

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	<u>1,71,000</u>	By Balance c/d	<u>2,500</u>
	<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
	<u>47,000</u>		<u>47,000</u>

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	<u>16,250</u>		
	<u>39,000</u>		<u>39,000</u>

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	<u>2,00,000</u>		
	<u>2,40,000</u>		<u>2,40,000</u>

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
	<u>21,07,170</u>		<u>21,07,170</u>

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
	<u>4,930</u>

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
	<u>51,800</u>
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
	<u>8,07,600</u>		<u>8,07,600</u>

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. Cr. **Branch Debtors A/c**

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	<u>41,600</u>
	<u>1,16,000</u>		<u>1,16,000</u>

Dr. Cr. **Goods Sent to Branch A/c**

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	<u>1,00,000</u>		
	<u>1,20,000</u>		<u>1,20,000</u>

Dr. Cr. **Branch Cash A/c**

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)	<u>34,000</u>		<u>4,000</u>
	<u>1,14,000</u>		<u>1,14,000</u>

Dr. Cr. **Branch Stock A/c**

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	<u>12,000</u>
	<u>1,74,000</u>		<u>1,74,000</u>

Dr. Cr. **Branch Expenses A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Branch Cash A/c	<u>24,000</u>	By Branch P & L A/c	<u>24,000</u>

Dr. Cr. **Branch Stock Adjustment A/c**

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.)	<u>70,000</u>		
	<u>74,000</u>		<u>74,000</u>

Dr. Cr. **Branch P & L A/c**

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)	<u>45,600</u>		
	<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 ($1,50,000 \times 33.33\%$)	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 ($2,250 \times 33.33\%$)	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 ($2,700 \times 33.33\%$)	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
To Branch Stock A/c	1,21,050	By Branch Expenses A/c
		By Balance c/d
	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 = $(1,65,000 - 4,200) \times 1/11 = \text{Rs.}14,618$
2. Stock Reserve = $\text{Rs.}53,400 \times 1/11 = \text{Rs.}4,855$

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 ($30,000 \times 20\%$)	6,000
Stock	30,000	By Remittances A/c	
Debtors	18,000	Cash sales	100,000
Cash in hand	800	Cash from debtors	60,000
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)	(46000)
- 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