

11. ACCOUNTING FOR DEPENDENT BRANCHES**ASSIGNMENT SOLUTIONS****PROBLEM NO: 1****Computation of Branch manager commission**

| Particulars | Shyam Bazar (Rs.) | Tolly gunge (Rs.) |
|---|-------------------|-------------------|
| 1. Net Profit before charging commission (W.N.1) | 10,060 | 5,540 |
| 2. Branch manager commission @ 10% on above | (1,006) | (554) |
| 3. 25% of ascertained deficiency i.e. abnormal loss | (60) | (20) |
| 4. Branch managers commission after adjustment of abnormal loss | 946 | 534 |
| 5. Drawing already made | (600) | (300) |
| Balance commission due | 346 | 234 |

WORKING NOTE -1

| Dr. Branch Stock A/c | | | Cr. | | |
|----------------------------------|--------------------|-------------------|-------------------------------|--------------------|-------------------|
| Particulars | Shyam bazaar (Rs.) | Tolly gunge (Rs.) | Particulars | Shyam bazaar (Rs.) | Tolly gunge (Rs.) |
| To Balance b/d | 18,684 | 12,484 | By Bank A/c | 90,320 | 58,560 |
| To goods sent to Branch A/c | 72,420 | 43,480 | By Branch A/c (abnormal loss) | 240 | 80 |
| To Branch P&L A/c (25% On Sales) | 22,580 | 14,640 | By Balance c/d | 23,124 | 11,964 |
| | 1,13,684 | 70,604 | | 1,13,684 | 70,604 |

| Dr. Branch Profit & Loss A/c | | | Cr. | | |
|-------------------------------|--------------------|-------------------|---------------------|--------------------|-------------------|
| Particulars | Shyam bazaar (Rs.) | Tolly gunge (Rs.) | Particulars | Shyam bazaar (Rs.) | Tolly gunge (Rs.) |
| To Branch Expenses A/c | 12,280 | 9,020 | By Branch Stock A/c | 22,580 | 14,640 |
| To Branch A/c (abnormal loss) | 240 | 80 | | | |
| To Net Profit | 10,060 | 5,540 | | | |
| | 22,580 | 14,640 | | 22,580 | 14,640 |

PROBLEM NO: 2**In the books of Head Office**

| Dr. Branch Stock Account | | Cr. | |
|--|------------------|---|------------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| 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 Branch A/c (Returns to H.O.)) | 1,20,000 |
| | | By Branch Adjustment A/c* (Rs. 24,000 x 25/100) | 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 |
| | | By Balance c/d: | |
| | | In hand | 2,88,000 |
| | | In transit | 48,000 |
| | 27,96,000 | | 27,96,000 |

*Alternatively, combined posting for the amount of Rs. 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.

Dr. **Branch Adjustment Account** Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|---|--------------|--|--------------|
| To Branch Stock A/c (Loading on Abnormal Loss) | 6,000 | By Stock Reserve A/c (Rs. 3,60,000 x 25/100) | 90,000 |
| To Branch Stock A/c (Normal Loss) | 36,000 | By Goods Sent to Branch A/c (Rs. 24,00,000 - 1,20,000) x 25/100 | 5,70,000 |
| To Stock Reserve A/c (Rs. 3,36,000 x 25/100) | 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 |

Dr. **Branch Profit and Loss Account** Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|---|--------------|---|--------------|
| To Branch Stock A/c (Cost of Abnormal Loss) | 18,000 | By Branch Adjustment A/c (Gross Profit) | 5,70,000 |
| To Net Profit t/f to General P & L A/c | 5,52,000 | | |
| | 5,70,000 | | 5,70,000 |

PROBLEM NO: 3

Books of Harrison

Dr. **Branch Stock Account** Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|---|-----------------|--|-----------------|
| To Balance b/d | 30,000 | By Branch Debtors | 1,65,000 |
| To Goods Sent to Branch A/c | 2,40,000 | By Branch Bank | 59,000 |
| To Branch Adjustment A/c (Excess of sale over invoice price) | 2,000 | By Balance c/d (Goods in Transit) (Rs. 2,40,000 - Rs. 2,20,000) | 20,000 |
| | | Stock at Branch | 28,000 |
| | <u>2,72,000</u> | | <u>2,72,000</u> |

Dr. **Branch Debtors Account** Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|-----------------|-----------------|--------------------------------------|-----------------|
| To Balance b/d | 32,750 | By Bad debts written off | 750 |
| To Branch Stock | 1,65,000 | By Branch Cash-collection (bal.fig.) | 1,71,000 |
| | | By Balance c/d | 26,000 |
| | <u>1,97,750</u> | | <u>1,97,750</u> |

Dr. **Branch Cash Account** Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|-------------------------|-----------------|---|-----------------|
| To Balance b/d | 5,000 | By Bank Remit to H.O. | 2,22,500 |
| To Branch Stock | 59,000 | By Branch profit & loss A/c (exp. paid by H.O.) | 12,000 |
| To Bank (as per contra) | 12,000 | By Branch profit & loss A/c [Bal. fig. (exp. paid by Branch)] | 10,000 |
| To Branch Debtors | 1,71,000 | By Balance c/d | 2,500 |
| | <u>2,47,000</u> | | <u>2,47,000</u> |

Dr. **Branch Adjustment Account** Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|--|--------------|--|--------------|
| To Stock Reserve (on closing stock (48,000 x 1/6) | 8,000 | By Stock Reserve opening (25,000 x 20%) | 5,000 |
| To Gross Profit c/d | 39,000 | By Goods sent to Branch A/c | 40,000 |

| | | | |
|--|---------------|---------------------|---------------|
| | | By Branch Stock A/c | 2,000 |
| | 47,000 | | 47,000 |

Dr. **Branch Profit and Loss Account** Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|--|---------------|---------------------|---------------|
| To Branch Expenses (paid by H.O: Rs. 12,000 and paid by Branch Rs. 10,000) | 22,000 | By Gross Profit b/d | 39,000 |
| To Branch Debtors-Bad debts | 750 | | |
| To Net Profit | 16,250 | | |
| | 39,000 | | 39,000 |

Dr. **Goods Sent to Branch Account** Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|----------------------------|-----------------|------------------------|-----------------|
| 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 |

PROBLEM NO: 4

In the Books of Pawan Delhi (Head Office)

Dr. **Jaipur Branch Account** Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|------------------------------------|------------------|---------------------------------------|------------------|
| To Opening balances: | | By Branch stock reserve | 32,800 |
| Branch stock A/c | 1,64,000 | By Bank A/c (W.N.4) | 15,00,000 |
| Branch debtors A/c | 63,400 | By Goods sent to branch A/c (Loading) | 2,51,200 |
| Branch furniture A/c | 46,800 | | |
| To Goods sent to branch | 12,56,000 | By Closing Balances: | |
| To Bank A/c (branch expenses) | 2,64,000 | Branch stock A/c | 1,92,000 |
| To Branch stock reserve A/c | 38,400 | Branch debtors A/c | 84,300 |
| To Profit and loss A/c (Bal. Fig.) | 2,74,570 | Branch furniture A/c (W.N.2) | 46,870 |
| | 21,07,170 | | 21,07,170 |

Working Notes:

1. Depreciation on furniture

| Particulars | Amount (Rs.) |
|------------------------------------|--------------|
| 10% p.a. on Rs. 46,800 | 4,680 |
| 10% p.a. for 6 months on Rs. 5,000 | 250 |
| | 4,930 |

2. Closing balance of branch furniture as on 31.03.2013

| Particulars | Amount (Rs.) |
|--------------------------------------|--------------|
| Branch furniture as on 1.4.2012 | 46,800 |
| Add: Acquired during the year | 5,000 |
| | 51,800 |
| Less: Depreciation (W.N.1) | (4,930) |
| Branch furniture as on 31.03.2013 | 46,870 |

3. Collection from branch debtors

| Dr. Branch Debtors Account | | Cr. | |
|-----------------------------------|-----------------|-------------------------|-----------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Balance b/d | 63,400 | By Bank A/c (Bal. Fig.) | 7,23,300 |
| To Sales | 7,44,200 | By Balance c/d | 84,300 |
| | 8,07,600 | | 8,07,600 |

4. Cash remitted by the branch to head office:

Cash sales + Collection from debtors - Petty expenses - Furniture acquired by branch Rs. 8,02,600 + Rs. 7,23,300 (W.N. 3) - Rs. 20,900 - Rs. 5,000 = Rs. 15,00,000

PROBLEM NO: 5

| Dr. Branch Debtors A/c | | Cr. | |
|------------------------|-----------------|-------------------------------|-----------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Branch Stock A/c | 1,16,000 | By Branch cash A/c (bal. fig) | 74,000 |
| | | By Bad Debts (written off) | 400 |
| | | By Balance c/d | 41,600 |
| | <u>1,16,000</u> | | <u>1,16,000</u> |

| Dr. Goods Sent to Branch A/c | | Cr. | |
|------------------------------|-----------------|---------------------|-----------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Branch Adjustment A/c | 20,000 | By Branch Stock A/c | 1,20,000 |
| 1,00,000 x $\frac{20}{100}$ | | | |
| To Purchases / Trading A/c | 1,00,000 | | |
| | <u>1,20,000</u> | | <u>1,20,000</u> |

| Dr. Branch Cash A/c | | Cr. | |
|---------------------------------|-----------------|---------------------------|-----------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Branch Debtors A/c | 74,000 | By Branch Expenses A/c | 24,000 |
| To H.O A/c (cash remittance) | 6,000 | By H.O. (cash remittance) | 86,000 |
| To Branch Stock A/c | | By Balance c/d | |
| - Cash Sales (balancing figure) | 34,000 | | 4,000 |
| | <u>1,14,000</u> | | <u>1,14,000</u> |

| Dr. Branch Stock A/c | | Cr. | |
|--|-----------------|---|-----------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Goods sent to Branch A/c | 1,20,000 | By Branch Debtors A/c | 1,16,000 |
| To Branch Adjustment A/c (Excess profit over normal loading - balancing figure) | 54,000 | By Branch cash A/c (Sales) | 34,000 |
| | | By Goods in Transit (1,20,000 - 1,08,000) | 12,000 |
| | | By Balance c/d | 12,000 |
| | <u>1,74,000</u> | | <u>1,74,000</u> |

| Dr. Branch Expenses A/c | | Cr. | |
|-------------------------|--------------|---------------------|--------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Branch Cash A/c | 24,000 | By Branch P & L A/c | 24,000 |

| Dr. Branch Stock Adjustment A/c | | Cr. | |
|---------------------------------|---------------|-----------------------------|---------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Stock Reserve A/c | 2,000 | By Goods sent to Branch A/c | 20,000 |
| To Goods in transit Reserve A/c | 2,000 | By Branch Stock A/c | 54,000 |
| To Branch P & L A/c (Bal. fig.) | 70,000 | | |
| | <u>74,000</u> | | <u>74,000</u> |

| Dr. Branch P & L A/c | | Cr. | |
|--|---------------|--------------------------|---------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Branch Expenses A/c | 24,000 | By Branch Adjustment A/c | 70,000 |
| To Bad Debts | 400 | | |
| To Net Profit (transferred to General P & L A/c) | 45,600 | | |
| | <u>70,000</u> | | <u>70,000</u> |

Working Notes:

1. Loading is 20% of cost i.e 16.67% ($1/6^{\text{th}}$) of invoice value.
Loading on closing stock = $1/6^{\text{th}}$ of Rs.12,000 = Rs.2,000
2. Loading on goods sent to branch = $1/6^{\text{th}}$ of Rs.1,20,000 = Rs.20,000
3. Loading on goods in transit = $1/6^{\text{th}}$ of Rs. 12,000 = Rs.2,000

PROBLEM NO: 6

| Dr. | | Branch Stock A/c | | Cr. | |
|-----------------------------|-----------------|-----------------------------|-----------------|-----|--|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) | | |
| To Balance b/d | 2,250 | By Branch cash A/c | 1,21,050 | | |
| To Goods sent to Branch A/c | 1,50,000 | By Branch Debtors A/c | 27,600 | | |
| To Branch Debtors A/c | 300 | By Goods sent to Branch A/c | 780 | | |
| To Stock Discrepancy A/c | 840 | By abnormal loss A/c | 1,260 | | |
| | | By Balance c/d | 2,700 | | |
| | 1,53,390 | | 1,53,390 | | |

| Dr. | | Goods Sent to Branch A/c | | Cr. | |
|---|-----------------|--------------------------------|-----------------|-----|--|
| Particulars | Amount (Rs) | Particulars | Amount (Rs) | | |
| To Branch Stock Adjustment A/c (1,50,000 x 33.33%) | 50,000 | By Branch stock | 1,50,000 | | |
| To Branch Stock A/c | 780 | By Branch stock adjustment A/c | 260 | | |
| To Purchases | 99,480 | | | | |
| | 1,50,260 | | 1,50,260 | | |

| Dr. | | Stock Discrepancy A/c | | Cr | |
|--------------------------------|-------------|-----------------------|-------------|----|--|
| Particulars | Amount (Rs) | Particulars | Amount (Rs) | | |
| To Branch Stock Adjustment A/c | 280 | By Branch stock A/c | 840 | | |
| To Branch P&L A/c | 560 | | | | |
| | 840 | | 840 | | |

| Dr. | | Abnormal loss A/c | | Cr. | |
|---------------------|--------------|--------------------------------|--------------|-----|--|
| Particulars | Amount (Rs) | Particulars | Amount (Rs) | | |
| To Branch stock A/c | 1,260 | By Insurance co A/c | 730 | | |
| | | By Branch stock adjustment A/c | 176 | | |
| | | By Branch P&L A/c | 353 | | |
| | 1,260 | | 1,260 | | |

| Dr. | | Branch Debtors A/c | | Cr. | |
|---------------------|---------------|---------------------|---------------|-----|--|
| Particulars | Amount (Rs) | particulars | Amount (Rs) | | |
| To Balance b/d | 1,320 | By Branch stock A/c | 300 | | |
| To Branch stock A/c | 27,600 | By Bank A/c | 26,390 | | |
| | | By Balance c/d | 2,230 | | |
| | 28,920 | | 28,920 | | |

| Dr. | | Branch Stock Adjustment A/c | | Cr. | |
|-------------------------------|---------------|---------------------------------|---------------|-----|--|
| Particulars | Amount (Rs) | Particulars | Amount (Rs) | | |
| To Goods sent to Branch A/c | 260 | By Balance b/d (2,250 x 33.33%) | 750 | | |
| To abnormal loss A/c | 176 | By Goods sent to Branch A/c | 50,000 | | |
| To Branch P&L A/c | 49,694 | By Stock Discrepancy A/c | 280 | | |
| To Balance c/d (2,700x33.33%) | 900 | | | | |
| | 51,030 | | 51,030 | | |

| Dr. | | Branch P & L A/c | | Cr. | |
|------------------------|-------------|--------------------------------|-------------|-----|--|
| Particulars | Amount (Rs) | Particulars | Amount (Rs) | | |
| To abnormal loss A/c | 353 | By Stock Discrepancy A/c | 560 | | |
| To Branch Expenses A/c | 36,780 | By Branch Stock Adjustment A/c | 49,693 | | |
| To General P&L A/c | 13,120 | | | | |

| | | | |
|---------------------|-----------------|------------------------|-------------|
| | 50,253 | | 50,253 |
| Dr. | Branch Cash A/c | | Cr. |
| Particulars | Amount (Rs) | Particulars | Amount (Rs) |
| To Branch Stock A/c | 1,21,050 | By Branch Expenses A/c | 36,780 |
| | | By Balance c/d | 84,270 |
| | 1,21,050 | | 1,21,050 |

PROBLEM NO: 7

Books of sell well

| Dr. | Branch account | | Cr |
|--|----------------|---------------------------------------|--------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Goods Sent to Branch A/c (150,000 x 110/100) | 1,65,000 | By Cash A/c | 1,06,000 |
| To Stock Reserve [W.N - 2] | 4,855 | By Goods Sent to Branch - returns A/c | 4,200 |
| To Profit (transferred to General P&L A/c) | 37,363 | By Goods Sent to Branch [W.N - 1] | 14,618 |
| | | By Balance c/d | |
| | | Stock | 53,400 |
| | | Debtors | 29,000 |
| | 2,07,218 | | 2,07,218 |

| Dr. | Memorandum Branch Debtors A/c | | Cr. |
|----------------|-------------------------------|------------------|--------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To balance b/d | - | By Cash/Bank A/c | 1,06,000 |
| To Sales A/c | 1,35,000 | By balance c/d | 29,000 |
| | 1,35,000 | | 1,35,000 |

| Dr. | Goods Sent to Branch A/c | | Cr. |
|-------------------------|--------------------------|---------------|--------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Branch A/c (Returns) | 4,200 | By Branch A/c | 1,65,000 |
| To Branch A/c (Loading) | 14,618 | | |
| To Purchases | 1,46,182 | | |
| | 1.65.000 | | 1.65.000 |

WORKING NOTES:

1. Loading on goods sent to Branch = $(1,65,000 - 4,200) \times \frac{1}{11} = \text{Rs.} 14,618$
2. Stock Reserve = $\text{Rs.} 53,400 \times \frac{1}{11} = \text{Rs.} 4,855$

PROBLEM NO: 8

In the books of Head office - XYZ

| Dr. | Kolkata Branch Account (at invoice) | | | | Cr. |
|--|-------------------------------------|--------------|---|--|---------------|
| Particulars | | Amount (Rs.) | Particulars | | Amount (Rs.) |
| To Balance b/d | | | By Stock Reserve A/c (30,000 x 20%) | | 6,000 |
| Stock | | 30,000 | By Remittances A/c | | |
| Debtors | | 18,000 | Cash sales | | 100,000 |
| Cash in hand | | 800 | Cash from debtors | | <u>60,000</u> |
| Furniture | | 3000 | By Goods Sent to Branch A/c (Loading) $(1,60,000 \times \frac{20}{100})$ | | 32,000 |
| To Goods Sent to Branch A/c | | 1,60,000 | By Goods returned by Branch (Returned to H.O) | | 2,000 |
| To Goods returned by Branch (Loading) A/c | | 400 | By Balance c/d | | |

| | | | |
|--|-----------------|-------------------------|-----------------|
| To Bank (Expenses paid by H.O) | | Stock | 28,000 |
| - Rent | 1,800 | Debtors | 16,880 |
| - Salary | 3,200 | Cash (800 - 600) | 200 |
| - Stationary & Printing | 800 | Furniture (3,000 - 300) | 2,700 |
| To Stock Reserve A/c (28,000 x 20%) | 5,600 | | |
| To Profit (transferred to General P&L A/c) | 24,180 | | |
| | 2,47,780 | | 2,47,780 |

| Dr. Branch Debtors A/c | | Cr. | |
|------------------------|---------------|----------------------|---------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Balance b/d | 18,000 | By Cash A/c | 60,000 |
| To Sales A/c | 60,000 | By Sales Returns A/c | 960 |
| | | By Discount allowed | 160 |
| | | By Balance c/d | 16,880 |
| | 78,000 | | 78,000 |

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

PROBLEM NO: 9

i) Calculation of Profit earned by the branch:

In the books of Jammu branch

| Dr. Trading A/c and Profit & Loss A/c | | Cr. | |
|---------------------------------------|------------------|------------------------|------------------|
| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
| To Opening Stock | 2,20,000 | By Sales A/c | 12,00,000 |
| To Goods Sent to Branch A/c | 11,00,000 | By Closing Stock (W.N) | 3,60,000 |
| To Expenses A/c | 45,000 | | |
| To Net Profit | 1,95,000 | | |
| | 15,60,000 | | 15,60,000 |

ii) Stock Reserve in respect of Unrealised Profit = $360,000 \times 20/120 = \text{Rs.} 60,000/-$

WORKING NOTE:

Cost Price = 100

Invoice Price = Cost + 20% = $100 + 20\% = 120/-$

Sale Price = Cost + 50% = $100 + 50\% = 150/-$

Calculation of Closing Stock at Invoice Price:

| Particulars | Amount (Rs.) |
|---|--------------|
| Opening Stock at invoice Price | 2,20,000 |
| Goods received during the year | 11,00,000 |
| | 13,20,000 |
| Less: COGS at Invoice Price ($12,00,000 \times 120/150$) | (9,60,000) |
| Closing Stock | 3,60,000 |

PROBLEM NO: 10

Computation of Catalogue Price and Invoice Price:

| Particulars | Amount (Rs.) |
|---------------------------|--------------|
| Cost to Head Office | 100 |
| Add: Profit @ 50% | 50 |
| Catalogue Price | 150 |
| Less: 20% discount | (30) |
| Invoice Price | 120 |

Loading by Head office = 20% on Cost = $1/5$ on Cost (or) = $1/6$ on the Invoice Price to Branch

Computation of Provision for Discount on Debtors:

| Particulars | | Amount (Rs.) |
|--|--------|--------------|
| Discount allowed to Debtors | 13,365 | |
| Cash realized from Debtors | 85,635 | |
| (a) Prompt payments debtors during the year | | 99,000 |
| (b) Total debtors during the year (Opening balance + Credit sales) (10,000 + 1,00,000) | | 1,10,000 |
| Ratio of Prompt Payment debtors to total debtors (a/b) | | 90% |

*∴ Provision for Discount = Closing Debtors x 90% x 15% = 11,000 x 90% x 15% = 1485

Computation of Abnormal Loss:

| Particulars | Amount (Rs.) |
|--|--------------|
| Opening Stock at invoice Price | 12,000 |
| (+) Goods received from Head office (at Invoice) | 132,000 |
| Total Cost of Goods | 144,000 |
| (-) Invoice Price of goods Sold | |
| - Cash Sales (46,000 x 120/120) | (46,000) |
| - Credit Sales (100,000 x 120/150) | (80,000) |
| | 18,000 |
| (-) Closing Stock (Invoice Price) | (15,000) |
| Abnormal Loss (Invoice Price) | 3000 |

Cost of Abnormal Loss to Head Office: $3,000 \times \frac{100}{120} = \text{Rs. } 2,500$

Dr. Branch Trading and Profit & Loss A/c for the year ended 31st march 2002 Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|--|--------------|----------------------------|--------------|
| To Opening Stock | 12,000 | By sales | |
| To Goods from Head office A/c | 1,32,000 | - Cash | 46,000 |
| To Gross Profit c/d | 19,500 | - Credit | 100,000 |
| | | By Abnormal Loss (W.N) A/c | 2,500 |
| | | By Closing Stock A/c | 15,000 |
| | 1,63,500 | | 163,500 |
| To Discount A/c | 13,365 | By Gross Profit b/d | 19,500 |
| To Expenses A/c | 6,000 | | |
| To Provision for Discount On Debtors A/c | 1485* | | |
| To Abnormal Loss A/c | 2,500 | By Net Loss c/d | 3850 |
| | 23,350 | | 23,350 |

Dr. General Profit & Loss A/c (extract) Cr.

| Particulars | Amount (Rs.) | Particulars | Amount (Rs.) |
|--|--------------|---|--------------|
| To Net Loss b/d | 3,850 | By Stock Reserve on Opening Stock (12000 x 1/6) | 2,000 |
| To Stock Reserve on Closing stock A/c (15,000 x 1/6) | 2,500 | By Loading on Goods Sent to Branch (132000 x 1/6) | 22,000 |
| To Net Profit | 17,650 | | |
| | 24,000 | | 24,000 |

THE END