includes transfer of goods to Goa Branch at selling price ₹ 20,000

(iv) The sales of Goa Branch include transfer of goods to Pune Branch at selling price ₹ 15,000.

(v) Closing stock at Pune Branch includes goods received from Goa Branch (invoice price
₹ 5,000.

(vi) Closing stock at Goa Branch includes goods of ₹ 4,000 (invoice price).

Solution Pune Branch Trading and Profit and Loss Account

Particulars	₹	Particulars	₹
To Opening Stock (including ₹10,000 from Goa Branch)	40,000	By Sales (including ₹20,000 to Goa Branch)	2,80,000
To Purchases	2,00,000	By Closing Stock (including ₹5,000 from Goa Branch)	30,000
To Chargeable Expenses	15,000		
To Gross Profit c/d (before making adjustment for unrealised profit)	55,000		
	3,10,000		3,10,000

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To	Stock Reserve (for unrealised profit in Closing Stock lying at Goa Branch) (₹4,000 x 25/100)	1,000	By	Gross Profit b/d	55,000
To	Office & Adm. Expenses	13,250	By	Stock Reserve (for unrealised profit in Opening Stock lying at Goa Branch) (₹17,000 x 25/100)	4,250
To	Selling & Distribution Expenses	15,000			
	To Net Profit	30,000			
		59,250			59,250

CA SONAL KALRA

INDEPENDENT BRANCH QUESTIONS

_Q 1 STUDY MAT

Goods worth ₹ 50,000 sent by head office but the branch has received till the closing date goods for worth ₹ 40,000 only. Give journal entry in the books of H.O. and branch for goods in transit.

Solution

Journal entry in the books of Head Office

No entry

Journal entry in the books of Branch

		₹	₹
Goods-in-transit account	Dr.	10,000	
To Head Office account			10,000
(Being goods sent by head office is still in transit)			

Q 2 STUDY MAT

Alphs having head office in Mumbai has a branch in Nagpur. The branch at Nagpur is an independent branch maintaining separate books of account. On 31.3.20X1, it was found that the goods dispatched by head office for ₹ 2,00,000 was received by the branch only to the extent of ₹ 1,50,000. The balance goods are in transit. What is the accounting entry to be passed by the branch for recording the goods in transit, in its books?

Solution

Nagpur branch must include the inventory in its books as goods in transit.

The following journal entry must be made by the branch:

Goods in transit A/c	Dr.	50,000
To Head office A/c		50,000

[Being Goods sent by Head office is still in transit on the closing date]

Q 3 STUDY MAT

Give Journal Entries in the books of Branch A to rectify or adjust the following:

(i) Head Office expenses ₹ 3,500 allocated to the Branch, but not recorded in the Branch Books.

(ii) Depreciation of branch assets, whose accounts are kept by the Head Office not provided earlier for ₹ 1,500.

(iii) Branch paid ₹ 2,000 as salary to a H.O. Inspector, but the amount paid has been debited by the Branch to Salaries account.

(iv) H.O. collected ₹ 10,000 directly from a customer on behalf of the Branch, but no intimation to this effect has been

CASONAL KALRA

received by the Branch.

(v) A remittance of ₹ 15,000 sent by the Branch has not yet been received by the Head Office.

(vi) Branch A incurred advertisement expenses of ₹ 3,000 on behalf of Branch B.

Solution

Books of Branch A

Journal Entries

	Particulars		**Dr. Amount ₹**	**Cr. Amount ₹**
(i)	Expenses account	Dr.	3,500	
	To Head office account			3,500
	(Being the allocated expenditure by the head office recorded in branch books)			
(ii)	Depreciation account	Dr.	1,500	
	To Head office account			1,500
	(Being the depreciation provided)			
(iii)	Head office account	Dr.	2,000	
	To Salaries account			2,000
	(Being the rectification of salary paid on behalf of H.O.)			
(iv)	Head office account	Dr.	10,000	
	To Debtors account			10,000
	(Being the adjustment of collection from branch debtors)			
(v)	No entry in branch books			
(vi)	Head Office account	Dr.	3,000	

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	To Cash account (Being the expenditure on account of Branch B,recorded in books)		3,000

Note: Entry (vi) Inter branch transactions are routed through Head Office.

CA SONAL KALRA

Q 4 STUDY MAT

Pass necessary Journal entries in the books of an independent Branch of a business entity to rectify or adjust the following:

(i) Income of ₹ 2,800 allocated to the Branch by Head Office but not recorded in the Branch books.

(ii) Branch paid ₹3,000 as salary to a Head Office Manager, but the amount paid has been debited by the Branch to Salaries Account.

(iii) Branch incurred travelling expenses of ₹5,000 on behalf of other Branches, this was not recorded in the books of Branch.

(iv) A remittance of ₹ 1,50,000 sent by the Branch has not received by Head Office on the date of reconciliation of Accounts.

(v) Head Office allocates ₹75,000 to the Branch as Head Office expenses, which has not yet been recorded by the Branch.

(vi) Head Office collected ₹30,000 directly from a Branch Customer. The intimation of the fact has been received by the Branch only now, not recorded till now.

(vii) Goods dispatched by the Head office amounting to ₹10,000, but not received by the Branch till date of reconciliation. The Goods have been

received subsequently.

Solution **Books of Branch**

Journal Entries

Sr. No	Particulars		Amount in ₹ Dr.	Cr.
(i)	Head Office Account	Dr.	2,800	
	To Income Account			2,800
	(Being the income allocated by the Head office notrecorded earlier, now recorded)			
(ii)	Head Office Account	Dr.	3,000	
	To Salaries Account			3,000
	(Being rectification of salary paid on behalf of HeadOffice)			
(iii)	Head Office Account	Dr.	5,000	
	To Cash Account			5,000
	(Being expenditure incurred on account of other branch, now recorded in books)			
(iv)	No entry in Branch Books is required.			
(v)	Expenses Account	Dr.	75,000	
	To Head Office Account			75,000
	(Being allocated expenses of Head Office recorded)			
(vi)	Head Office Account	Dr.	30,000	
	To Debtors Account			30,000
	(Being adjustment entry for collection from Branch Debtors directly by Head Office)			
(vii)	Goods -in- transit Account	Dr.	10,000	
	To Head Office Account			10,000
	(Being goods sent by Head Office still in-transit)			

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Q 5 STUDY MAT

Give Journal Entries in the books of an independent Branch to rectify or adjust the following:

(i) Branch paid ₹ 5,000 as salary to H.O supervisor, but the amount paid by branch has been debited to salary account in the books of branch.

(ii) Asset Purchased by branch for ₹ 25,000, but the Asset account was retained in
H.O Books.

(iii) A remittance of ₹8,000 sent by the branch has not been received by H.O.

(iv) H.O collected ₹ 25,000 directly from the customer of Branch but fails to givethe intimation to branch.

(v) Remittance of funds by H.O to branch ₹ 5,000 not entered in branch books.

Solution **Journal Entries in Books of Branch**

	Particulars	**Dr. Amount ₹**	**Cr. Amount ₹**
(i)	Head office account Dr. To Salaries account (Being the rectification of salary paid on behalf of H.O.)	5,000	5,000
(ii)	Head office account Dr. To Bank / Liability A/c (Being Asset purchased by branch but Assetaccount retained at head office books)	25,000	25,000
(iii)	No Entry in Branch Books		

CA SONAL KALRA

(iv)	Head office account To Debtors account (Being the amount of branch debtors collected by H.O.)	Dr.	25,000	25,000
(v)	Bank A/c To Head Office (Remittance of Funds by H.O. to Branch)	Dr.	5,000	5,000

Q 6 RTP NOV 2018

Pass necessary Journal entries in the books of an independent Branch of M/s TPL Sons, wherever required, to rectify or adjust the following transactions:

(i) Branch paid ₹ 5,000 as salary to a Head Office Manager, but the amount paid has been debited by the Branch to Salaries Account.

(ii) A remittance of ₹ 1,50,000 sent by the Branch has not received by Head Office on the date of reconciliation of Accounts.

(iii) Branch assets accounts retained at head office, depreciation charged for the year ₹ 15,000 not recorded by Branch.

(iv) Head Office expenses ₹ 75,000 allocated to the Branch, but not yet been recorded by the Branch.

(v) Head Office collected ₹ 60,000 directly from a Branch Customer. The intimation of the fact has not been received by the Branch.

(vi) Goods dispatched by the Head office amounting to ₹ 50,000, but not received by the Branch till date of reconciliation.

(vii) Branch incurred advertisement expenses of ₹ 10,000 on behalf of other Branches, but not recorded in the books of Branch.

(viii) Head office made payment of ₹ 16,000 for purchase of goods by branch, but not recorded in branch books.

CA SONAL KALRA

Solution

Books of Branch

Journal Entries

			Amounts₹	
			Dr.	Cr.
(i)	Head Office Account	Dr.	5,000	
	To Salaries Account			5,000
	(Being rectification of salary paid on behalf of Head Office)			
(ii)	No entry in Branch Books is required.			
(iii)	Depreciation A/c	Dr.	15,000	
	To Head Office Account			15,000
	(Being depreciation of assets accounted for)			
(iv)	Expenses Account	Dr.	75,000	
	To Head Office Account			75,000
	(Being allocated expenses of Head Office recorded)			
(v)	Head Office Account	Dr.	60,000	
	To Debtors Account			60,000
	(Being adjustment entry for collection from Branch Debtors directly by Head Office)			
(vi)	Goods in-transit Account	Dr.	50,000	
	To Head Office Account			50,000
	(Being goods sent by Head Office still in-transit)			
(vii)	Head Office Account	Dr.	10,000	
	To expenses Account			10,000
	(Being expenditure incurred, wrongly recorded in books)			

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(vii)	Purchases account A/c To Head Office Account (Being purchases booked)	Dr.	16,000	16,000

Q 7 STUDY MAT (Example)

1. Goods valued ₹10,000 sent by head office has not been received by branch,hence not recorded in the branch books.
2. ₹ 15,000 remitted by the branch has not been received, hence not recordedin the head office books.
3. Direct collection of ₹ 10,500 from a customer of the branch by Head officenot informed to the branch, hence not recorded by the branch
4. A sum of ₹ 14,500 paid by branch to the suppliers of head office not recorded at Head office.
5. Head office expenditure allocation to the branch ₹12,000 not recorded inthe branch.
6. ₹ 7,500 being FD interest of head office received by the branch on oral instructions from H.O., not recorded in the head office books.

Solution

			Head Office Books			Branch Books	
			Dr. ₹	Cr. ₹		Dr. ₹	Cr. ₹
(i)	Goods in transit (₹10,000)		-	-	Goods in Transit A/c	10,000	10,000

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(ii)	Cash in Transit:	Cash in Transit A/c To Branch A/c	15,000	15,000	To Head office A/c (No Entry)		
(iii)	Direct Collection by H.O. on behalf of the Branch				Head Office A/c To Debtors A/c	10,500	10,500
(iv)	Direct payment of ₹ 14,500 by Branch on behalf of H.O	Sundry Creditors A/c To Branch A/c	14,500	14,500			
(v)	Expenditure Allocated to Branch				Branch Exp. A/c To H.O. A/c	12,000	12,000
(vi)	Fixed deposit interest of ₹7,500 directly received by the branch	Branch A/c To Sundry Income	7,500	7,500			

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Q 8 MTP Nov 2021 , MTP MAY 2023

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

(i) Branch incurred travelling expenses of ₹ 4,000 on behalf of other Branches, but not recorded in the books of Branch.

(ii) Goods dispatched by the Head office amounting to ₹ 8,000, but not received by the Branch till date of reconciliation. The Goods have been received subsequently.

(iii) Provision for doubtful debts, whose accounts are kept by the Head Office, not provided earlier for ₹ 2,000

(iv) Branch paid ₹ 2,000 as salary to a Head Office Manager, but the amount paid has been debited by the Branch to Salaries Account.

Solution **Journal Entries in Books of Branch**

			Amount in ₹	
			Dr.	Cr.
(i)	Head Office Account	Dr.	4,000	
	To Cash Account			4,000
	(Being expenditure incurred on account of other branch, now recorded in books)			
(ii)	Goods –in- transit Account	Dr.	8,000	
	To Head Office Account			8,000
	(Being goods sent by Head Office still in-transit)			
(iii)	Provision for Doubtful Debts A/c	Dr.	2,000	
	To Head Office Account			2,000
	(Being the provision for doubtful debts not provided earlier,now provided for)			
(iv)	Head Office Account	Dr.	2,000	
	To Salaries Account			2,000
	(Being rectification of salary paid on behalf of Head Office)			

CASONAL KALRA

Show adjustment journal entry in the books of head office at the end of April, 20X1 for incorporation of inter-branch transactions assuming that only head office maintains different branch accounts in its books.

A. Delhi branch:

(1) Received goods from Mumbai – ₹ 35,000 and ₹ 15,000 from Kolkata.

(2) Sent goods to Chennai – ₹ 25,000, Kolkata – ₹ 20,000.

(3) Bill Receivable received – ₹ 20,000 from Chennai.

(4) Acceptances sent to Mumbai – ₹ 25,000, Kolkata – ₹ 10,000.

B. Mumbai Branch (apart from the above) :

(5) Received goods from Kolkata – ₹ 15,000, Delhi – ₹ 20,000.

(6) Cash sent to Delhi – ₹ 15,000, Kolkata – ₹ 7,000.

C. Chennai Branch (apart from the above) :

(7) Received goods from Kolkata – ₹ 30,000

(8) Acceptances and Cash sent to Kolkata – ₹ 20,000 and ₹10,000 respectively.

D. Kolkata Branch (apart from the above) :

(9) Sent goods to Chennai – ₹ 35,000.

(10) Paid cash to Chennai – ₹15,000.

(11) Acceptances sent to Chennai – ₹15,000.

Solution

Journal entry in the books of Head Office

CA SONAL KALRA

Date	Particulars		Dr.	Cr.
			₹	₹
30th April, 20X1	Mumbai Branch Account	Dr.	3,000	
	Chennai Branch Account	Dr.	70,000	
	To Delhi Branch Account			15,000
	To Kolkata Branch Account			58,000
	(Being adjustment entry passed by head office in respect of inter-branch transactions for the month of April, 20X1)			

Working Note:

Inter – Branch transactions

	Delhi	Mumbai	Chennai	Kolkata
	₹	₹	₹	₹
A. Delhi Branch				
(1) Received goods	50,000 (Dr.)	35,000 (Cr.)		15,000 (Cr.)
(2) Sent goods	45,000 (Cr.)		25,000 (Dr.)	20,000 (Dr.)
(3) Received Bill sreceivable	20,000 (Dr.)		20,000 (Cr.)	
(4) Sent acceptance	35,000 (Cr.)	25,000 (Dr.)		10,000 (Dr.)
B. Mumbai Branch				
(5) Received goods	20,000 (Cr.)	35,000 (Dr.)		15,000 (Cr.)
(6) Sent cash	15,000	22,000		7,000 (Dr.)

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	(Dr.)	(Cr.)		
C. Chennai Branch				
(7) Received goods			30,000 (Dr.)	30,000 (Cr.)
(8) Sent cash and acceptances			30,000 (Cr.)	30,000 (Dr.)
D. Kolkata Branch				
(9) Sent goods			35,000 (Dr.)	35,000 (Cr.)
(10) Sent cash			15,000 (Dr.)	15,000 (Cr.)
(11) Sent acceptances			15,000 (Dr.)	15,000 (Cr.)
	15,000 (Cr.)	3,000 (Dr.)	70,000 (Dr.)	58,000 (Cr.)

Q 10 STUDY MAT, MTP MAY 2023

On 31st March, 20X2 Kanpur Branch submits the following Trial Balance to its Head Office at Lucknow :

Debit Balances	**₹ in lacs**
Furniture and Equipment	18
Depreciation on furniture	2
Salaries	25
Rent	10
Advertising	6
Telephone, Postage and Stationery	3
Sundry Office Expenses	1
Stock on 1st April, 20X1	60
Goods Received from Head Office	288
Debtors	20
Cash at bank and in hand	8
Carriage Inwards	7

CA SONAL KALRA

	448
Credit Balances	
Outstanding Expenses	3
Goods Returned to Head Office	5
Sales	360
Head Office	80
	448

Additional Information:

Stock on 31st March, 20X2 was valued at ₹ 62 lacs. On 29th March, 20X2 the Head Office dispatched goods costing ₹ 10 lacs to its branch. Branch did not receive these goods before 1st April, 20X2. Hence, the figure of goods received from Head Office does not include these goods. Also, the head office has charged the branch ₹ 1 lac for centralized services for which the branch has not passed the entry.

You are required to:

(i) Pass Journal Entries in the books of the Branch to make the necessary adjustments

(ii) Prepare Final Accounts of the Branch including Balance Sheet, and

(iii) Pass Journal Entries in the books of the Head Office to incorporate the whole of the Branch Trial Balance.

Solution (i) **Books of Branch**

Journal Entries

			(₹ in lacs)
		Dr.	**Cr.**
Goods in Transit A/c	Dr.	10	
To Head Office A/c			10

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(Goods dispatched by head office but not received by branch before 1st April, 20X2)			
Expenses A/c	Dr.	1	
To Head Office A/c			1
(Amount charged by head office for centralised services)			

(ii) Trading and Profit & Loss Account of the Branch for the year ended 31st March, 20X2

	₹ in lacs		₹ in lacs
To Opening Stock	60	By Sales	360
To Goods received from		By Closing Stock including transit	72
Head Office 288+10			
Less: Returns (5)	293		
To Carriage Inwards	7		
To Gross Profit c/d	72		
	432		432
To Salaries	25	By Gross Profit b/d	72
To Depreciation on Furniture	2		

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To Rent	10		
To Advertising	6		
To Telephone, Postage & Stationery	3		
To Sundry Office Expenses	1		
To Head Office Expenses (centralised services)	1		
To Net Profit Transferred to Head Office A/c	24		
	72		72

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Balance Sheet as on 31st March, 20X2

Liabilities	₹ in lacs		Assets	₹ in lacs	
Head Office	80		Furniture & Equipment	20	
Add: Goods in	10		Less: Depreciation	(2)	18
Transit			Stock in hand		62
Head Office			Goods in Transit		10
Expenses	1		Debtors		20
Net Profit	24	115	Cash at bank and in		
Outstanding			hand		8
Expenses		3			
		118			118

(iii) Books of Head Office Journal Entries

		₹ Dr.	₹ Dr.
Branch Trading Account	Dr.	365	
To Branch Account			365
(The total of the following items in branch trial balance debited to branch trading account:			
	₹ in lacs		
Opening Stock	60		
Goods received from Head Office	288		
Goods purchased but not	10		

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received Carriage Inwards 7)			
Branch Account	Dr.	437	
To Branch Trading Account			437
(Total sales, closing stock and goods returned to Head Office credited to branch trading account, individual amount being as follows: ₹ in lacs Sales 360 Closing Stock 62 Goods in transit 10 Goods returned to Head Office 5)			
Branch Trading Account	Dr.	72	
To Branch Profit and Loss Account			72
(Gross profit earned by branch credited to Branch Profit and Loss Account)			
Branch Profit and Loss Account	Dr.	48	
To Branch Account			48
(Total of the following branch expenses debited to Branch Profit & Loss Account: ₹ in lacs Salaries 25 Rent 10 Advertising 6 Telephone, Postage & Stationery 3 Sundry Office Expenses 1 Head Office Expenses 1			

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Depreciation on furniture 2)			
Branch Profit & Loss Account	Dr.	24	
To Profit and Loss Account			24
(Net profit at branch credited to general Profit &Loss A/c)			
Branch Furniture & Equipment	Dr.	18	
Branch Stock	Dr.	62	
Branch Debtors	Dr.	20	
Branch Cash at Bank and in Hand	Dr.	8	
Goods in Transit	Dr.	10	
To Branch			118
(Incorporation of different assets at the branch in H.O. books)			
Branch	Dr.	3	
To Branch Outstanding Expenses			3
(Incorporation of Branch Outstanding Expenses in H.O. books)			

Q 11 STUDY MAT

Ring Bell Ltd. Delhi has a Branch at Bombay where a separate set of books is used.The following is the trial balance extracted on 31st December, 20X1.

Head Office Trial Balance

	₹	₹
Share Capital (Authorised: 10,000 Equity Shares of ₹ 100each):		
Issued: 8,000 Equity Shares		8,00,000
Profit & Loss Account - 1-1-20X1		25,310
General Reserve		1,00,000

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Fixed Assets	5,30,000	
Stock	2,22,470	
Debtors and Creditors	50,500	21,900
Profit for 20X1		52,200
Cash Balance	62,730	
Branch Current Account	1,33,710	
	9,99,410	9,99,410

Branch Trial Balance

	₹	₹
Fixed Assets	95,000	
Profit for 20X1		31,700
Stock	50,460	
Debtors and Creditors	19,100	10,400
Cash Balance	6,550	
Head Office Current Account		1,29,010
	1,71,110	1,71,110

The difference between the balances of the Current Account in the two sets of booksis accounted for as follows:

(a) Cash remitted by the Branch on 31st December, 20X1, but received by the Head Office on 1st January 20X2 – ₹ 3,000.

(b) Stock stolen in transit from Head Office and charged to Branch by the Head Office, but not credited to Head Office in the Branch books as the Branch Manager declined to admit any liability (not covered by insurance) – ₹ 1,700.

Give the Branch Current Account in Head Office books after incorporating Branch TrialBalance through journal.

Solution

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The Branch Current Account in the Head Office Books and Head Office Current Account in the Branch Books do not show the same balances. Therefore, in order to reconcile them, the following journal entries will be passed in the Head Office books:

Journal Entries

		Dr.	Cr.
20X1		₹	₹
Dec., 31	Cash in Transit A/c Dr.	3,000	
	To Branch Current A/c		3,000
	(Cash sent by the Branch on 31st Dec., 20X1 but received at H.O. on 1st Jan., 20X2)		
	Loss by theft A/c Dr.	1,700	
	To Branch Current A/c		1,700
	(Stock lost in transit from H.O. to Branch)		

In order to incorporate, in the H.O. books, the given Branch trial balance which has been drawn up after preparing the Branch Profit & Loss Account, the following journal entries will be necessary:

Journal Entries

20X1			₹	₹
Dec. 31	Branch Current Account	Dr.	31,700	
	To Profit & Loss Account			31,700
	(Branch Profit for the year)			
	Branch Fixed Assets	Dr.	95,000	
	Branch Stock	Dr.	50,460	
	Branch Debtors	Dr.	19,100	
	Branch Cash	Dr.	6,550	
	To Branch Current Account			1,71,110
	(Branch assets brought into H.O. Books)			

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	Branch Current A/c To Branch Creditors (Branch creditors brought into H.O. Books)	Dr.	10,400	10,400

Branch Current Account

	₹		₹
To Balance b/d	1,33,710	By Cash in transit	3,000
To Profit & Loss A/c	31,700	By Loss of theft	1,700
To Branch Creditors	10,400	By Sundry Branch Assets	1,71,110
	1,75,810		1,75,810

Profit and Loss Account for 20X1

	₹		₹
To Loss by Theft	1,700	By Balance b/d	25,310
To Balance c/d	1,07,510	By Year's Profit: H.O.	52,200
		Branch	31,700
	1,09,210		1,09,210

CA SONAL KALRA

Q12 STUDY MAT

KP manufactures a range of goods which it sells to wholesale customers only from its head office. In addition, the H.O. transfers goods to a newly opened branch at factory cost plus 15%. The branch then sells these goods to the general public on only cash basis.

The selling price to wholesale customers is designed to give a factory profit which amounts to 30% of the sales value. The selling price to the general public is designed to give a gross margin (i.e., selling price less cost of goods from H.O.) of 30% of the sales value.

KP operates from rented premises and leases all other types of fixed assets. The rent and hire charges for these are included in the overhead costs shown in the trial balances.

From the information given below, you are required to prepare for the year ended 31st Dec., 20X1 in columnar form.

(a) A Profit & Loss account for (i) H.O. (ii) the branch (iii) the entire business.
(b) Balance Sheet as on 31st Dec., 20X1 for the entire business.

	H.O.		Branch	
	₹	₹	₹	₹
Raw materials purchased	35,000			
Direct wages	1,08,500			
Factory overheads	39,000			
Stock on 1-1-20X1				
Raw materials	1,800			
Finished goods	13,000		9,200	
Debtors	37,000			
Cash	22,000		1,000	
Administrative Salaries	13,900		4,000	
Salesmen Salaries	22,500		6,200	
Other administrative & selling overheads	12,500		2,300	
Inter-unit accounts	5,000			2,000
Capital		50,000		
Sundry Creditors		13,000		
Provision for unrealized profit in stock		1,200		

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Sales		2,00,000		65,200
Goods sent to Branch		46,000		
Goods received from H.O.			44,500	
	3,10,200	3,10,200	67,200	67,200

Note:

(1) On 28th Dec., 20X1 the branch remitted ₹ 1,500 to the H.O. and this has not yet been recorded in the H.O. books. Also, on the same date, the H.O. dispatched goods to the branch invoiced at ₹ 1,500 and these too have not yet been entered into the branch books. It is the company's policy to adjust items in transit in the books of the recipient.

(2) The stock of raw materials held at the H.O. on 31st Dec., 20X1 was valued at
₹ 2,300.

(3) You are advised that:

- there were no stock losses incurred at the H.O. or at the branch.
- it is KP's practice to value finished goods stock at the H.O. at factory cost.
- there were no opening or closing stock of work-in-progress.

(4) Branch employees are entitled to a bonus of ₹ 156 under a bilateral agreement.

Solution

In the books of KP

Trading and Profit & Loss Account for the year ended 31st Dec., 20X1

	H.O. ₹	Branch ₹	Total ₹		H.O. ₹	Branch ₹	Total ₹

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To Opening stock of finished goods	13,000	9,200	22,200	By Sales	2,00,000	65,200	2,65,200
To Material consumed (W.N.1)	34,500	-	34,500				
To Wages	1,08,500	-	1,08,500	By Goods Sent to Branch	46,000	-	-
To Factory Overheads	39,000	-	39,000				
To Goods from H.O.		46,000		By Closing stock including transit (W.N.2)	15,000	9,560 (Bal Fig)	24,560
To Gross Profit c/d (W.N.3)	66,000 (Bal Fig)	19,560	85,560				
	2,61,000	74,760	2,89,760		2,61,000	74,760	2,89,760
To Admn. Salaries	13,900	4,000	17,900	By Gross Profit b/d	66,000	19,560	85,560
To Salesmen Salaries	22,500	6,200	28,700				
To Other Admn. & selling Overheads	12,500	2,300	14,800				
To Stock Reserve (W.N.4)	47	-	47				
To Bonus to Staff	-	156	156				
To Net Profit	17,053	6,904	23,957				
	66,000	19,560	85,560		66,000	19,560	85,560

Balance Sheet as on 31st Dec., 20X1

		₹	H.O. ₹	Branch ₹	Total ₹		H.O. ₹	Branch ₹	Total ₹
Capital			50,000	-	50,000	Fixed Assets	-	-	-

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Profit:	H.O.	17,053				Current Assets:			
	Branch	6,904	23,957		23,957	Raw material	2,300		2,300
Trade Creditors			13,000		13,000	Finished Goods	15,000	9,560	23,313 *
Bonus Payable				156	156	(Less Stock Res.)			
H.O. Account*				10,404		Debtors	37,000	-	37,000
Stock Reserve (W.N.4)			1,247			Cash (including transit item)	23,500	1,000	24,500
						Branch A/c	10,404 **		
			88,204	10,560	87,113		88,204	10,560	87,113

*9,560 x 100/115 i.e., (8,313 + 15,000) = ₹23,313 or (15,000 + 9,560) – 1,247 (Stock reserve)

** (5,000 + 6,904) – 1500 = ₹10,404.

Working Notes:

(1) Material consumed

Opening raw material + Raw Material Purchased – Closing raw material

= 1,800 + 35,000 - 2,300 = 34,500

(2) Closing stock at head office

(a) Calculation of total factor cost = Material consumed + Wages + Factory overhead

= 34,500 + 1,08,500 + 39,000 = 1,82,000

(b) Cost (factory cost) of goods sold = Sales – Gross profit

= 2,00,000 – 2,00,000 x 30% = 1,40,000

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(c) Stock transferred to branch = 46,000 x 100/115 = 40,000

(d) Closing stock = 13,000 (Opening Stock) + 1,82,000 – 1,40,000 – 40,000

= 15,000

(3) Gross profit of Branch = Sales x Gross profit ratio

= 65,200 x 30% = 19,560

(4) Closing stock reserve = 9,560 x 15/115 = 1,247

Charge to profit and loss = 1,247 – 1,200 (existing) = 47

Q 13 STUDY MAT

The following Trial balances as at 31st December, 20X1 have been extracted from the books of Major Ltd. and its branch at a stage where the only adjustments requiring to be made prior to the preparation of a Balance Sheet for the undertaking as a whole are to be done.

	Head Office		Branch	
	Dr. ₹	Cr. ₹	Dr. ₹	Cr. ₹
Share Capital		1,50,000		
Fixed Assets	75,125		18,901	
Current Assets	1,21,809		23,715	(Note 3)
Current Liabilities		34,567		9,721
Stock Reserve, 1st Jan., 20X1 (Note 2)		693		
Revenue Account		43,210		10,250
Branch Account	31,536			
Head Office Account				22,645
	2,28,470	2,28,470	42,616	42,616

You are required to record the following in the appropriate ledger accounts in

CA SONAL KALRA

both sets of books.

Note:

1. Goods transferred from Head Office to the Branch are invoiced at cost plus10% and both Revenue Accounts have been prepared on the basis of the prices charged.
2. Relating to the Head Office goods held by the Branch on 1st January, 20X1.
3. Includes goods received from Head Office at invoice price ₹ 4,565.
4. Goods invoiced by Head Office to Branch at ₹ 3,641 were in transit at 31st December, 20X1, as was also a remittance of ₹ 3,500 from the Branch.
5. At 31st December, 20X1, the following transactions were reflected in the Head Office books but unrecorded in the Branch books.

The purchase price of lorry, ₹ 2,500, which reached the Branch on December 25th; a sum received on December 30, 20X1 from one of the Branch debtors, ₹ 750

Solution

H.O. Books

Branch Account

20X1		₹	20X1		₹
Dec. 31	To Balance b/d	31,536	Dec. 31	By Cash in transit	3,500
				By Balance c/d	28,036
		31,536			31,536

Cash in transit Account

20X1		₹	20X1		₹
Dec. 31	To Branch A/c	3,500	Dec. 31	By Balance c/d	3,500

Stock Reserve Account

20X1		₹	20X1		₹

CA SONAL KALRA

Dec. 31	To Balance c/d	746	Jan. 1	By Balance b/d	693
	(4,565+3,641) x 10/110			By Revenue A/c (b.f.)	53
		746			746

Revenue Account

20X1		₹	20X1		₹
Dec. 31	To Stock Reserve	53	Dec. 31	By Balance b/d	43,210
	To Balance c/d	43,157			
		43,210			43,210

Branch Books

Head Office Account

20X1		₹	20X1		₹
Dec. 31	To Current Assets	750	Dec. 31	By Balance b/d	22,645
				By Goods in transit	3,641
	To Balance c/d	28,036		By Motor Vehicle	2,500
		28,786			28,786

Goods in Transit Account

20X1		₹	20X1		₹
Dec. 31	To Head Office	3,641	Dec. 31	By Balance c/d	3,641

Motor Vehicle Account

20X1		₹	20X1		₹

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Dec. 31	To Head Office	2,500	Dec. 31	By Balance c/d	2,500

Sundry Current Assets A/c

20X1		₹	20X1		₹
Dec. 31	To Balance b/d	23,715	Dec. 31	By H.O. (Remittance by Debtor)	750
				By Balance c/d	22,965
		23,715			23,715

Q 14 STUDY MAT

AFFIX of Kolkata has a branch at Delhi to which the goods are supplied from Kolkata but the cost thereof is not recorded in the Head Office books. On 31st March, 20X1 the Branch Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Creditors Balance	40,000	Debtors Balance	2,00,000
Head Office	1,68,000	Building Extension A/c	—
		closed by transfer to H.O. A/c	
		Cash at Bank	8,000
	2,08,000		2,08,000

During the six months ending on 30-9-20X1, the following transactions took place at Delhi.

	₹		₹
Sales	2,40,000	Manager's Salary	4,800
Purchases	48,000	Collections from Debtors	1,60,000
Wages paid	20,000	Discounts allowed	8,000

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Salaries (inclusive of advance of ₹ 2,000)	6,400	Discount earned	1,200
		Cash paid to Creditors	60,000
General Expenses	1,600	Building Account (further payment)	4,000
Fire Insurance (paid for one year)	3,200	Cash in Hand	1,600
Remittance to H.O.	38,400	Cash at Bank	28,000

Set out the Head Office Account in Delhi books and the Branch Balance Sheet as on30-9-20X1. Also give journal entries in the Delhi books.

Solution

Journal Entries

20X1 **30 Sept.**		**Dr.** ₹	**Cr.** ₹
Salary Advance A/c	Dr.	2,000	
To Salaries A/c			2,000
(The amount paid as advance adjusted by debit to Salary Advance Account)			
Prepared Insurance A/c (3,200 x 6/12)	Dr.	1,600	
To Fire Insurance A/c			1,600
(Six months premium transferred to the Prepaid Insurance A/c)			
Head Office Account	Dr.	88,400	
To Purchases A/c			48,000
To Wages A/c			20,000
To Salaries A/c (6,400 – 2,000)			4,400
To General Expenses A/c			1,600
To Fire Insurance A/c (3,200 x 6/12)			1,600
To Manager's Salary A/c			4,800
To Discount Allowed A/c			8,000

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(Transfer of various revenue accounts (Dr.) to the H.O. Account for closing the accounts)			
Sales Accounts	Dr.	2,40,000	
Discount Earned A/c	Dr.	1,200	
To Head Office A/c			2,41,200
[Revenue accounts (Cr.) transferred to H.O.]			
Head Office Account	Dr.	4,000	
To Building Account			4,000
(Transfer of amounts spent on building extension to H.O. A/c)			

Head Office Account

20X1		₹	20X1		₹
Sep. 30	To Cash-remittance	38,400	April 1	By Balance b/d	1,68,000
	To Sundries (Revenue A/cs)	88,400	Sep. 30	By Sundries (Revenue A/cs)	2,41,200
	To Building A/c	4,000			
	To Balanced c/d	2,78,400			
		4,09,200			4,09,200

Balance Sheet of Delhi Branch as on Sept. 30,20X1

Liabilities	₹	Assets	₹
Creditors Balances	26,800	Debtors Balances	2,72,000
Head Office Account	2,78,400	Salary Advance	2,000
		Prepaid Insurance	1,600
		Building Extension A/c transferred to H.O.	—
		Cash in Hand	1,600

CA SONAL KALRA

		Cash at Bank	28,000
	3,05,200		3,05,200

Cash and Bank Account

	₹		₹
To Balance b/d	8,000	By Wages	20,000
To Collection fro mDebtors	1,60,000	By Salaries	6,400
		By Insurance	3,200
		By General Exp.	1,600
		By H.O. A/c	38,400
		By Manager's Salary	4,800
		By Creditors	60,000
		By Building A/c	4,000
		By Balance c/d	
		By Cash in Hand 1,600	
		By Cash at Bank 28,000	29,600
	1,68,000		1,68,000

Debtors Account

	₹		₹
To Balance b/d	2,00,000	By Cash Collection	1,60,000
To Sales	2,40,000	By Discount (allowed)	8,000
		By Balance c/d	2,72,000
	4,40,000		4,40,000
To Balance b/d	2,72,000		

Creditors Account

	₹		₹
To Cash	60,000	By Balance b/d	40,000
To Discount (earned)	1,200	By Purchases	48,000
To Balance c/d	26,800		

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	88,000		88,000
		By Balance b/d	26,800

Q 15 JULY 2021 EXAM, MTP NOV 2023

Manohar of Mohali has a branch at Noida to which the goods are supplied from Mohali but the cost thereof is not recorded in the Head Office books. On 31st March, 2020 the Branch Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Creditors Balance	62,000	Debtors Balance	2,24,000
Head Office	1,88,000	Building Extension A/c	
		Closed by transfer to H.O. A/c	-
		Cash at Bank	26,000
	2,50,000		2,50,000

During the six months ending on 30-09-2020, the following transactions took place at Noida:

	₹		₹
Sales	2,78,000	Manager's salary	16,400
Purchases	64,500	Collections from debtors	2,57,000
Wages Paid	24,000	Discounts allowed	16,000
Salaries (inclusive of advance of ₹ 5,000)	15,600	Discount earned	4,600
General Expenses	7,800	Cash paid to creditors	88,500
Fire Insurance (Paid for one year)	11,200	Building Account (further payment)	14,000
Remittance to H.O.	52,900	Cash in Hand	5,600
		Cash at Bank	47,000

Set out the Head Office Account in Noida Books and the Branch Balance Sheet as on

CA SONAL KALRA

30.09.2020. Also give journal entries in the Noida books. **(10 Marks)**

Solution

Journal Entries in the Books of Noida Branch

Particulars		Debit(₹)	Credit(₹)
Salary Advance A/c	Dr.	5,000	
To Salaries A/c			5,000
(Being the amount paid as advance adjusted by debit toSalary Advance A/c)			
Prepaid Insurance A/c (11,200 X 6/12)	Dr.	5,600	
To Fire Insurance A/c			5,600
(Being the six months premium transferred to the Prepaid Insurance A/c)			
Head Office A/c	Dr.	1,44,900	
To Purchases A/c			64,500
To Wages A/c			24,000
To Salaries A/c (15,600 – 5,000)			10,600
To General Expenses A/c			7,800
To Fire Insurance A/c (11,200 X 6/12)			5,600
To Manager's Salary A/c			16,400
To Discount Allowed A/c			16,000
(Being the transfer of various revenue accounts to the HOA/c for closing the accounts)			
Sales A/c	Dr.	2,78,000	
Discount Earned A/c	Dr.	4,600	
To Head Office A/c			2,82,600
(Being the transfer of various revenue accounts to HO)			
Head Office A/c	Dr.	14,000	
To Building A/c			14,000

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(Being the transfer of amounts spent on buildingextension to HO A/c)			

Head Office Account

2020	Particulars	Amount (₹)	2020	Particulars	Amount (₹)
Sept 30	To Cash Remittance	52,900	April 1	By Balance b/d	1,88,000
	To Sundries* (Revenue)	1,44,900		By Sundries* (Revenue)	2,82,600
	To Building A/c	14,000			
	To Balance c/d	2,58,800			
	Total	4,70,600		Total	4,70,600

* Instead of using Sundries (Revenue) A/c, the concerned revenue accounts can be posted in the ledger.

Balance Sheet of Noida BranchAs at 30th Sept 2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	33,400	Debtors	2,29,000
Head Office A/c	2,58,800	Salary Advance	5,000
		Prepaid Insurance	5,600
		Building Extension A/c transferred to HO	
		Cash in Hand	5,600
		Cash at Bank	47,000
Total	2,92,200	Total	2,92,200

Working Notes

Cash and Bank Account

CA SONAL KALRA

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	26,000	By Wages	24,000
To Collection from debtors	2,57,000	By Salaries	15,600
		By Insurance	11,200
		By General Expenses	7,800
		By HO A/c	52,900
		By Manager's Salary	16,400
		By Creditors	88,500
		By Building A/c	14,000
		By Balance c/d	
		- Cash in Hand	5,600
		- Cash at bank	47,000
Total	2,83,000	Total	2,83,000

Debtors Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,24,000	By Cash Collection	2,57,000
To Sales A/c	2,78,000	By Discount (Allowed)	16,000
		By Balance c/d	2,29,000
Total	5,02,000	Total	5,02,000

Creditors Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Cash A/c	88,500	By Balance b/d	62,000
To Discount (Earned)	4,600	By Purchases	64,500
To Balance c/d	33,400		
Total	1,26,500	Total	1,26,500

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Note:

Since the date of payment of fire insurance has not been mentioned in the question, it is assumed that it was paid on 01 April 2020. Alternative answer considering otherwise also possible.

Q 16 STUDY MAT

Messrs Ramchand & Co., Hyderabad has a branch in Delhi. The Delhi Branch dealsnot only in the goods from Head Office but also buys some auxiliary goods and deals in them. They, however, do not prepare any Profit & Loss Account but close all accounts to the Head Office at the end of the year and open them afresh on the basis of advice from their Head Office. The fixed assets accounts are also maintained at the Head Office.

The goods from the Head Office are invoiced at selling prices to give a profit of 20per cent on the sale price. The goods sent from the branch to Head Office are at cost. From the following prepare Branch Trading and Profit & Loss Account andBranch fixed Assets Account in the Head Office Books.

Trial Balance of the Delhi Branch as on 31-12-20X1

Debit	₹	**Credit**	₹
Head office opening balance on1-1-20X1	15,000	Sales	1,00,000
Goods from H.O.	50,000	Goods to H.O.	3,000
Purchases	20,000	Head Office Current A/c	15,000
Opening Stock		Sundry Creditors	3,000
(H.O. supplies goods at invoiceprices)	4,000		
Opening Stock of other goods	500		

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Salaries	7,000		
Rent	3,000		
Office expenditure	2,000		
Cash on Hand	500		
Cash at Bank	4,000		
Sundry Debtors	15,000		
	1,21,000		1,21,000

The Branch balances as on 1st January, 20X1, were as under: Furniture ₹ 5,000; Sundry Debtors ₹ 9,500; Cash ₹ 1,000, Creditors ₹ 30,000. The closing stock at branch of the head office goods at invoice price is ₹ 3,000 and that of purchased goods at cost is ₹ 1,000. Depreciation is to be provided at 10 per cent on branch assets.

Solution

Delhi Branch Trading and Profit & Loss Account
for the year ended 31st Dec., 20X1

		₹			₹
To Opening Stock:			By Sales		1,00,000
Head office Goods (4,000 x 80%)	3,200		By Goods from Branch		3,000
Others	500	3,700	By Closing Stock: Head Office goods (3,000 x 80%)	2,400	
To Goods to Branch (50,000 x 80%)		40,000	Others	1,000	3,400
To Purchases		20,000			

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To Gross Profi tc/d		42,700				
		1,06,400				1,06,400
To Salaries		7,000	B Gross profit y b/d			42,700
To Rent		3,000				
To Office Expenses		2,000				
To Dep. on furniture @ 10%		500				
To Net profit		30,200				
		42,700				42,700

Branch (Fixed) Assets Account (In Head Office Books)

20X1			₹	20X1			₹
Jan. 1	To	Balance b/d	5,000	Dec. 31	By	Delhi Branch A/c (Depreciation)	500
					By	Balance c/d	4,500
			5,000				5,000
20X2 Jan. 1	To	Balance b/d	4,500				

Note: Furniture A/c is maintained in Head office books; it is not a part of eitheropening or closing balance.

CA SONAL KALRA

Foreign branch/Foreign H.O Questions

Q 1 STUDY MAT

S & M Ltd., Bombay, have a branch in Sydney, Australia. Sydney branch is an integral foreign operation of S & M Ltd.

At the end of 31st March, 20X2, the following ledger balances have been extracted from the books of the Bombay Office and the Sydney Office

	Bombay (₹ thousands)		Sydney (Austr dollars thousands)	
	Debit	Credit	Debit	Credit
Share Capital	–	2,000	–	–
Reserves & Surplus	–	1,000	–	–
Land	500	–	–	–
Buildings (Cost)	1,000	–	–	–
Buildings Dep. Reserve	–	200	–	–
Plant & Machinery (Cost)	2,500	–	200	–
Plant & Machinery Dep. Reserve	–	600	–	130
Debtors / Creditors	280	200	60	30
Stock (1.4.20X1)	100	–	20	–
Branch Stock Reserve	–	4	–	–
Cash & Bank Balances	10	–	10	–
Purchases / Sales	240	520	20	123
Goods sent to Branch	–	100	5	–
Managing Director's salary	30	–	–	–
Wages & Salaries	75	–	45	–
Rent	–	–	12	–
Office Expenses	25	–	18	–
Commission Receipts	–	256	–	100
Branch / H.O. Current A/c	120	–	–	7

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	4,880	4,880	390	390

The following information is also available:

(1) Stock as at 31.3.20X2:Bombay ₹ 1,50,000 Sydney A $ 3,125

You are required to convert the Sydney Branch Trial Balance into rupees;Use the following rates of exchange :

Opening rate	A $ = ₹ 20
Closing rate	A $ = ₹ 24
Average rate	A $ = ₹ 22
For Fixed Assets	A $ = ₹ 18

Solution

Sydney Branch Trial Balance (in Rupees)
As on 31st March, 20X2

(₹ '000)

Conversion	**Rate per A$**	**Dr.**	**Cr.**
Plant & Machinery (cost)	₹18	36,00	
Plant & Machinery Dep. Reserve	₹18		23,40
Debtors / Creditors	₹24	14,40	7,20
Stock (1.4.20X1)	₹20	4,00	
Cash & Bank Balances	₹24	2,40	
Purchase / Sales	₹22	4,40	27,06
Goods received from H.O.	–	1,00	
Wages & Salaries	₹22	9,90	
Rent	₹22	2,64	
Office expenses	₹22	3,96	
Commission Receipts	₹22		22,00
H.O. Current A/c			1,20
		78,70	80,86

CA SONAL KALRA

Exchange loss (balancing figure)		2,16	
		80,86	80,86

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Q 2 MTP NOV 2020

Ganesh Ltd. has head office at Delhi (India) and branch at New York. New York branch is an integral foreign operation of Ganesh Ltd. New York branch furnishes you with its trial balance as on 31st March, 2020 and the additional information given thereafter:

	Dr. ($)	Cr. ($)
Stock on 1st April, 2019	300	–
Purchases and sales	800	1,500
Sundry Debtors and creditors	400	300
Bills of exchange	120	240
Sundry expenses	1,080	–
Bank balance	420	–
Delhi office A/c	–	1,080
	3,120	3,120

The rates of exchange may be taken as follows:

- on 1.4.2019 @ ₹ 40 per US $
- on 31.3.2020 @ ₹ 42 per US $
- average exchange rate for the year @ ₹ 41 per US $.

New York branch account showed a debit balance of ₹ 44,380 on 31.3.2020 in Delhi books and there were no items pending reconciliation.

You are asked to prepare trial balance of New York in ₹ in the books of Ganesh Ltd.

Solution

In the books of Ganesh Ltd.

New York Branch Trial Balance in (₹)

as on 31st March, 2020

	Conversion rate per US $ (₹)	Dr. ₹	Cr. ₹
Stock on 1.4.19	40	12,000	
Purchases and sales	41	32,800	61,500
Sundry debtors and creditors	42	16,800	12,600

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Bills of exchange	42	5,040	10,080
Sundry expenses	41	44,280	
Bank balance	42	17,640	
Delhi office A/c	–		44,380
		1,28,560	1,28,560

Q 3 NOV 2019 Exam

Karan Enterprises having its Head Office in Mangalore, Karnataka has a branch inGreenville, USA. Following is the trial balance of Branch as at 31-3-2019:

Particulars	Amount ($) Dr.	Amount ($) Cr.
Fixed assets	8,000	
Opening inventory	800	
Cash	700	
Goods received from Head Office	2,800	
Sales		24,050
Purchases	11,800	
Expenses	1,800	
Remittance to head office	2,450	
Head office account		4,300
	28,350	28,350

(i) Fixed assets were purchased on 1st April, 2015.

(ii) Depreciation at 10% p.a. is to be charged on fixed assets on straight line method.

(iii) Closing inventory at branch is $ 700 as on 31-3-2019.

(iv) Goods received from Head Office (HO) were recorded at ₹ 1,85,500 in HO books.

(v) Remittances to HO were recorded at ₹ 1,62,000 in HO books.

(vi) HO account is recorded in HO books at ₹ 2,84,500.

(vii) Exchange rates of US Dollar at different dates can be taken as :

1-4-2015 ₹ 63

1-4-2018 ₹ 65 and

CA SONAL KALRA

31-3-2019 ₹ 67

Prepare the trial balance after been converted into Indian rupees in accordance with AS-11.

Solution

Trial Balance of Foreign Branch (converted into Indian Rupees) as on March 31, 2019

Particulars	$ (Dr.)	$ (Cr.)	Conversion Basis	Rate	₹ (Dr.)	₹ (Cr.)
Fixed Assets	8,000		Transaction Date Rate	63	5,04,000	
Opening Inventory	800		Opening Rate	65	52,000	
Goods Receivedfrom HO	2,800		Actuals		1,85,500	
Sales		24,050	Average Rate	66		15,87,300
Purchases	11,800		Average Rate	66	7,78,800	
Expenses	1,800		Average Rate	66	1,18,800	
Cash	700		Closing Rate	67	46,900	
Remittance to HO	2,450		Actuals		1,62,000	
HO Account		4,300	Actuals			2,84,500
Exchange Rate Difference			Balancing Figure		23,800	
	28,350	28,350			18,71,800	18,71,800
Closing Stock	700		Closing Rate	67	46,900	
Depreciation	800		Fixed Asset Rate	63	50,400	

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Q 4 STUDY MAT

The Washington branch of XYZ Mumbai sent the following trial balance as on 31st December, 20X1:

	$	$
Head office A/c	_	22,800
Sales	_	84,000

Debtors and creditors	4,800	3,400
Machinery	24,000	–
Cash at bank	1,200	–
Stock, 1 January, 20X1	11,200	–
Goods from H.O.	64,000	–
Expenses	5,000	–
	1,10,200	1,10,200

In the books of head office, the Branch A/c stood as follows:

Washington Branch A/c

		₹			₹
To	Balance b/d	8,10,000	By	Cash	28,76,000
To	Goods sent to branch	29,26,000	By	Balance c/d	8,60,000
		37,36,000			37,36,000

Goods are sent to the branch at cost plus 10% and the branch sells goods at invoice price plus 25%. Machinery was acquired in past, when $ 1.00 = ₹ 40.

Rates of exchange were:

1st January, 20X1	$ 1.00	=	₹ 46
31st December, 20X1	$ 1.00	=	₹48
Average	$ 1.00	=	₹ 47

Machinery is depreciated @ 10% and the branch manager is entitled to acommission of 5% on the profits of the branch.

You are required to:

(i) Prepare the Branch Trading & Profit & Loss A/c in dollars.

(ii) Convert the Trial Balance of branch into Indian currency and prepare Branch Trading & Profit and Loss A/c and the Branch A/c in the books of head

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office.

Solution

(i) **In the Books of Head Office**

Branch Trading and Profit & Loss A/c (in Dollars)

for the year ended 31st December, 20X1

	Particulars	$		Particulars	$
To	Opening stock	11,200	By	Sales	84,000
To	Goods from H.O.	64,000	By	Closing stock (W.N.2)	8,000
To	Gross profit c/d	16,800			
		92,000			92,000
To	Expenses	5,000	By	Gross profit b/d	16,800
To	Depreciation (24,000 x 10%)	2,400			
To	Manager's commission (W.N.1)	470			
To	Net profit c/d	8,930			
		16,800			16,800

CA SONAL KALRA

(ii) (a) **Converted Branch Trial Balance (into Indian Currency)**

Particulars	Rate per $	Dr. (₹)	Cr. (₹)
Machinery	40	9,60,000	–
Stock January 1, 20X1	46	5,15,200	–
Goods from head office	Actual	29,26,000	–
Sales	47	–	39,48,000
Expenses	47	2,35,000	–
Debtors & creditors	48	2,30,400	1,63,200
Cash at bank	48	57,600	–
Head office A/c	Actual	–	8,60,000
Difference in exchange rate (b.f.)		47,000	–
		49,71,200	49,71,200
Closing stock $ 8,000 (W.N. 2)	48		₹ 3,84,000

CA SONAL KALRA

(b) Branch Trading and Profit & Loss A/c for the year ended 31st December, 20X1

		₹			₹
To	Opening stock	5,15,200	By	Sales	39,48,000
To	Goods from head office	29,26,000	By	Closing stock (W.N.2)	3,84,000
To	Gross profit c/d	8,90,800			
		43,32,000			43,32,000
To	Expenses	2,35,000	By	Gross profit b/d	8,90,800
To	Depreciation @ 10% on ₹ 9,60,000	96,000			
To	Exchange difference	47,000			
To	Manager's commission(W.N.1)	22,560			
To	Net Profit c/d	4,90,240			
		8,90,800			8,90,800

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(c) Branch Account

	₹			₹
To Balance b/d	8,60,000	By Machinery	9,60,000	
		Less: Depreciation	(96,000)	8,64,000
To Net profit	4,90,240	By Closing stock		3,84,000
To Creditors	1,63,200	By Debtors		2,30,400
To Outstanding commission	22,560	By Cash at bank		57,600
	15,36,000			15,36,000

Working Notes:

1. Calculation of manager's commission @ 5% on profit

i.e. 5% of $[16,800 – (5,000 + 2,400)]

Or 5% × $9,400 = $ 470

Manager's commission in Rupees = $ 470 ₹48 = ₹22,560

2. Calculation of closing stock

	$
Opening stock	11,200
Add: Goods from head office	64,000
	75,200
Less: Cost of goods sold (at invoice price)	
i.e. 100/125 *84,000	(67,200)
Closing stock	8,000

Closing stock in Rupees = $8,000 x ₹48 = ₹3,84,000.

Note: Manager is entitled to commission on profits earned at the end of the year

CA SONAL KALRA

Q 5 MTP NOV 2019

M & S Co. of Lucknow has a branch in Canberra, Australia (as an integral foreign operation of M & S Co.). At the end of 31st March 2019, the following ledger balances have been extracted from the books of the Lucknow office and the Canberra.

	Lucknow office (Rs. In thousand)		Canberra Branch (Aust. Dollars in thousand)	
	Dr.	Cr.	Dr.	Cr.
Capital		2,000		
Reserves & Surplus		1,000		
Land	500			
Buildings (Cost)	1,000			
Buildings Dep. Reserves		200		
Plant and Machinery (Cost)	2,500		200	
Plant and Machinery Dep. Reserves		600		130
Debtors/Creditors	280	200	60	30
Stock as on 1- 4-2018	100		20	
Branch Stock Reserve		4		
Cash & Bank Balances	10		10	
Purchases/Sales	240	520	20	123
Goods sent to Branch		100	5	
Managing Partner's Salary	30			
Wages and Salary	75		45	
Rent			12	
Office Expenses	25		18	
Commission Receipts		256		100
Branch/HO Current Account	120			7
	4,880	4,880	390	390

The following information is also available:

(i) Stock as at 31st March, 2019

Lucknow Rs. 1,50,000

Canberra A$ 3125 (all stock are out of purchases made at Abroad)

(ii) Head Office always sent goods to the Branch at cost plus 25%

(iii) Provision is to be made for doubtful debts at 5%

(iv) Depreciation is to be provided on Buildings at 10% and on Plant and Machinery at 20% on written down value.

You are required to:

CA SONAL KALRA

(1) Convert the Branch Trial Balance into rupees by using the following exchange rates:

Opening rate	1 A $ = Rs. 50
Closing rate	1 A $ = Rs. 53
Average rate	1 A $ = Rs. 51.00
For Fixed Assets	1 A $ = Rs. 46.00

(2) Prepare Trading and Profit and Loss Account for the year ended 31st March 2019 showing to the extent possible H.O. results and Branch results separately.

Solution

M & S Co. Ltd.

Canberra, Australia Branch Trial Balance

As on 31st March 2019

	($ 'thousands)				(Rs.' thousands)
	Dr.	Cr.	Conversion rate per $	Dr.	Cr.
Plant & Machinery (cost)	200		Rs. 46	9,200	
Plant & Machinery Dep. Reserve		130	Rs. 46		5,980
Trade receivable/payable	60	30	Rs. 53	3,180	1,590
Stock (1.4.2018)	20		Rs. 50	1,000	
Cash & Bank Balances	10		Rs. 53	530	
Purchase / Sales	20	123	Rs. 51	1,020	6,273
Goods received from H.O.	5		Actual	100	
Wages & Salaries	45		Rs. 51	2,295	
Rent	12		Rs. 51	612	
Office expenses	18		Rs. 51	918	
Commission Receipts		100	Rs. 51		5,100
H.O. Current A/c		7	Actual		120
				18,855	19,063
Foreign Exchange Loss (bal. fig.)				208	
	390	390		19,063	19,063
Closing stock	3.125		53	165.625	

CA SONAL KALRA

Trading and Profit & Loss Account for the year ended 31st March, 2019

(Rs.'000)

	H.O.	Branch	Total		H.O.	Branch	Total
To Opening Stock	100	1,000.000	1,100.000	Sales	520	6,273.000	6,793.000
To Purchases	240	1,020.000	1,260.000	Goods sent to Branch	100	–	100.000
To Goods received from Head Office	–	100.000	100.000	Closing Stock	150	165.625	315.625
To Wages & Salaries	75	2,295.000	2,370.000				
To Gross profit c/d	355	2,023.625	2,378.625				
	770	6,438.625	7,208.625		770	6,438.625	7,208.625
To Rent	–	612.000	612.000	Gross profit b/d	355	2,023.625	2,378.625
To Office expenses	25	918.000	943.000	Commission receipts	256	5,100.000	5,356.000
To Provision for doubtful debts @5%	14	159.000	173.000				
To Depreciation (W. N.)	460	644.000	1,104.000				
To Balance c/d	112	4,790.625	4,902.625				
	611	7,123.625	7,734.625		611	7,123.625	7,734.625
To Managing Partner 's Salary			30.000	Balance b/d			4,902.625
To Exchange Loss			208.000	Branch stock reserve			4.000
To Balance c/d			4,668.625				
			4,906.625				4,906.625

CA SONAL KALRA

Working Note:

Calculation of Depreciation

	H.O Rs.'000	Branch Rs.'000
Building – Cost	1,000	
Less: Dep. Reserve	(200)	
	800	
Depreciation @ 10% (A)	80	
Plant & Machinery Cost	2,500	9,200
Less: Dep. Reserve	(600)	(5,980)
	1,900	3,220

Depreciation @ 20% (B)	380	644
Total Depreciation (A+B)	460	644

Note: As the closing stock of Branch does not consist any stock transferred from M& S Co., thereis no need to create closing stock reserve. But the opening branch stock reserve has to be reversed in the P&L A/c.

Q 6 MTP MAY 2021, MTP MAY 2022

DM Delhi has a branch in London which is an integral foreign operation of DM. At the end of the year 31st March, 2021, the branch furnishes the following trial balance in U.K. Pound:

Particulars	£ Dr.	£ Cr.
Fixed assets (Acquired on 1st April, 2017)	24,000	
Stock as on 1st April, 2020	11,200	
Goods from head Office	64,000	
Expenses	4,800	
Debtors	4,800	
Creditors		3,200
Cash at bank	1,200	
Head Office Account		22,800
Purchases	12,000	
Sales		96,000
	1,22,000	1,22,000

CA SONAL KALRA

In head office books, the branch account stood as shown below:

London Branch A/c

Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	20,10,000	By Bank A/c	52,16,000
To Goods sent to branch	49,26,000	By Balance c/d	17,20,000
	69,36,000		69,36,000

The following further information is given:

(a) Fixed assets are to be depreciated @ 10% p.a. on WDV.

(b) On 31st March, 2021:

Expenses outstanding	-	£ 400
Prepaid expenses	-	£ 200
Closing stock	-	£ 8,000

(c) Rate of Exchange:

1st April, 2017	-	₹ 70 to £ 1
1st April, 2020	-	₹ 76 to £ 1
31st March, 2021	-	₹ 77 to £ 1
Average	-	₹ 75 to £ 1

You are required to prepare: (1) Trial balance, incorporating adjustments of outstanding and prepaid expenses, converting U.K. pound into Indian rupees; and (2) Trading and profit and loss account for the year ended 31st March, 2021 of London branch as would appear in the books of Delhi head office of DM.

Solution

Trial Balance of London Branch as on 31st March, 2021

Particulars	U.K. Pound	Rate Per U.K. Pound	Dr. (₹)	Cr. (₹)
Fixed Assets	24,000	70	16,80,000	
Stock (as on 1st April, 2020)	11,200	76	8,51,200	
Goods from Head Office	64,000	-	49,26,000	
Sales	96,000	75		72,00,000
Purchases	12,000	75	9,00,000	
Expenses (4,800 + 400 – 200)	5,000	75	3,75,000	
Debtors	4,800	77	3,69,600	
Creditors	3,200	77		2,46,400
Outstanding Expenses	400	77		30,800
Prepaid expenses	200	77	15,400	

CA SONAL KALRA

Cash at Bank	1,200	77	92,400	
Head office Account		-		17,20,000
Difference in Exchange				12,400
			92,09,600	92,09,600

Closing stock will be (8,000 x 77) = ₹ 6,16,000

Trading and Profit & Loss A/c

for the year ended 31st March,2021

Particulars		Amount (₹)	Particulars		Amount (₹)
To	Opening Stock	8,51,200	By	Sales	72,00,000
To	Purchases	9,00,000	By	Closing Stock	6,16,000
To	Goods from H.O.	49,26,000			
To	Gross Profit	11,38,800			
		78,16,000			78,16,000
To	Expenses	3,75,000	By	Gross Profit	11,38,800
To	Depreciation	1,68,000	By	Profit due to Exchange difference	12,400
To	Net Profit	6,08,200			
		11,51,200			11,51,200

Working Note:

Since London Branch is an integral foreign operation. Hence, (1) Fixed assets (cost and depreciation) are translated using the exchange rate at the date of purchase of the assets. (2) Exchange difference arising on translation of the financial statement is charged to Profit and Loss Account.

CA SONAL KALRA

Q 7 MTP MAY 2021, MTP NOV 2022, MTP NOV 2023

Moon Star has a branch at Virginia (USA). The Branch is a non-integral foreign operation of the Moon Star. The trial balance of the Branch as at 31st March, 2020 is as follows:

Particulars	US $	
	Dr.	Cr.
Office equipments	48,000	
Furniture and Fixtures	3,200	

Stock (April 1, 2019)	22,400	
Purchases	96,000	
Sales	---	1,66,400
Goods sent from H.O	32,000	
Salaries	3,200	
Carriage inward	400	
Rent, Rates & Taxes	800	
Insurance	400	
Trade Expenses	400	
Head Office Account	---	45,600
Sundry Debtors	9,600	
Sundry Creditors	---	6,800
Cash at Bank	2,000	
Cash in Hand	400	
	2,18,800	2,18,800

The following further information is given:

(1) Salaries outstanding $ 400.

(2) Depreciate office equipment and furniture & fixtures @10% p.a. at written down value.

(3) The Head Office sent goods to Branch for Rs.15,80,000.

(4) The Head Office shows an amount of Rs. 20,50,000 due

from Branch. (5) Stock on 31st March, 2020 -$21,500.

(6) There were no transit items either at the start or at the end of the year.

(7) On April 1, 2018 when the fixed assets were purchased the rate of exchange was Rs. 43 to one $. On April 1, 2019, the rate was 47 per $. On March 31, 2020 the rate was Rs. 50 per $. Average rate during the year was Rs. 45 to one $.

Prepare Trial balance incorporating adjustments given converting dollars into rupees and Trading, Profit and Loss Account for the year ended 31st March, 2020 of the Branch as would appear in the books of Moon Star for the purpose of incorporating in the main Balance Sheet.

Solution

In the books of Moon Star

Trial Balance (in Rupees) of Virginia (USA) Branch

as on 31st March, 2020

CA SONAL KALRA

	Dr.	Cr.	Conversion	Dr.	Cr.
	US $	US $	rate	Rs.	Rs.
Office Equipment	43,200		50	21,60,000	
Depreciation on Office Equipment	4,800		50	2,40,000	
Furniture and fixtures	2,880		50	1,44,000	
Depreciation on furniture andfixtures	320		50	16,000	
Stock (1st April, 2019)	22,400		47	10,52,800	
Purchases	96,000		45	43,20,000	
Sales		1,66,400	45		74,88,000
Goods sent from H.O.	32,000			15,80,000	
Carriage inward	400		45	18,000	
Salaries (3,200+400)	3,600		45	1,62,000	
Outstanding salaries		400	50		20,000
Rent, rates and taxes	800		45	36,000	
Insurance	400		45	18,000	
Trade expenses	400		45	18,000	
Head Office A/c		45,600			20,50,000
Trade debtors	9,600		50	4,80,000	
Trade creditors		6,800	50		3,40,000
Cash at bank	2,000		50	1,00,000	
Cash in hand	400		50	20,000	
Exchange gain (bal. fig.)					4,66,800
	2,19,200	2,19,200		1,03,64,800	1,03,64,800

Q 8 RTP MAY 2023

PQR has a branch at Houston (USA). Business of the Branch is carried out substantially independent by way of accumulating cash and other monetary items, incurring expenses, generating income and arranging borrowing in its local currency. The trial balance of the Branch as at 31st March, 2022 is as follows:

	US$	
Particulars	Debit	Credit
Office equipment (Cost)	56,400	
Opening Accumulated Depreciation (Office equipment)		5,400
Furniture and Fixtures (Cost)	36,000	

CASONAL KALRA

Opening Accumulated Depreciation (Furniture and Fixtures)		6,840
Opening Stock as on 1st April, 2021	24,500	
Purchases	96,500	
Sales		1,76,250
Salaries	4,250	
Carriage inward	256	
Rent, Rates & Taxes	956	
Trade receivables	12,560	
Trade payables		8,650
Cash at bank	2,540	
Cash in hand	500	
Head office Account		37,322
Total	2,34,462	2,34,462

Following further information are given:

(i) Salaries outstanding as on 31st March, 2022 is US$ 600.

(ii) Depreciate office equipment and furniture & fixtures @ 10% at written down value.

(iii) Closing stock as on 31st March, 2022 is US $, 24,650.

(iv) You are informed that the Head office is showing receivable from the Branch as ₹ 23,75,614 as on 31st March, 2022. No transaction in respect of the Branch is pending in Head office.

(v) Office equipment (cost) includes one office equipment of US $ 2,400 purchased on 1/04/2021.

(vi) One furniture of carrying value of US $ 450 as on 01/04/2021 (cost: US $ 500 and Accumulated depreciation: US $ 50) has been sold for US $ 405 on 31/03/2022 to Mr. M at no profit no loss. Mr. M has not paid the amount till the finalization of branch account. No entry has been passed for this sale of furniture in the above trial balance.

(vii) The rate of exchange on different dates are:

Date	1 US $ is equivalent to
1st April, 2021	₹ 64
31st December, 2021	₹ 70
31st March, 2022	₹ 75
Average for the year	₹ 72

You are required to prepare the trial Balance after incorporating adjustments given and converting US $ into rupees

CA SONAL KALRA

Solution

In the books of PQR

Trial Balance (in Rupees) of Houston (USA) Branch – Non Integral foreign operation

as on 31st March, 2022

	Dr.	Cr.	Conversion	Dr.	Cr.
	US $	US $	rate	₹	₹
Office Equipment	56,400		75	42,30,000	
Depreciation on Office Equipment (Accumulated) (5,400+5,100)		10,500	75		7,87,500
Depreciation	8,016		75	6,01,200	
Furniture and fixtures (36,000-500)	35,500		75	26,62,500	
Depreciation on furniture and fixtures (Accumulated) (6,840-50-45 +2,916)		9,661	75		7,24,575
Stock (1st April, 2021)	24,500		64	15,68,000	
Purchases	96,500		72	69,48,000	
Sales		1,76,250	72		126,90,000
Carriage inward	256		72	18,432	
Salaries (4,250+600)	4,850		72	3,49,200	
Rent, rates and taxes	956		72	68,832	
Salaries payable		600	75		45,000
Head Office A/c		37,322			23,75,614 (given)
Trade receivables	12,560		75	9,42,000	
Trade payables		8,650	75		6,48,750
Cash at bank	2,540		75	1,90,500	
Cash in hand	500		75	37,500	
Mr. M (Receivable for sale of	405		75	30,375	

CA SONAL KALRA

furniture)					
Exchange gain (bal. fig.)					3,75,100
	2,42,983	2,42,983		176,46,539	176,46,539

Closing stock 24,650 US$ x ₹ 75 =₹18,48,750.

Q 9 STUDY MAT

On 31st December, 20X2 the following balances appeared in the books of Chennai Branch of an English firm having its HO office in New York:

	Amount in₹	Amount in₹
Stock on 1st Jan., 20X2	2,34,000	
Purchases and Sales	15,62,500	23,43,750
Debtors and Creditors	7,65,000	5,10,000
Bills Receivable and Payable	2,04,000	1,78,500
Salaries and Wages	1,00,000	-
Rent, Rates and Taxes	1,06,250	-
Furniture	91,000	-
Bank A/c	5,68,650	
New York Account	-	5,99,150
	36,31,400	36,31,400

Stock on 31st December, 20X2 was ₹ 6,37,500.

Branch account in New York books showed a debit balance of $ 13,400 on31st December, 20X2 and Furniture appeared in the Head Office books at $ 1,750.

CA SONAL KALRA

The rate of exchange for 1 $ on 31st December, 20X1 was ₹ 52 and on 31st December, 20X2 was ₹ 51. The average rate for the year was ₹ 50.

Prepare in the Head Office books the Profit and Loss a/c and the Balance Sheet of the Branch assuming integral foreign operation.

Solution

In the books of English Firm (Head Office in New York)
Chennai Branch Profit and Loss Account
for the year ended 31st December, 20X2

	$		$
To Opening stock	4,500	By Sales	46,875
To Purchases	31,250	By Closing stock	12,500
To Gross profit c/d	23,625	(6,37,500 / 51)	
	59,375		59,375
To Salaries	2,000	By Gross profit b/d	23,625
To Rent, rates and taxes	2,125		
To Exchange translation loss	2,000		
To Net Profit c/d	17,500		
	23,625		23,625

Balance Sheet of Chennai Branchas
on 31st December, 20X2

Liabilities	$	$	Assets	$
Head Office A/c	13,400		Furniture	1,750
Add: Net profit	17,500	30,900	Closing Stock	12,500
Trade creditors		10,000	Trade Debtors	15,000
Bills Payable		3,500	Bills Receivable	4,000
			Cash at bank	11,150
		44,400		44,400

CA SONAL KALRA

Working Note

Calculation of Exchange Translation Loss
Chennai Branch Trial Balance (converted in $)
as on 31st December, 20X2

	Dr. ₹	Cr. ₹	Conversion Rate	Dr. ($)	Cr. ($)
Stock on 1st Jan., 20X2	2,34,000		52	4,500	
Purchases & Sales	15,62,500	23,43,750	50	31,250	46,875
Debtors & creditors	7,65,000	5,10,000	51	15,000	10,000
Bills Receivable and Bills Payable	2,04,000	1,78,500	51	4,000	3,500
Salaries and wages	1,00,000		50	2,000	
Rent, Rates and Taxes	1,06,250		50	2,125	
Furniture	91,000			1,750	
Bank A/c	5,68,650		51	11,150	
New York Account		5,99,150			13,400
Exchange translation loss (bal. fig.)				2,000	
	36,31,400	36,31,400		73,775	73,775

Q 10 STUDY MAT

M/s Carlin has head office at New York (U.S.A.) and branch at Mumbai (India). Mumbai branch is an integral foreign operation of Carlin & Co.

Mumbai branch furnishes you with its trial balance as on 31st March, 20X2 and the additional information given thereafter:

CA SONAL KALRA

	Dr.	Cr.
	Rupees in thousands	
Stock on 1st April, 20X1	300	–
Purchases and sales	800	1,200
Sundry Debtors and creditors	400	300
Bills of exchange	120	240
Wages and salaries	560	–
Rent, rates and taxes	360	–
Sundry charges	160	–
Computers	240	
Bank balance	420	–
New York office a/c	–	1,620
	3,360	3,360

Additional information:

(a) Computers were acquired from a remittance of US $ 6,000 received from New York head office and paid to the suppliers. Depreciate computers at 60% forthe year.

(b) Unsold stock of Mumbai branch was worth ₹ 4,20,000 on 31st March, 20X2.

(c) The rates of exchange may be taken as follows:

- on 1.4.20X1 @ ₹ 40 per US $
- on 31.3.20X2 @ ₹ 42 per US $
- average exchange rate for the year @ ₹ 41 per US $
- conversion in $ shall be made upto two decimal accuracy.

CA SONAL KALRA

You are asked to prepare in US dollars the revenue statement for the year ended 31st March, 20X2 and the balance sheet as on that date of Mumbai branch as would appear in the books of New York head office of Carlin & Co. You are informed that Mumbai branch account showed a debit balance of US $ 39609.18 on 31.3.20X2 in New York books and there were no items pending reconciliation.

Solution

M/s Carlin
Mumbai Branch Trial Balance in (US $)
as on 31st March, 20X2

	Conversion	Dr.	Cr.
	rate per US $ (₹)	US $	US $
Stock on 1.4.X1	40	7,500.00	–
Purchases and sales	41	19,512.20	29,268.29
Sundry debtors and creditors	42	9,523.81	7,142.86
Bills of exchange	42	2,857.14	5,714.29
Wages and salaries	41	13,658.54	–
Rent, rates and taxes	41	8,780.49	–
Sundry charges	41	3,902.44	–
Computers	–	6,000.00	–
Bank balance	42	10,000.00	–
New York office A/c	–	–	39,609.18
		81,734.62	81,734.62

CA SONAL KALRA

Trading and Profit & Loss Account

for the year ended 31st March, 20X2

	US $		US $
To Opening Stock	7,500.00	By Sales	29,268.29
To Purchases	19,512.20	By Closing stock (4,20,000/42)	10,000.00
To Wages and salaries	13,658.54	By Gross Loss c/d	1,402.45
	40,670.74		40,670.74
To Gross Loss b/d	1,402.45	By Net Loss	17,685.38
To Rent, rates and taxes	8,780.49		
To Sundry charges	3,902.44		
To Depreciation on Computers (US $ 6,000 × 0.6)	3,600.00		
	17,685.38		17,685.38

Balance Sheet of Mumbai Branch

as on 31st March, 20X2

Liabilities		US $	Assets	US $	US $
New York OfficeA/c	39,609.18		Computers	6,000.00	
Less: Net Loss	(17,685.38)	21,923.80	Less: Depreciation	(3,600.00)	2,400.00
Sundry creditors		7,142.86	Closing stock		10,000.00
Bills payable		5,714.29	Sundry debtors		9,523.81
			Bank balance		10,000.00
			Bills receivable		2,857.14
		34,780.95			34,780.95

CA SONAL KALRA

Q 11 MAY 2019 EXAM

M/s Rani & Co. has head office at Singapore and branch at Delhi (India). Delhi branch is an integral foreign operation of M/s Rani & Co. Delhi branch furnishes you with its Trial Balance as on 31st March, 2019 and the additional information thereafter:

	Dr.	Cr.
	Rupees in thousands	
Stock on 1st April, 2018	600	-
Purchases and Sales	1,600	2,400
Sundry Debtors and Creditors	800	600
Bills of Exchange	240	480
Wages	1,120	-
Rent, rates and taxes	720	-
Sundry Expenses	320	-
Computers	600	-
Bank Balance	520	-
Singapore Office A/c	-	3,040
Total	6,520	6,520

Additional information :

(a) Computers were acquired from a remittance of Singapore dollar 12,000 received from Singapore Head Office and paid to the suppliers. Depreciate Computers at the rate of 40% for the year.

(b) Closing Stock of Delhi branch was ₹ 15,60,000 on 31st March, 2019.

(c) The Rates of Exchange may be taken as follows :

(i) on 1.4.2018 @ ₹ 50 per Singapore Dollar

(ii) on 31.3.2019 @ ₹ 52 per Singapore Dollar

(iii) Average Exchange Rate for the year @ ₹ 51 per Singapore Dollar.

(iv) Conversion in Singapore Dollar shall be made upto two decimal accuracy.

(d) Delhi Branch Account showed a debit balance of Singapore Dollar 59,897.43 on 31.3.2019 in the Head office books and there were no items pending for reconciliation.

In the books of Head office you are required to prepare :

(1) Revenue statement for the year ended 31st March, 2019 (in Singapore Dollar)

(2) Balance Sheet as on that date. (in Singapore Dollar) **(8 Marks)**

CASONAL KALRA

Solution

Revenue Statement

for the year ended 31st March, 2019

	Singapore dollar		Singapore dollar
To Opening Stock	12,000.00	By Sales	47,058.82
To Purchases	31,372.55	By Closing stock	30,000.00
To Wages	21,960.78	(15,60,000/52)	
To Gross profit b/d	11,725.49		
	77,058.82		77,058.82
To Rent, rates and taxes	14,117.65	By Gross profit c/d	11,725.49
To Sundry Expenses	6,274.51	By Net loss b/d	13,466.67
To Depreciation on computers (Singapore dollar 12,000 x 0.4)	4,800.00		
	25,192.16		25,192.16

Balance Sheet of Delhi Branch

as on 31st March, 2019

Liabilities		Singapore dollar	Assets	Singapore dollar	Singapore dollar
Singapore Office A/c	59,897.43		Computers	12,000.00	
Less: Net Loss	(13,466.67)	46,430.76	Less: Depreciation	(4,800.00)	7,200.00
Sundry creditors		11,538.46	Closing stock		30,000.00
Bills payable		9,230.77	Sundry debtors		15,384.61
			Bank balance		10,000.00
			Bills receivable		4,615.38
		67,199.99			67,199.99

CA SONAL KALRA

Working Note:

M/s Rani & Co.

Delhi Branch Trial Balance in (Singapore $)

as on 31st March, 2019

			Conversion rate per Singapore dollar	Dr. Singapore dollar	Cr. Singapore dollar
			(₹)		
Stock on 1.4.18	6,00,000.00		50	12,000.00	–
Purchases and sales	16,00,000.00	24,00,000.00	51	31,372.55	47,058.82
Sundry Debtors and Creditors	8,00,000.00	6,00,000.00	52	15,384.61	11,538.46
Bills of exchange	2,40,000.00	4,80,000.00	52	4,615.38	9,230.77
Wages	11,20,000.00		51	21,960.78	–
Rent, rates and taxes	7,20,000.00		51	14,117.65	–
Sundry Expenses	3,20,000.00		51	6,274.51	–
Computers	6,00,000.00		–	12,000.00	–
Bank balance	5,20,000.00		52	10,000.00	–
Singapore office A/c			–		59,897.43
				1,27,725.48	1,27,725.48

Q 12 MAY 2023 EXAM

Artis Limited has a branch at Seattle USA. Its Trial Balance as on 31th December 2022 isas follows:

	Dr. in US $	Cr. In US $
Stock as on 01.01.2022	22,000	
Purchases	1,00,000	
Sales		1,30,500
Goods from H.O.	30,000	
Salaries	4,000	
Head Office A/c.		27,000
Sundry Debtors	2,200	
Sundry Creditors		1,500
Cash at Bank & Hand	800	
Total	1,59,000	1,59,000

CA SONAL KALRA

The following information is given:

(i) Salaries outstanding are $ 500.

(ii) The Head Office sent goods to Branch for ₹ 24,00,000.

(iii) The Head Office shows an amount of ₹ 21,90,000 due from Branch.The exchange rates were as below:

- On 1st January 2022 -₹ 79 to 1$
- On 31st December 2022-₹ 83 to 1 $
- Average rate during the year was ₹ 79.50 to 1 $

You are required to prepare the Seattle Branch Trial Balance incorporating adjustmentsgiven above, converting dollars into rupees. **(5 Marks)**

Seattle Branch Trial balance (in ₹)

Particulars	Rate as per ₹	Debit ₹	Credit ₹
Stock (01-01-2022)	79.00	17,38,000	
Purchases	79.50	79,50,000	
Sales	79.50		1,03,74,750
Goods from HO	Given	24,00,000	
Salaries ($ 4,000 + $ 500 = $ 4,500 x ₹ 79.50)[1]	79.50	3,57,750	
Head Office A/c	Given		21,90,000
Sundry Debtors	83.00	1,82,600	
Sundry Creditors	83.00		1,24,500
Cash at Bank & Hand	83.00	66,400	
Salaries Outstanding ($ 500 x ₹ 83)	83.00		41,500
Exchange gain		36,000	
Total		1,27,30,750	1,27,30,750

[1] The amount of outstanding salary amounting $ 500 (included in the salaries) may be converted at ₹ 83 and the salary paid during the year at ₹79.50. In that case the amount of salaries including outstanding salary debited in the trial balance will be for ₹ 3,59,500 [(4,000 X 79.5 =3,18,000) + (500 x 83= 41,500). In this case, the amount of exchange gain will be computed as ₹ 34,250.

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