



Meaning

A Branch is a part of an Organization, which is carrying out business activity on behalf of its parent body i.e., Head Office (HO). Usually, a Branch is located away from the Head Office but at the same time it is controlled/managed as per the instructions from the HO. The State Bank of India is having over 10,000 branches at various locations including foreign countries. Similarly, a Retail chain like PANTALOON, CROMA, SHOPPER'S STOP, BATA etc. are involved mainly in marketing of finished goods.

The Section 2(9) of the Companies Act, 1956 defines:

A "Branch Office" in relation to a company means any establishment:

- (a) Described as a Branch by the Company; or
- (b) Carrying on either the same or substantially the same activity as that carried on by the Head Office of the Company; or
- (c) Engaged in any production, processing or manufacture, excluding those specified in any order by the Central Government U/s. 8

Classification of a Branch

- (1) An INDEPENDENT Branch keeps complete record for all Accounting transactions at the location of the Branch itself. Such Branches are not covered by our Syllabus.
- (2) A Dependent Branch does not maintain complete record for all Accounting transactions at the location of the Branch. The HO maintains complete Accounts for such Branches to keep a watch on the activities carried out at Branch level. The Branch keeps only essential records

like Stock Register, Rough Petty Cash Book, Customer’s A/c for recovery purpose etc. And correspondence with HO.

The popular options in practice to keep Accounts for such Dependent Branches are:

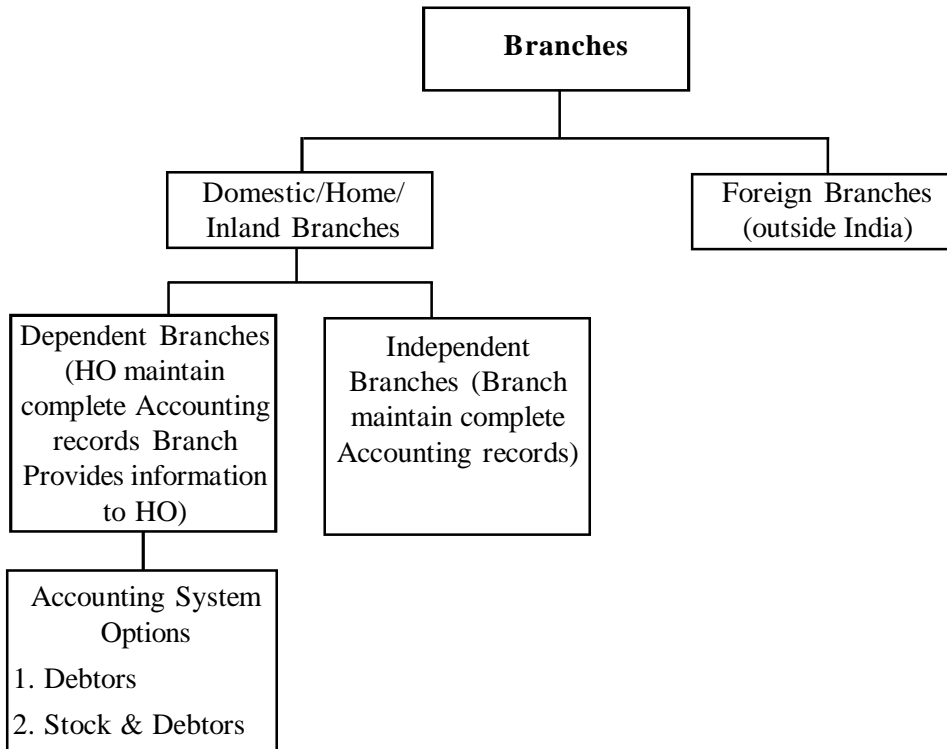


Fig: 5.1

Debtors Method Goods at Cost Price (In the Books of the HO)

Usually, this method is applied for small-scale business activity. The HO maintains separate Account for each Branch to know the profit earned or loss suffered by a particular Branch. The concept is similar to consignment Accounts.

It is a National Account (i.e., Similar to P & L A/c). Finally, it shows the Profit earned or Loss suffered in respect of a particular Branch (usually indicated by location of the Area)

Throughout the Accounting period this Ledger Account operates like the Realisation A/c in case of Dissolution of a Partnership Firm.

A. Debit

- (a) All Assets (mainly Cash and Cash equivalents like goods, benefits etc.) provided for -

- (i) By HO to this Branch
- (ii) Via Other Branch of HO to this Branch
- (iii) Goods/Cash received by this Branch from HO Suppliers/Debtors
- (b) Branch Liabilities at the Year-end
- (c) Profit earned

B. Credit

- (a) All benefits (mainly Cash and Cash equivalents like goods etc.) forwarded by this Branch-
 - (i) Directly to HO
 - (ii) Via another Branch to HO
 - (iii) Goods/Cash supplied to HO Suppliers/Debtors
- (b) Branch Assets at the year-end
- (c) Loss suffered

C. Revaluation Method to Derive Depreciation is Being Applied for

Under this method, we add "Purchases" to "Opening Balance" and deduct therefrom the "Closing Balance".

Similarly, all Assets (including Opening Balances) provided to the Branch are shown as a Debit for Expenditure. This amount is to be compared at the year-end with Assets returned by the Branch including Closing Balances at Branch (which are ultimately owned by HO).

Therefore, separate entries are not passed by HO for

(1) Loss of Goods-in-Transit or at Branch

Such losses get booked indirectly/automatically by crediting the actual Stock at the Year-end (which is also similar to Trading A/c)

(2) Movement in Branch Debtors

Sales (Cash & Credit), Goods returned to Branch by Branch customers, Bad Debts, Bills Receivables, Discount Allowed etc.

(3) Branch Expenses Paid by Branch i.e. Not paid by HO

- (a) Paid by Branch e.g., Salaries, Rent etc. (Closing Cash & Bank balances credited to Branch A/c are already reduced to the extent of such expenses)
- (b) Depreciation of Fixed Assets used by the Branch. (same as (1) above)

(4) Normal Loss of Goods Due to Loss of Weight, Evaporation etc.

Such loss gets indirectly debited since we credit to the Branch A/c. The actual Closing Stock (reduced by such Normal Loss)

D. Abnormal Loss of Good Due to Fire etc.

(1) Abnormal Loss A/c	xxxxxx	Total Loss
To Branch A/c	xxxxxx	Loss Not Recoverable
(2) General P&L A/c	xxxxxx	Loss Recoverable/Recovered
Insurance Claim/Bank A/c.	xxxxxx	
To Abnormal Loss A/c.	xxxxxx	Total Loss

Such entries ensure that the Branch A/c shows fair profit under usual (normal) conditions. Thus, Profit shown by Branch A/c is not affected by Abnormal factors. Abnormal loss appears in General P & L A/c.

Journal Entries (Debtors Method -Goods at COST price)	(In the Books of HO)		Entries with Reversal aspects
	Dr.	Cr.	
1. Opening Bal. (a) Branch Assets (b) Branch Liabilities	Branch A/c ... particular Branch Liabilities A/c	... particular Branch Assets A/c Branch A/c	1. A vs 1. B
2. Goods from HO/other Branch/ HO Suppliers A. Inward/Inflow (a) Received by this Branch/ Branch Customer (b) But not received by this Branch	Branch A/c Goods in Transit A/c	Goods sent to Branch A/c	2. A vs 2. B
B. Outward/Outflow-Goods returned by (a) This Branch to HO (b) This Branch to another Branch (c) Branch customers to HO directly	Goods sent to Branch A/c	Branch A/c	
3. Cash/Bank Remittance (a) Branch Expenses -HO paid directly -HO remitted Cash HO paid to Branch suppliers (b) Cash received from another Branch (c) Branch collected directly from HO Debtor	Branch A/c	Cash/Bank A/c ... Other Branch A/c. HO Debtors A/c.	3. A vs 3. B

3. To HO (a) Branch/Branch Debtors remits to HO (b) Branch paid directly to HO Creditor (c) This Branch sends cash to other Branch (d) Remitted but not received by HO	Cash/Bank A/c HO Creditors A/c. ...other Branch A/c Cash in Transit A/c	Branch A/c.	
4. Goods sent to Branch A/c – Balance Transfer Purchase A/c. (in Trading Co.) Trading A/c. (if Manufacturing Co.)	Goods Sent to Branch A/c	Purchases A/c (in Trading Co.) Trading A/c (in Mfg. Co.)	
5. Closing Bal. (appears in HO Balance Sheet) (a) Branch Assets (b) Branch Liabilities (c) Profit/Loss (a) If Profit (b) If Loss	... Particular Branch Assets A/c Branch A/c General P&LA/c	Branch A/c ...Particular Branch Liabilities General P&LA/c Branch A/c	5. A vs. 5. B 5.C(a) vs. 5C(b)

(In the Books of HO) ... Branch A/c

Dr.		Cr.	
Particulars		Particulars	
To Balance b/d		By Balance b/d	
Stock x xx		Creditors xxx	
Debtors xxx		Expenses xxx	xxx1B
Cash & Bank x xx		Payable (O/s.)	
Prepaid Expenses x xx			
Fixed Assets x xx	xxx1(A)	By Goods in Transit A/c	xxx2A(b)
To Goods sent to Branch A/c			
From HO x xx		By Goods sent to Branch A/c	
Other Branch x xx		By Branch xxx	
HO Suppliers x xx	xxx2A(a)	By Branch Debtors xxx	
		Sent to other Branch	xxx2B
To Cash/Bank A/c.	xxx3A(a)	By Cash/Bank A/c.	xxx3B(a)
(Remittance by HO)		By HO Creditors A/c.	xxx3B(b)
To... other Branch A/c	xxx3A(b)	By ... other Branch A/c.	xxx3B(c)
To HO Debtors A/c.	xxx3A(c)	By Cash-in-Transit A/c.	xxx3B(d)
(Branch collected directly)		By Balance c/d	
To Balance c/d		Stock xxx	
Creditors x xx		Debtors xxx	
Expenses payable xxx	xxx5B	Prepaid Expenses xxx	
		Cash & Bank Balance xxx	
To General P&L A/c.	xxx5C(a)	Fixed Assets xxx	xxx 5A
(Net Profit Transfer)		By General P&L A/c	xxx5C(b)
		(Net Loss Transfer)	
	xxxx.xx		xxxx.xx

1. A Opening Bal. Branch Assets

1. A (a) Goods from - HO/ other Branch/ HO Suppliers Inward/Inflow to this Branch

3. Cash/Bank Remittance

A. From HO

(a) Branch Expenses

- HO paid directly -HO remitted Cash

HO paid to Branch Suppliers

(b)Cash received from another Branch

(c) Branch collected directly from HO Debtor

5.B Closing Bal. Branch Liabilities (to appear in HO Balance Sheet) (Reverse of 1.B)

5.C (a) Profit-Transfer to General P&L (Reverse of 5.C(b))

5.C(b) Loss-Transfer to General P&L (Reverse of 5.C(a))

5.A Closing Bal. Branch Assts (to appear in HO Balance Sheet) (Reverse of 1.A)

1.B Opening Bal. Branch Liabilities

2.A (b)Non-Receipt of Goods Supplied by HO/another Branch/HO Supplier

2.B Goods returned by - (a)This Branch to HO (b)This Branch to another Branch (c) Branch Customers to HO directly.

3. B Cash/Bank Remittance to HO

(a) Branch/ Branch Debtors remitts to HO

(b) Branch provides cash to other Branch

(c) This Branch provides cah to pther Branch

(d) Remitted but not received by HO

We prepare such Ledger Accounting vertical order (in chronological sequence, Datewise Debits and Credits in historical order). Now, look at above Ledger Account, with Horizontal pattern of Journal Entries posted. You will observe that the Entries on the Credit side are exactly reverse of Entries on the Debit side and vice versa.

Example: 1

Amit Traders of Pune have their branch at Mumbai. Prepare the Branch A/c in the books of the H.O from the following transactions with the branch for the year.

Opening Balance	`
Petty cash at Bank	1,250
Stock at Branch	77,000
Debtors at Branch	41,250
Goods supplied to Branch during the year	3,78,000
Amount Remitted to the Branch:	
For petty cash expenses	7,500
For Salary	18,500
For Rent & Taxes	6,000
Closing Balance:	
Petty cash at Bank	1,880
Stock at Branch	57,880
Debtors at Branch	1,26,150
Discount allowed to customers	1,060
Amount Remitted by the Branch:	
Cash Sales	26,250
Realisation from debtors	4,10,350
Mr. Shah to whom goods were sold by the Branch	
Directly remitted the Amt. To the H.O	9,000

Solution:**In the Books of Head Office at Pune**

Dr.		Mumbai Branch A/c		Cr.	
Date	Particulars		Date	Particulars	
	To Balance b/d			By Bank A/c	
	Petty cash 1,250			Cash Sales 26,250	
	Stock 77,000			Realisation from	
	Debtors 41,250	1,19,500		Debtors 4,10,350	
	To Goods Sent to Branch	3,78,000		Remitted to H.O 9,000	4,45,600

To Bank A/c					
Petty cash expenses	7,500			By Balance c/d	
Salary	18,500			Petty cash	1,880
Rent & Taxes	6,000	32,000		Stock	57,880
To General P&L A/c		1,02,010		Debtors	1,26,150
		6,31,510			1,85,910
					6,31,510

Example: 2

Idea Traders, Mumbai opened a branch at Delhi on 1st Jan 2008. The following information is available in respect of the branch for the year 2008.

Transactions during the year

Goods sent to branch	85,000
Cash sales at the branch	45,000
Credit sales at the branch	75,000
Salaries of the branch staff paid by H.O	16,500
Office expenses of the branch paid by H.O	12,000
Cash remittance to branch towards petty cash	6,000
Closing Balance on 31 st Dec, 2008	
Petty cash at branch	500
Debtors at branch	5,000
Stock at branch	27,000

Prepare Branch A/c to show the profit or loss from the Branch for year 2008.

Solution:**(In the Books of Head Office at Mumbai)**

Dr.			Delhi Branch A/c			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
	To Goods Sent to Branch	85,000		By Cash A/c				
	To Cash A/c			Cash Sales	45,000			
	Salaries	16,500		Realisation from				
	Office expenses	12,000	28,500	debtors	70,000	1,15,000		
	To Cash A/c		6,000					
	(for petty expenses)			By Balance c/d				
	To General P & L A/c		28,000	Petty cash	500			
				Stock	27,000			
				Debtors	5,000	32,500		
		1,47,500				1,47,500		

Dr.		Memorandum Debtors A/c.		Cr.	
Date	Particulars	₹	Date	Particulars	₹
	To Credit Sales	75,000		By Cash Received	70,000
				By Balance c/d.	5,000
		75,000			75,000

Example: 3

Following particulars related to Ahmedabad Branch for the year ended 31st March, 2008.

You are required to prepare necessary A/cs. in the books of Bombay H.O.

Particulars	₹
Opening Balance on 1-4-2007	
Petty cash at Branch	450
Stock at Branch	22,500
Debtors at Branch	45,000
Transaction During the year	
Goods sent to branch	3,78,000
Goods returned by the branch	3,000
Remittance at Branch	
For cash sales	90,000
Collection from debtors	3,15,000
Credit Sales	3,42,000
Cheques Sent to Branch	
For Salaries	13,500
For Rent	2,250
For Petty Cash	1,650
Closing Balance on 31-3-2008	
Petty cash	300
Stock at Branch	37,500

Solution:

(In the Books of Head Office)

Dr.		Branch A/c		Cr.	
Date	Particulars	₹	Date	Particulars	₹
	To Balance b/d			By Cash A/c	
	Petty cash	450		Cash Sales	90,000
	Stock	22,500		Realisation from	

Debtors	45,000	67,950	debtors	3,15,000	4,05,000
To Goods sent to Branch A/c		3,78,000	By Goods sent to Branch A/c		3,000
To Bank A/c			(Returned)		
Petty cash expense	1,650		By Balance c/d		
Salaries	13,500		Petty cash	300	
Rent	2,250	17,400	Stock	37,500	
To General P & L A/c		54,450	Debtors	72,000	1,09,800
		5,17,800			5,17,800

Dr.		Memorandum Debtors		A/c	
Date	Particulars		Date	Particulars	
	To Balance b/d	45,000		By Cash Received	3,15,000
	To Credit Sales	3,42,000		By Balance c/d	72,000
		3,87,000			3,87,000

Debtors Method – Goods at Invoice Price (In the Books of the HO)

Where HO despatches goods at Cost Price, the Branch can easily find out the profit earned by HO against such despatches (by deducting the Cost Price from the Sales realised).

HO can add certain percentage or fixed amount to the Cost Price so that profit is not disclosed to the Branch. The Price at which goods are invoiced is called as **“Loaded”** Price i.e. Profit or mark-up is loaded on the Cost Price due to which Original Cost gets inflated.

In addition to the entries explained in Para .2 above, the typical accounting treatment to deal with the Profit element hidden within Invoice Price (Higher than the Cost Price) is as under -

(1) Unloading from Opening Stock

Stock Reserve A/c	xxxxx
To Branch A/c	xxxxx

Opening Stock is overvalued (above Cost Price) Hence, the hidden unrealised profit is kept in “Stock Reserve”.

(2) Unloading from Goods Sent to Branch

Goods Sent to Branch A/c	xxxxx
To Branch A/c	xxxxx

Despatches include Profit, which is not yet realised. Therefore, Reversal of “Goods Sent to Branch A/c”.

(3) Unloading from Closing Stock

Branch A/c	xxxxx
To Stock Reserve A/c	xxxxx

Closing Stock is overvalued (above Cost Price) Hence, the hidden unrealised profit is retained in “Stock Reserve”.

(4) Mark-up Loaded on the Cost Price or Included in Invoice Price: Computation

HO may add certain percentage or fixed amount to the Cost Price to disclose the Invoice Price.

(a) If the Cost/Invoice Price is available in the problem, direct calculation possible.

Example 4:

	Loading/Mark-up	Cost Price `	Invoice Price `
a.1	20% on Cost Price	50,000	?
			(50,000 + 20% of 50,000) = 60,000
a.2	20% on Invoice Price	?	60000
	(60,000 + 20% of 60,000) =	72,000	

(b) If the Cost Price is available in the problem, but Loading is a % of Invoice Price.

Example 5:

	Loading/Mark-up	Cost Price (CP) `	Loading/Mark-up	Invoice Price (IP)
b.1.	10% on IP (i.e. 1/10 th of IP) =	90,000	= (1/9)th of CP 90,000 = 10,000	1,00,000
b.2.	20% on IP (i.e. 1/5 th of IP) =		= (1/4)th of CP 90,000 = 22,500	1,12,500
b.3.	25% on IP (i.e. 1/4 th of IP) =		= (1/3)rd of CP 90,000 = 30,000	1,20,000
b.4.	33.33% on IP (i.e. 1/3 rd of IP) =		= (1/2)th of CP 90,000 = 45,000	1,35,000
b.5.	50% on IP i.e. 1/2 of IP) =		= (1/1) = 100% of CP 90,000 = 90,000	1,80,000
	Hence, (1/n)th of IP =		= [1/(n-1)] th of CP	

(c) If the Invoice Price is available in the problem, but Loading is a % of cost Price.

Example 6:

	Loading/Mark-up	inv.Price (IP) `	Loading/Mark-up	Cost Price (IP)
c.1.	10% on CP (i.e. 1/10 th of CP) =	3,30,000	= (1/11)th of IP 3,30,000 = 30,000	3,00,000
c.2.	20% on CP (i.e. 1/5 th of CP) =		= (1/6)th of IP 3,30,000 = 55,000	2,75,000
c.3.	25% on CP (i.e. 1/4 th of CP) =		= (1/5)th of 3,30,000 = 66,000	2,64,000
c.4.	33.33% on CP (i.e. 1/3 rd of CP) =		= (1/4)th of IP 3,30,000 = 82,500	2,47,500
c.5.	50% on IP (i.e. 1/2 of CP) =		= (1/3)rd of 3,30,000 = 1,10,000	2,20,000
	Hence, (1/n)th of IP =		= [1/(n+1)]th of IP	

The tables shown in Para 5.2 E are revised to include the above accounting aspect as under:

Journal Entries (Debtors Method -Goods at INVOICE (= Cost + Pprice) Price	(In the Books of HO)		Entries with Reversal aspects
	Dr.	Cr.	
1. Opening Balance (a) Branch Assets (b) Branch Liabilities (c) Loading in Opening Stock	Branch A/c ... particular Branch Liabilities A/c Stock Reserve A/c.	... particular Branch Assets A/c Branch A/c	1. A vs 1. B
2. Goods from HO/other Branch/ HO Suppliers A. Inward/Inflow (a) Received by this Branch/ Branch Customer (b) But not received by this Branch (c) Loading in these items*	Branch A/c Goods in Transit A/c	Goods sent to Branch A/c	2. A vs 2. B
B. Outward/Outflow-Goods returned by (a) This Branch to HO (b) Branch Customers to HO directly (c) This Branch to another Branch	Goods sent to Branch A/c	Branch A/c	
3. Cash/Bank Remittance A. From HO (a) Branch Expenses -HO paid directly -HO remitted Cash HO paid to Branch suppliers (b) Cash received from another Branch (c) Branch collected directly from HO Debtor B. To HO (a) Branch/Branch Debtors remits to HO (b) Branch paid directly to HO Creditor (c) This Branch sends cash to other Branch	Branch A/c Cash/Bank A/c HO Creditors A/c. ...other Branch A/c	Cash/Bank A/c ... Other Branch A/c. HO Debtors A/c. Branch A/c.	3. A vs 3. B

(d) Remitted but not received by HO	Cash in Transit A/c		
4. Goods sent to Branch A/c – Balance Transfer			
Purchase A/c. (in Trading Co.)	Goods Sent to Branch A/c	Purchases A/c (in Trading Co.)	
Trading A/c. (if Manufacturing Co.)		Trading A/c (in Mfg. Co.)	
5. Closing Bal. (appears in HO Balance Sheet)	... Particular Branch Assets A/c	Branch A/c	5.A vs. 5. B
(a) Branch Assets	Branch A/c		
(b) Branch Liabilities		...Particular Branch Liabilities	5.D(a) vs. 5D(b)
(c) Loading in Closing Stock		Stock Reserve A/c.	
(d) Profit/Loss			
(a) If Profit			
(b) If Loss	General P&LA/c	Branch A/c	

The above journal entries would appear in the Ledger Account for the concerned Branch as under:

**(Debtors Method - Goods at Invoice Price)
(In the Books of HO) ... Branch A/c**

	Dr.		Cr.		
	Particulars		Particulars		
1. A Opening Bal. Branch Assets	To Balance b/d		By Balance b/d		(1) Opening Bal. Branch Liabilities
	Stock (Inv. Price) xxx		Creditors xxx	xxx1B	1C Opening Bal. Loading in Opening Stock now unloaded
2. A (a) Goods from - HO/ other Branch/ HO Suppliers Inward/Inflow to this Branch	Debtors xxx		Expenses xxx		
	Cash & Bank xxx		Payable (O/s.)		2. A(b) Non-receipt of Goods Supplied by HO/ another Branch
	Prepaid Expenses xxx				2. A(c) Unloading of Profit from 2A(a)&(b)
	Fixed Assets xxx xxx1(A)			xxx1C	
3. Cash/Bank Remittance	To Goods sent to Branch A/c		By Stock Reserve A/c		2. B Outward/ Outflow-Goods returned by-
A. From HO	From HO xxx		(Loading Opening Stock)		(a) This Branch to HO (b) This Branch to another Branch (c) Branch Customers to HO directly.
(a) Branch Expenses-HO paid directly - HO	HO Suppliers xxx	xxx2A(a)	By Goods in Transit A/c.	xxx2A(b)	
remitted Cash	Other Branch xxx		By Goods sent to Branch A/c	xxx2A(c)	
HO paid to Branch Suppliers			By Goods sent to Branch A/c		
(b)Cash received from another Branch			By Branch xxx2B(a)		
(c) Branch collected directly from HO Debtor	To Cash/Bank A/c. (Remittance by HO)	xxx3A(a)	By Branch Debtors xxx2B(b)		
			Sent to other Branch xxx2B(c)	xxx2B	
5.B Closing Bal. Branch Liabilities (to appear in HO Balance Sheet) (Reverse of 1.B)	To... other Branch A/c	xxx3A(b)	By Cash/Bank A/c.	xxx3B(a)	3. B Cash/Bank Remittance to HO
	To HO Debtors A/c. (Branch collected directly)	xxx3A(c)	By HO Creditors A/c.	xxx3B(b)	(a) Branch/ Branch Debtors remits to HO
			By ... other Branch A/c.	xxx3B(c)	(b) Branch paid directly to HO
	To Balance c/d		By Cash-in-Transit A/c.	xxx3B(d)	(c) This Branch provides cash to other Branch
Closing Bal. Loading in Closing Stock now unloaded	Creditors xxx	xxx5B	By Balance c/d		(d) Remitted but not received by HO
	Expenses payable xxx		Stock (Inv. Price) xxx		
5.D(a) Transfer to General P&L if Profit (Reverse of 5.D(b))	To Stock Reserve A/c. (Loading in Closing Stock)	xxx5C	Debtors xxx		
			Prepaid Expenses xxx		
	To General P&L A/c. (Net Profit Transfer)	xxx5D(a)	Cash & Bank Balance xxx	xxx 5A	
			Fixed Assets xxx		
			By General P&L A/c (Net Loss Transfer)	xxx5D(a)	
		xxxx.xx		xxxx.xx	5. A Closing Bal. Branch Assets (to appear in HO Balance Sheet)(Reverse of a.A)

5.D(b) Transfer to General P&L (Reverse of 5.D(a))

Note: In case of Abnormal Loss of goods, similar pattern could be used for Unloading the Profit element. If we record these entries with zero profit element in Invoice Orice, then there is no need to unload any Profit. In that case, these Formats are same as Para 5.2 (Debtors Method - Goods at cost price). Thus, students should use these formats (para 5.3) regularly for Debtors Method.

Example 7:

A Company having Head Offices at Mumbai, has a branch in Nagpur to which goods are invoiced at cast plus 20 per cent. From the following particluars prepare a Branch Account in the books of Head Office

Particluars	`
Opening Balance:	
Stock (Invoice price)	60,000
Debtors	40,000
Petty Cash	320
Goods sent to Branch (Cost)	1,60,000
Goods returned by Branch (Invoice price)	3,000
Total sales	2,48,000
Cash sales	1,04,000
Cash received from Debtors	1,36,000
Discout received by Debtors	4,000
Cash remitted to Branch for expenses	32,000
Closing Balance:	
Stock (Invoice Price)	48,000
Petty cash	400
Liabilities for expenses	1,000

Solution:**(In the Books of Head Office(Mumbai))**

Dr.	Nagpur Branch A/c	Cr.	
Particluars	`	Particluars	`
To Balance b/d		By Stock Reserve	10,000
Stock	60,000	(loading :Op.stock) (2) (c)	
Debtors	40,000	By Goods sent to Branch A/c (2) (a)	32,000
Petty Cash	320		
TO Goods sent to Branch =	1,92,000	By Goods sent to Branch A/c	3,000
(1,60,000 + 32,000)		(Returns)	

To Goods sent to Branch (Loading : Returns)(2) (b)	500	By Cash (1,04,000 + 1,36,000)	2,40,000
To Cash (Expenses)	32,000	By Balance c/d	
To Stock Reserve (loading : closing stock)(2) (d)	8,000	Stock	48,000
To Balance c/d (Liabilities for Exp.	1000	Petty Cash	400
To General P & LA/c(Bal.fig.)	43,580	Debtors (Note 1)	44,000
	3,77,400		3,77,400

Notes (1)**Branch Debtors A/c**

Particulars	₹	Particulars	₹
To Balance b/d	40,000	By Cash	1,36,000
To Sales (2,48,000 – 1,04,000)	1,44,000	By Discount	4,000
		By Balance c/d (Bal. Fig)	44,000
	1,84,000		1,84,000

Notes (2)

Loading (20% on CP = $\frac{1}{6}$ th of IP)

Cost

	₹		₹
(a) Goods sent to Branch Inv. Price	1,60,000	20% =	32,000
(b) Goods Returned by Branch	3,000	(1/6 th)	500
(c) Stock-Opening	60,000	(1/6th)	10,000
(d) Closing	48,000	(1/6 th)	8,000

Example 8:

BPO Company has a Branch at Pune. Goods are invoiced to the Branch at 20% profit on Invoiced Price. Branch has been instructed to send cash daily the Head Office. All expenses of the Branch are paid by the Head Office except Petty expenses which are met by the Branch Manager. From the following particulars prepare Branch Account and memorandum Branch Debtors Account in the books of the Head Office. The details of transactions for year ended 31st December, 2007 were as under:

Particulars		
Stock on 1st Jan. 2007 (Invoice Price)		84,000
Sundry Debtors – 1 st Jan. 2007		36,000
Cash in hand – 1 st Jan.2007		1,600
Furniture – 1 st Jan.2007		8,000
Goods invoiced to Branch (Invoice price)		3,20,000
Goods returned to H.O.(Invoice price)		4,800
Goods returned by Debtors		2,000
Goods received from Debtors		1,24,000
Cash Sales		2,00,000
Credit Sales		1,28,000
Discount allowed to Debtors		2,400
Expenses paid by H.O.		
Rent	4,800	
Salary	9,600	
Stationery	<u>16,000</u>	30,400
Petty expenses paid by Branch Manager		1,200

Depreciation is to be provided on Furniture at 10% p.a. Stock on 31 st December 2007 at Invoice price ₹ 60,000. Prepare Pune Branch A/c. (M.U. Oct.2004)

Solution:

In the Books of Pune Branch A/c

Dr.

(Year Ended 31 st Dec. 2007)

Cr.

Date	Particulars		Date	Particulars	
01/01/07	To Balance b/d.			By Stock Revenue	16,800
	Stock	84,000		(Loading opening stock((c)	
	Debtors	36,000		By Goods sent to Branch	4,800
	Cash	1,600		(Returns)	
	Furniture	<u>8,000</u>		By Goods sent to Branch	63,040
	To Goods sent to Branch	3,20,000		(Net Loading goods sent(a-b)	
	To Cash Rent	4,800		By Cash from	
	Salary	9,600		Debtors	1,24,000
	Stationery	<u>16,000</u>		Cash Sales	<u>2,00,000</u>
	To Stock Reserve	12,000	31-12-07	By Balance c/d	3,24,000

(Loading Closing stock)(d)			Stock		60,000
To Profit & Loss A/c	19,840		Furniture	7,200	
(Bal.Fig)			Cash	400	
			Debtors	<u>35,600</u>	1,03,200
		5,11,840			5,11,840

Dr. Memorandum Branch Debtors A/c Cr.

Date	Particulars		Date	Particulars	
01/01/07	To Balance b/d	36,000		By Sales Returns	2,000
	To Sales	1,28,000		By Cash	1,24,000
				By Discount	2,400
			31-12-07	By Balance c/d	35,600
		1,64,000			1,64,000

Note:

Loading (20% on IP = 1/4th of CP)

	Inv. Price	(1/5 th)
(a) Goods sent to Branch	3,20,000	64,000
(b) Goods Returned by Branch	4,800	(960)
		63,040
(c) Stock - Opening	84,000	16,800
(d) Closing	60,000	12,000

Example 9:

A Head Office at Nagpur invoices goods to its Branch at Tuljapur at cost plus 25%. All expenses are paid by Head Office and all cash collections made by the Branch are remitted to Head Office daily.

Prepare Tuljapur Branch A/c, for the ended 31-03-2008 from the following information:

Date	Particulars	
On 1-4-2007	Debtors	25,000
(for year ending)	Stock at Invoice price	60,000
31-3-2008	Goods sent to Branch at Invoice price	2,80,000
	Bad Debts	4,000
	Discounts Allowed	3,000
	Returns Inwards	8,000
	Cash from Customers	2,70,000
	Branch Expenses	75,000

Cash Sales	80,000
Total Sales	3,50,000
Stock as on 31-3-2008 at Invoice Price	20,000

Solution:**(In the Books of HO at Nagpur) Tuljapur Branch A/c**

Dr.			Cr.		
For the Year Ended 31-3-08					
Date	Particulars		Date	Particulars	
01/04/07	To Balance b/d			By Stock Reserve	12,000
	Debtors 25,000			(Loading Op.stock)(b)	
	Stock <u>60,000</u>	85,000		By Goods sent to Branch	56,000
	To Goods sent to Branch	2,80,000		(Loading)(a)	
	To Cash (Branch exp.)	75,000		By Cash Sales 80,000	
	To Stock Reserve	4,000		Cash from	
	(loading Cl.stock)(c)			Debtors <u>2,70,000</u>	3,50,000
31-3-08	To Net Profit	4,000	31-3-08	By Balance c/d	
				Stock 20,000	
				Debtors <u>10,000</u>	30,000
		4,48,000			4,48,000

Notes: (3)

Dr.			Cr.		
Branch Debtors A/c					
Date	Particulars		Date	Particulars	
01/04/07	To Balance b/d	25,000		By Bad Debts	4,000
	To Sales	2,70,000		By Discount	3,000
				By Return Inwards	8,000
				By Cash	2,70,000
			31-3-08	By Balance c/d (Bal.Fig)	10,000
		2,95,000			2,95,000

(1) Loading (25% on CP = 1/5th of IP)

	Inv. Price	(1/5 th)
(a) Goods sent to Branch	2,80,000	56,000
(b) Stock - Opening	60,000	12,000
(c) Closing	20,000	4,000

(2) **Assumption:** Return Inwards are form Branch Customers to the Branch (No Returns from Branch to HO)

Example: 10

The head office of a company invoices goods to its Koyna Branch at cost plus 20%. The Koyna Branch also purchases independently from local parties goods for which payments are made by the H.O. All the cash collected by the Branch is banked on the same day to the credit of the Head Office and all expenses are directly paid by the H.O except for a Petty Cash Account maintained by the Branch for which periodical transfers are made by the H.O. reflecting the Branch profit the year ended December 31,2007.

Particulars		₹
Imprest Cash		
01-07-07		2,000
31-12-2007		1,850
Sundry Debtors on 1-7-2007		25,000
Stock on 1-7-2007		
Transferred from H.O. At invoice price	24,000	
Directly purchased by branch	<u>16,000</u>	40,000
Cash Sales		45,000
Credit Sales		1,30,000
Direct purchases		45,000
Returns from customers		3,000
Goods sent to Branch from H.O. At invoice price		60,000
Transfers from H.O. For petty cash expenses		2,500
Bad debts		1,000
Discount to customers		2,000
Cash received from to customers		1,25,000
Branch expenses		3,000
Stock on 31-12-2007		
Transferred from H.O. At invoice price	18,000	
Directly purchased by branch	<u>12,000</u>	30,000

Solution:

(In the Books of Head Office)

Dr.		Koyna Branch A/c		Cr.	
Date	Particulars		Date	Particulars	
2007			2007		
July 1	To Balance b/d		Dec. 31	By Bank	
	Stock HO	24,000		Cash Sales	45,000
	Local Purchase	<u>16,000</u>		Cash Received	<u>1,25,000</u>
		40,000			1,70,000
	Debtors	25,000		<i>Less: Petty Cash</i>	<u>(150)</u>
	Petty Cash	<u>2,000</u>			1,69,850
		27,000			
Dec 31	Goods Sent to Branch	60,000		Goods Sent to Branch	10,000
	Bank A/c (Branch Expenses)		3,000	(Load)	2(a)
	Petty Cash	2,500		Branch Stock Reserve	4,000
	Direct Purchases	45,000		(Loading Opening Stock)	
	Branch Stock Reserve	3,000		2(c)	
	(Loading Closing Stock)			Balance b/d	
	2(d)			Stock HO	18,000
	Profit	59,350		Local Purchase	<u>12,000</u>
				Debtors	24,000
				Petty Cash	<u>2,000</u>
					26,000
		<u>2,39,850</u>			<u>2,39,850</u>

Notes:

(1)

Dr.		Memorandum Debtors A/c		Cr.	
Date	Particulars		Date	Particulars	
	To Balance b/d	25,000		By Cash Received	1,25,000
	Credit Sales	130,000		Sales Returns	3,000
				Bad Debts	1,000
				Discount Allowed	2,000
				Balance c/d	24,000
		<u>1,55,000</u>			<u>1,55,000</u>

(2) Loading (20% on CP = 1/6th of IP) Inv. Price(1/6th)

(a) Goods sent to Branch	60,000	10,000
(b) Stock - Opening	24,000	4,000
(c) Closing	18,000	3,000

Stock and Debtors Method

(1) Limitations of “Debtors Method” to maintain Branch Accounts

In case of large volume of transactions at the Branch, it is difficult for HO to keep a control though a single Account under Debtors Method and therefore -

- (a) HO dose not get any idea about the exact movement of Cash & Bank items/balances (A/c - Head wise Expenditure, except remittance to and from HO). Same is the case in respect of movement of goods in stock, particularly losses of Normal and Abnormal nature.
- (b) It operates like the Statement of prepared in case of single Entry System.

(2) Features of “Stock & Debtors Method”

To gather detailed information for decision-making at HO level, following Ledger A/cs are to be maintained in addition to the Branch A/c

Under this Method Goods are recorded at Invoice Price i.e. Higher than the Cost Price.

The Journal Entries required are as under:

1. Movement of Goods

(A) Inward/Inflow	From (Given by)	To (Goods Received by)
Branch Stock A/c Dr. xxx xx TO Goods Sent to Branch A/c xxxxx To ---- Other Branch A/c TO HO Supplier's A/c To Branch Debtors A/c xxxxx	HO Other Branches HO Supplier Returned by Branch Customers	This Branch
(B) Outward/Outflow		
Goods Sent to Branch A/c Dr. xxx xx ----Other Branch A/c Dr. xxx xx HO Supplier's A/c Dr. xxx xx Branch Cash & Bank Dr. xxx xx Branch Debtors A/c To Branch Stock A/c xxxxx	This Branch (Sales at Higher / Lower / Equal to invoiced Price) > = <	to HO (Returns) to Other Branches to HO Supplier This Branch Customers
(C) Balance in Goods Sent to Branch A/c		
Goods Sent to Branch A/c Dr. xxxxx To Trading / Purchase A/c xxx xx	Transfer (credit) to Trading/Purchase A/c	

2. Branch Adjustment A/c - to ascertain GROSS Profit/Loss

A. Unloading of Profit in Stock movement		
(a) Stock Reserve A/c Dr. xxx xx Goods Sent to Branch A/c Dr. xxx xx To Branch Adjustment A/c xxx xx	Unloading from - Opening Stock (Reverse of 2A(b)) NET Goods despatched (deduct Returns (Ignore Abnormal Surplus/Loss of stock)see 3B	
(b) Branch Adjustment A/c Dr. xxx xx To Stock Reserve A/c xxx xx	Closing Stock (Reverse of 2A(a))	
(c) Realisation in excess of Invoice Price Branch Stock A/c Dr. xxx xx To Branch Adjustment xxx xx	(Actual Sale Price - Invoice Price Realisation in excess of Invoice Price	
B. Stock - Loss/Surplus		
(a) Normal loss of Stock Branch Adjustment A/c Dr. xxx xx To Branch Stock A/c xxx xx	Normal Loss at Invoice Price	
(b) Abnormal Loss of Stock Branch Adjustment A/c Dr. xxx xx Insurance Co./ Bank A/c Dr. xxx xx General p & L A/c (Cost) Dr. xxx xx To Branch Stock A/c (Invoice Price) xxx xx	Recoverable Loss Abnormal Loss of Stock (due to fire etc.)	
(c) Abnormal Surplus in Stock Branch Stock A/c (Invoice Price) Dr. xxx xx To General P & L A/c (Cost) <u>xxx xx</u> To Branch Adjustment A/c (Unloading) xxx xx	Abnormal Surplus in Stock	
(d) Realisation in excess of Invoice Price Branch Stock A/c Dr. xxx xx To Branch Adjustment A/c (Unloading) xxx xx	(Actual Sale Price- Invoice Price) Realisation in excess of Invoice Price	
C. Gross PROFIT / LOSS to the Branch - Transfer to Branch P & L		
(a) Gross PROFIT Branch Adjustment A/c Dr. xxx xx To Branch P & L A/c xxx	Reverse of 2c(b)	
(b) Gross Loss Branch P & L A/c Dr. xxx xx To Branch Adjustment A/c xxx xx	Reverse of 2c(a)	

3. Branch P & L - to ascertain NET Profit/Loss

A. Branch Expenses		
(a) Accumulation of expenses		
Branch Expenses A/c	Dr. xxx.xx	
(Salary, Rent etc.)		
To Branch Cash/Bank A/c	xxxx	Branch Expenses paid/Payable
To HO Cash/Bank A/c	xxxx	(a) By Branch
To Branch Expenses A/c	xxxx	(b) By HO
		Bad Debts/Discount Allowed to Debtors
(b) Transfer to P&L		
Branch P&L A/c	Dr. xxx.xx	
To Branch Expenses A/c	xxxx	Transfer of Branch Expenses to P&L
B. Net Profit/Loss to the Branch - Transfer to General P&L		
(a) Net Profit		
Branch P&L A/c	Dr. xxx.xx	
To General P&L A/c	xxxx	Reverse of 3B(b)
(b) Net Loss		
General P&L A/c	Dr. xxx.xx	
To General P&L A/c	xxxx	Reverse of 3B(a)

4. Remittances-Cash/cheques (Movement of Funds)

A. Fund Transfer - HO to Branch		
Branch Cash/Bank A/c	Dr. xxx.xx	
To HO Cash/Bank A/c	xxxx	Reverse of 4B
B. Fund Transfer - Branch to HO		
HO Cash/ Bank at A/c	Dr. xxx.xx	
To Branch Cash/Bank A/c	xxxx	Reverse of 4A
C. Receipts from Branch Customers		
(a) B/R, Cash/Cheques received		
Bills Receivable A/c.	Dr. xxx.xx	
Branch Cash/Bank A/c	Dr. xxx.xx	at Branch
HO Cash/Bank A/c	Dr. xxx.xx	at HO (directly remitted)
To Branch Debtors A/c	xxxx	
Dishonour of B/R Cheques (Branch Customers)		
(b) Branch Debtors A/c		
To Bills Receivable A/c	Dr. xxx.xx	at Branch
To Branch Bank A/c	xxxx	

Journal Entries (Stock & Debtors Method -Goods at INVOICE (= Cost + Pprice) Price	(In the Books of HO)		Entries with Reversa aspects
	Dr.	Cr.	
1. Opening Balance Loading in Opening Stock	Branch Assets (Dr.)	Branch Liabilities (Cr.) Stock Reserve A/c. (Cr.)	1. vs.6
2. Goods from HO/other Branch/HO suppliers A. Inward/Inflow at this Branch or received by this Branch Customer from (a) HO Other Branches HO Supplier Returned by Branch Debtors (b) But not received by this Branch	Branch Stock A/c Goods sent to Branch A/c	Goods sent to Branch A/c ... Other Branch A/c. HO Supplier's A/c. Branch Debtors A/c	2. A vs. 2.B
B. Outward/Outflow - Goods returned to (a) HO by this Branch (b) This Branch to another Branch (c) HO Supplier (d) Branch Customers to HO directly	Goods sent to Branch A/c ... Other Branch A/c HO Suppliers A/c Branch Stock A/c	Branch Stock A/c	
C. Goods Sent to Branch A/c- Balance Transfer (a) Purchase A/c. (if Trading Co.) (b) Trading A/c. (if Manufacturing Co.)	Goods Sent to Branch A/c	Purchase/Trading A/c	
3. Branch Adjustment A/c. - to know Gross Profit/Loss A. Unloading of Profit in Stock movement (a) Opening Stock (Reverse of 3(c)) (b) NET Loading in 2.A & 2.B (c) Closing Stock (Reverse of 3(a))	Stock Reserve A/c Goods Sent to Branch A/c Branch Adjustment A/c	Branch Adjustment A/c Stock Reserve A/c	3.A(a) vs. 3A(c) 3.A(a)vs. 3A(c)
B. Loss of Stock (a) Normal Loss - goods (b) Abnormal Loss	Branch Adjustment A/c Insurance Co./Bank A/c General. P&L A/c	Branch Stock A/c (Inv. Price)	
Unloading of Profit Recoverable Irrecoverable			

(c) Abnormal Surplus-Stock of goods (Realisation - Invoice Price) = Excess	Branch Stock A/c	Branch Adjustment A/c General P&L A/c (Cost)	
C. (a) Gross PROFIT (b) Gross LOSS	Branch Adjustment A/c Branch P&L A/c	Branch P & L A/c Branch Adjustment A/c	3C(a) vs. 3C(b)
4. A. Accumulation of Branch Expenses (a) Paid by Branch (b) Paid by HO (c) Bad Debts/Discount allowed to Debtors	Branch Expenses A/c	Branch Cash/Bank A/c. HO Cash/Bank A/c. Branch P&L A/c	4B(a) vs. 4B(b)
5. Cash/Bank Remittance A. from HO (a) Branch Expense- HO paid directly HO remitted Cash HO paid to Branch Suppliers (b) Cash received from another Branch (c) Branch collected directly from HO Debtor	Branch Expenses A/c Branch Cash/Bank A/c Branch Creditors/ Suppliers A/c Branch Cash/Bank A/c	HO Cash/Bank A/c. ... other Branch A/c. HO Debtors A/c.	5.A vs. 5B
B. To HO (a) Branch Debtors remitts to HO (b) Branch paid ditectly to HO Creditor (c) This Branch sends cash to other Branch (d) Remitted but not received by HO	HO Cash/Bank A/c HO Creditors A/c. other Branch A/c. Cash in Transit A/c	Branch Debtors A/c Branch Cash/Bank A/c	
C. Receipt from Branch Debtors in Cash/by Cheque by Bills receivable	Branch Cash/Bank A/c Bill Receivable A/c	Branch Debtors A/c	5.C vs. 5.D
D. Dishonour B/R, Cheques (Branch Customers) Cheque Bills Receivable	Branch Debtors A/c	Branch Bank A/c Bill Receivable A/c	
6. Closing Bal. Loading in Closing Stock	Branch Assets (Dr.)	Branch Liabilities (Cr.) Stock Reserve A/c. (Cr.)	1. vs. 6.

This Entry should be for Net Loading arising out of Goods Sent to Branch, Goods returned from the Branch, Inter-Branch Transfers (i.e., excl. the Opening stock and the Closing Stock)

Note: If we consider the Profit element (Loading) at Zero level then the above Table can be used for Goods sent at Cost Price. Hence, Table in Para 5.2 E can be ignored for frequent reference.

Summary	Accounting in HO Books		
	Goods recorded at (Price)	Cost	Invoice
Debtors		✓	✓
Stock & Debtors			✓

Example: 11

Electra Ltd. has a Branch at Borivli. All Purchases are by the HO in Pune and Goods for the Borivli Branch are delivered direct and charged out at Selling Price being cost plus 50%. All Cash is received by the Branch out of an Imprest Account reimbursed by the Pune Office, monthly. The Branch keeps Sales Ledger and the necessary Subsidiary Books, otherwise all Branch Transactions are recorded in the books of HO. On 1-4-2007, Stock at the Branch at Sale Price amounted to ₹ 39,750 and Debtors ₹ 5,820. During the year ended Mar. 31st 2008 the following transactions took place Branch.

Authorised reduction in the Sale Price	1,050
Discount Allowed to Debtors	1,160
Cash received from Debtors	38,260
Cash Sales	43,400
Credit Sales Less Returns	40,420
Debtors written off as irrecoverable	430
Goods received by Branch at Selling Price	1,02,900
Goods returned to HO at Selling price	1,680

Consignment of Goods dispatched to the Branch in March 2008 with Selling Price ₹ 1,540 was not received by the Branch until April 12, 2008, and has not been included in its figure. On March 31st 2008 stock at Sale Price was ₹ 53,600.

You are required to write up Branch Stock A/c Branch Debtors in the HO Books.

Solution:

Dr.		Borivli Branch Stock A/c		Cr.	
Date	Particulars	₹	Date	Particulars	₹
2007			2007		
Apr 1	To Balance b/d	39,750	Mar 31	By Cash Sales	43,400
Mar 31	Goods Sent to Branch	102,900		Branch Debtore A/c	40,420
	Goods in transit 1,540	104,440		Goods Sent to Branch A/c	1680
				(Returns)	
				Branch Expenses A/c	1,050

			(Reduction in selling price)	
			Goods Sent to Branch A/c (Goods in Transit)	1,540
			Branch Adjustment A/c (Shortage)	2,500
			Balance c/d	53,600
		1,44,190		1,44,190

Dr. Borivli Branch Debtors A/c Cr.

Date	Particulars	`	Date	Particulars	`
2007			2007		
Apr. 1	To Balance b/d	5,820	Mar 31	By Branch Expenses A/c (Bad Debts)	430
Mar 31	Branch Stock A/c (Credit Sales)	40,420		Cash	38,260
				Branch Expenses A/c (Discount)	1,160
				Balance c/d	6,390
		46,240			46,240

Dr. Borivli Branch Expenses A/c Cr.

Date	Particulars	`	Date	Particulars	`
2007			2007		
Mar.31	To Branch Debtore A/c Bad. debts	430	Mar.31	By Branch Adjustment A/c	2,640
	Discount	1,160			
	Branch Stock A/c (Reduction in Sale Price)	1,050			
		2,640			2,640

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

Date	Particulars	`	Date	Particulars	`
2007			2007		
Mar. 31	To Branch Stock A/c (Goods in Transit)	1,540	Mar.31	By Branch Stock A/c	1,04,440
	Branch Stock A/c (Returns)	1,680			
	Branch Adjustment A/c	33,740			
	Purchases A/c	67,480			
		1,04,440			1,04,440

Dr.			Borivli Branch Adjustment A/c			Cr.		
Date	Particulars		Date	Particulars				
2007 Mar. 31	To Branch Stock Reserve A/c	18,380	2007 Mar 31	By Branch Stock Reserve A/c	13,250			
	(Closing stock) 1(e+f)			(Opening Stock) 1(d)				
	Branch Stock A/c	833		Goods Sent to Branch A/c	33,740			
	(Shortage Loading)2 (c)							
	Gross Profit	27,777						
		46,990			46,990			
	Branch Expenses A/c	2,640		By Gross Profit	27,777			
	Branch Stock A/c	1,667						
	(shortage cost) 2(e)							
	Net Profit	23,470						
		27,777			27,777			

Notes:

(1) Loading (20% on CP = 1/6th of IP)	Inv. Price	(1/3rd)
(a) Goods sent to Branch	102,900	34,300
Goods returned	<u>(1,680)</u>	<u>(560)</u>
	101,220	33,740
(b) Goods Returned by Branch	8,346	1,391
(c) Shortage	2,500	833
(d) Stock -Opening	39,750	13,250
(e) Closing	53,600	17,867
(f) Goods -in-Transit	1,540	513
	55,140	18,380

(2) **Assumption:** Shortage is of Normal nature (nothing abnormal)

Example 12

The Bombay H.O. sent goods to madras Branch at 25% profit over costs. From the following details, prepare the Branch A/c in the H.O. books and ascertain the net profit at the Branch

Opening stock of goods at Branch at invoice price	20,000
Goods sent to Branch at invoice price	90,000
Loss of goods in transit at Invoice price	6,000

(d) Goods lost in Transit	6,000	1,200	
Pilferage	1,200	240	
	7,200	1,440	5,760
Less: Recovery			(4,000)
(e) Irrecoverable Loss			1,760

(2) Debtors System is considered to ascertain the Profit.

Example 13:

Sanjog Ltd. Badlapur, a Trading company has a Branch at Virar. All purchases are made by H.O. and goods sent to the Branch are invoiced at selling price which is 20% above cost sales at Branch are on credit items. Branch expenses are paid by H.O. and all cash received by the Branch is remitted to H.O. All Branch transactions are recorded in the head office books. Following information is given to you.

Branch stock (at cost to Branch) on 1-1-2007	46,800
Branch Debtors on 1-1-2007	33,475
Transactions during the year 2007 were	
Goods sent to Branch at invoice price	4,21,980
Returns from Branch to H.O. at invoice price	8,346
Branch Sales	4,39,140
Return from customers to Branch	4,602
Cash received from Branch Debtors	4,27,024
Discount allowed to Branch Debtors	18,395
Branch expenses paid	52,351

Branch stock at 31st December, 2007 (at invoice price) was ₹ 25,506 and expenses outstanding on that date were ₹ 650

You are required to show Branch Account, Branch Debtors Account, Branch Expense Account and Branch Profit and Loss Account in the ledger of Head Office for the year to 31st December, 2007.

Solution:

(In the Books of Sanjog Ltd)

Dr.			Branch A/c		Cr.	
Date	Particulars		Date	Particulars		
1-1-07	To Balance b/d			By Stock Reserve		
	Stock	46,800		(Loading: Op.stock)(2)(c)	7,800	
	Debtors	<u>33,475</u>		By Goods sent to Br,A/c		
	To Goods sent to Br.A/c	4,21,980		(Loading)(2)(a)	70,330	

	To Goods sent to Br. A/c (Loading: Return((2)(b))	1391		By Goods sent to Br. A/c (Returns)	8,346
	To Cash/Bank A/c (Exp)	52,351		By Cash/ Bank A/c (Remittance)	4,27,024
	To General P/L A/c (Bal.Fig.)	702	31-12-07	By Balance c/d Stock	25,506
	To Balance c/d			Debtors	<u>22,594</u>
	Stock Reserve (2)(d)	4,251			48,100
	O/s Exp	<u>650</u>			
		5,61,600			5,61,600

Branch Debtors A/c

Date	Particulars	`	Date	Particulars	`
1-1-07	To Balance b/d	33,475		By Sales Returns	4,602
	To Sales	4,39,140		By Cash A/c	4,27,024
			31-12-07	By Discount	18,395
				By Balance c/d	22,594
		4,73,382			4,73,382

Dr.

Branch Expenses A/c

Cr.

Date	Particulars	`	Date	Particulars	`
	To Discount	18,395	31-12-07	By P/L A/c	70,746
	To, Exp. (HO Cash)	52,351			
		70,746			70,746

Branch P/L A/c (Adj. A/c)

Dr.

(Year ended 31st Dec.07)

Cr.

Date	Particulars	`	Date	Particulars	`
	To Branch Exp.	70,746		By Stock Reserve (Op. Stock)	7800
	To O/s Expenses	650		By Goods sent to Br. A/c (Loading)	70,330
	To Goods sent to Br. A/c (Loading on return)	1391			
	To Stock Reserve	4,251			
	To Shortage (W. Note)	390			
31-12-07	To General P/L A/c	702			
		78,130			78,130

Notes: (1)

Dr		Branch Stock A/c		Cr.	
Date	Particulars		Date	Particulars	
1-1-07	To op.stock	46,800		By Br. Debtors A/c(Sales)	4,39,140
	To Goods sent to Br. A/c	4,21,980		By Goods sent to Br. A/c	
	To Branch Debtors A/c			(Return)	8346
	(Return)	4,602		By shortage (Bal.Fig.)	390
				By Closing stock	25,506
		4,73,382			4,73,382

Notes: (2)

- (1) Loading (20% of CP = 1/6th of IP)

	Inv. Price		(1/5th)
(a) Goods sent to Branch	4,21,980	(1/6th)	70,330
(b) Goods Returned by Branch	8,346	(1/6th)	1,391
(c) Stock – Opening	46,800	(1/6th)	7,800
(d) - Closing	25,506	(1/6th)	4,251

Example 14:

Delhi Soap Mills Ltd. has Branch at Agra. Goods are invoiced to Branch at cost plus 50%. Branch remit all cash received to the head office and all expenses are met by head office. Form the following particulars, prepare the necessary accounts, under the Stock and Debtors system to show the profit earned at the Branch:

Stock on the 1st April, 2008 (invoice price)	93,000
Debtors on 1st April, 2008	68,000
Goods invoiced to Branch (cost)	3,40,000
Sales at Branches:	
Cash Sales	2,50,000
Credit Sales	3,10,000
Cash collected from debtors	3,04,000
Goods returned by debtors	12,000
Goods returned by Branch to head office	1,500
Shortage of Stock	4,500
Discount allowed to customers	2,000
Expenses at Branch	54,000

Solution:**(In the Books of Delhi Soap Miis Ltd.)**

Dr.		Branch Stock A/c		Cr.	
Date	Particulars		Date	Particulars	
1-4-07	To bal b/d	93,000		By Sales A/c	
	To Goods sent to Br. A/c (3,40,000 x 150%)	5,10,000		Cash 2,50,100	
	To Branch Debtors A/c	12,000		Credit (Drs.) <u>3,10,000</u>	5,60,100
				By Goods sent to BrA/c	1,500
				By Shortages Br. Adj. A/c (Loading) 1,500	
				Branch P/L A/c (Cost) <u>3,000</u>	4,500
			31-3-08	By Balance c/d	48,900
		6,15,000			6,15,000

Dr.		Branch Adjustment A/		Cr.	
Date	Particulars		Date	Particulars	
	To Goods sent to Br. A/c (b)	500		By Stock Reserve	
	To Br, Stock A/c (Loading: shortage) (e)	1,500		>Loading: Op stock)	31,000
	To Gross Profit c/d (Transfers to P/L A/c)	1,82,700		By Goods sent to Branch A/c (a)	1,70,000
31-3-08	To Stock Reserve (Loading: Cl stock) (d)	16,300			
		2,01,000			2,01,000

Dr.		Branch P/L A/c		Cr.	
Year ended 31st March, 2008					
	Particulars			Particulars	
	To Br. Stock A/c (cost of shortage)	3,000		By Gross Profit c/d	1,82,700
	To Discount	2,000			
	To Expenses	54,000			
	To General P/L A/c (Net profit)	1,23,700			
		1,82,700			1,82,700

Dr.			Goods Sent to Branch A/c			Cr.		
	Particulars	₹		Particulars	₹			
	To Branch Stock A/c	1,500		By Branch Stock A/c	5,10,000			
	To Branch Adjustment A/c	1,70,000		By Branch Adjustment A/c	500			
	To Trading A/c (b/f)	3,39,000						
		5,10,500						5,10,500

Dr.			Branch Debtors A/c			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
1-4-07	To Balance b/d	68,000		By Branch Cash A/c	3,04,000			
	To Sales (Br. Stock A/c)	3,10,000		By Sales Returns (Br. Stock)	12,000			
				By Discount	2,000			
			31-3-08	By Balance c/d	60,000			
		3,78,000						3,78,000

Dr.			Branch Cash A/c			Cr.		
	Particulars	₹		Particulars	₹			
	To Sales	2,50,100		By H.O. Cash A/c	5,54,100			
	To Debtors	3,04,000						
		5,54,100						5,44,100

Notes:

Loading (50% of CP = 1/3rd of IP)

	Inv. Price	(1/3rd)
(a) Goods sent to Branch	5,10,000	1,70,000
(b) Goods Returned by Branch	1,500	500
(c) Stock - Opening	93,000	31,000
(d) - Closing	48,900	16,300
(e) - Shortage	4,500	1,500

Example 15:

A Head Office in Solapur has a Branch to which goods are sent at invoice price which is fixed at a profit of 20% on sale under the strict instructions of selling goods only at invoice price. Following are the particulars about the transactions:

Stock (at invoice price) on 1st July,2007	5,000
Branch Debtors on 1st July,2007	2,000
Goods sent to Branch	40,000
Total Sales	43,600
Cash Sales	32,600
Cash Received from Debtors	8,400
Goods Returned by Debtors	600
Cheque sent to Branch for	
Rent	1,200
Salaries	3,600
Sundry Expenses	300
Discount allowed to Debtors	150
Bad Debts	250
Stock on 31st December, 2007 (at Invoice Price)	2,100

Calculate Profit earned by the Branch. Account are to be opened on Stock and Debtors system.

(M.U. Oct.2003)

Solution:

(In the books of Head Office (Solapure))

Dr.		Branch Stock A/c		Cr.	
Date	Particulars		Date	Particulars	
1-1-07	To Balance b/d	5,000	1-1-07	By Stock Reserve (Loading	1,000
	To Goods sent to Branch	40,000		Op. stock)(b)	
	To Branch Debtors (Returns)	600		By Goods sent to Branch	8,000
	To Stock Reserve (Loading	420		(Loading)(a)	
	Cl. Stock)(c)			By Branch Debtors(sales)	11,000
	To Branch P & L A/c	8,680		By Branch cash (sales)	32,600
	(Gross Profit (Bal. Fig.))		31-11-07	By Balance c/d	2,100
		54,700			54,700

Dr.		Branch Debtors A/c		Cr.	
Date	Particulars		Date	Particulars	
	To Rent	1,200	31-12-07	By Branch P & L A/c	5,500
	To Salaries	3,600		(Bal. Fig)	
	To Sundry Expenses	300			
	To Branch Debtors	400			
	(Discount + Bad Debts)				
		5,500			5,500

Dr.		Branch Expenses A/c		Cr.	
Date	Particulars	₹	Date	Particulars	₹
1-1-07	To Balance b/d	2,000		By Branch Cash	8,400
	To Branch Stock (sales)	11,000		By Branch Expenses	
				Discount	150
				Bad Debts	250
				By Branch Stock>Returns)	600
			31-12-07	By Balance c/d	3,600
		13,000			13,000

Branch Profit & Loss Account

Dr.		For the 6 months ended 31-12-2007		Cr.	
Date	Particulars	₹	Date	Particulars	₹
31-12-07	To Branch Expenses	5,500		By Branch stock	8,680
	To General P & L A/c	3,180		(Gross Profit)	
	(Bal. Fig)				
		8,680			8,680

Note:

Loading (20% of IP = 1/5th of CP)

	Inv. Price	(1/5 th)
(a) Goods sent to Branch	40,000	8,000
(b) Stock - Opening	5,000	1,000
(c) - Closing	2,100	420

Example 16:

J. S. Trading Company Nagpur, invoices goods to its Kanpur Branch at cost which sells on credit as well as for cash. From the following particulars prepare Branch Stock Account, Branch Debtors Account, Branch Expenses Account. Cash is immediately remitted by Branch to Head Office. Expenses are paid by Head Office.

Particulars	₹	Particulars	₹
Stock at Branch on 1-1-2007	7,560	Debtors on 1 st Jan, 2007	13,000
Goods from Head Office	35,500	Cash paid by customers	24,600
Goods returned by customers	300	Discount & Commission	
Total Sales	46,760	to customers	1,360
Cash Sales	16,750	Bad Debts	300
Goods returned to Head Office	350	Rent, Rates and Taxes	900
Stock at Branch on 31 Dec. 2007	6,950	Salaries and Wages etc.	3,650

(M. U. April, 2007)

Solution:

**(In the Books of J. S. Trading & Co.)
Kanpur Branch**

Dr.			Branch Stock A/c			Cr.		
Date	Particulars	`	Date	Particulars	`			
1-1-07	To Balance b/d	7,560		By Goods sent to Branch A/c (Return)	350			
	To Goods sent to Br. A/c	35,500		By Branch Debtors (Credit sales)	30,000			
	To Branch Debtor	300		By Cash (Sales)	16,750			
	To Branch Exp. (Profit)	10,700		BY Balance c/d	6,950			
		54,060			54,060			

Dr.			Branch Debtors A/c			Cr.		
Date	Particulars	`	Date	Particulars	`			
1-1-07	To Balance b/d	13,000		By Branch Stock A/c	300			
	To Branch Stock	30,010		By Cash	24,600			
				By Branch Expenses A/c Discount	1360			
				Bad Debts	300			
			31-12-07	By Balance c/d	16450			
		43,010			43,010			

Dr.			Branch Expenses A/c			Cr.		
Date	Particulars	`	Date	Particulars	`			
	To Branch Debtors A/c	1,360	31-12-07	By Branch Stock (Gross Profit)	10,700			
	To Branch Debtors A/c	300						
	To Cash : Rent	900						
	Salaries	3,650	31-12-07	To P/L A/c	4,490			
		10,700			10,700			

Summary

1. A Branch is a part of Business Organization located away from the HO, to carry business activity on behalf of the parent body i.e. Head office (HO).

An Independent Branch keeps complete records for all accounting transactions at the Branch itself.

2. A Dependent Branch keeps only essential records to communicate to HO vital data. HO maintains Accounts to keep a watch on activities carried out by the Branch.

The popular methods used by HO to maintain Accounts by a Branch are covered in Para 7.2 to 7.4

- | | |
|---------------------------------------|-----|
| (A) Debtors Method | |
| (a) Goods dispatched at cost price | 7.2 |
| (b) Goods dispatched at Invoice price | 7.3 |
| (B) Stock and Debtors Method | 7.4 |

Objectives

1. (A) Fill in the blanks:
 - (1) A _____ conducts business activity on behalf of its parent body i.e. Head Office.
 - (2) _____ method is used for small – scale business operations.
 - (3) An _____ Branch keeps complete record for all Accounting transactions at the location of the Branch itself.
 - (4) A _____ Branch does not maintain complete record for all Accounting transaction at the location of the Branch.
 - (5) The _____ A/c. shows the Profit earned or Loss incurred in respect of a particular Branch (usually indicated by location or the Area.)
 - (6) Under Debtors system, Branch _____ are debited to Branch A/c. at the beginning of the Accounting Year.
 - (7) Branch Assets are _____ to Branch A/c. at the Accounting Year end under Debtors system.
 - (8) Stock _____ eliminates the profit hidden in the Closing Branch Stock valued at Invoice price.
 - (9) _____ of profit hidden in the Goods sent to Branch A/c. at Invoice Price, is to be credited to Branch A/c
 - (10) Stock Reserve credited to Branch A/c eliminates the profit hidden in the _____ Branch stock at Invoice Price.

Ans. (1) Branch (2) Debtors (3) INDEPENDENT (4) DEPENDENT (5) Branch (6) Assets (7) credited (8) Reserve (9) Unloading (10) Opening.

1. (B) Choose the appropriate word (Multiple Choice)
 - (1) An _____ Branch keeps complete record for all Accounting transactions at the location of the Branch itself (INDEPENDENT, DEPENDENT, FOREIGN, LOCAL)
 - (2) A _____ Branch does not maintain complete record for all Accounting transactions at the location of the Branch (Domestic, Inland, Dependent, Foreign)

- (3) Branch A/c. is a _____ Account (i.e. Similar to P & L A/c.)(Real, Doubtful, Nominal, Current)
- (4) Under Debtors system, Branch _____ are debited to Branch A/c. at the Accounting Year – end. (Assets ,Debtors, Liabilities, Creditors.)
- (5) Under Debtors system, Branch Liabilities are _____ to Branch A/c. at the beginning of the Accounting Year. (debited, added, transferred, credited).
- (6) Stock Reserve eliminates the _____ hidden in the Closing Branch Stock valued at Invoice Price. (loss, profit, excise, labour)
- (7) Unloading of profit hidden in the “Goods sent to Branch A/c” at Invoice Price, is to be _____ to Branch A/c.(debited, credited, added, transferred)
- (8) Stock Reserve credited to Branch a/c. eliminates the profit hidden in the _____ Branch Stock valued at Invoice Price.(Opening, Agent’s, Closing, Consignor’s)
- (9) Abnormal _____ is to be credited to Branch A/c. with a debit to General P & L A/c. (growth, Gain, Loss, goods)
- (10) _____ Gain is to be debited to Branch A/c. with a credit to General P & L A/c (Normal, Fair, Abnormal, Usual)

Ans. (1) INDEPENDENT (2) DEPENDENT (3) Nominal (4) Liabilities (5) credited (6) profit (7) credited (8) Opening (9) Loss (10) Abnormal

1 (C) Substitute the following in a single Word / Term / phrase :

- (1) A Unit Conducting business activity on behalf of its parent body i.e. Head Office.
- (2) A system to debit “Branch Liabilities” to “Branch A/c” at the close of the Accounting Year.
- (3) A Branch not maintaining complete record for all Accounting transactions at its location.
- (4) A system to debit “Branch Assets” to “Branch A/c” at the beginning of the accounting Year.
- (5) Element of the profit hidden in the Closing Branch Stock valued at Invoice Price.
- (6) Process of elimination / removed of profit hidden in the “Goods sent to Branch A/c.” at Invoice Price.
- (7) A system to credit “Branch Assets” to “Branch Ac” at the close of the Accounting Year.
- (8) A system to credit Opening “ Branch Liabilities” to “Branch A/c”.
- (9) A Branch keeping complete record for all Accounting transactions at the location of the Branch itself.
- (10) Transfer to General P & L A/c.

Ans. (1) Branch (2) Debtors System (3) Dependent Branch (4) Debtors System (5) Stock Reserve (6) Assets (7) Debtors System Unloading (8) Debtors System (9) Independent Branch (10) Abnormal Loss/ Profit.

1. (D) Match the following Items in Column A and Column B:

Column "A"	Column "B"
(1) 1. Credit Branch A/c 2. Opening Stock 3. Debtors System 4. Dependent Branch 5. Debit Branch A/c	(a) Stock Reserve in Closing Stock (b) Non – maintenance of full records at Branch (c) Debit Branch A/c (d) Stock Reserve in Opening Stock (e) Dependent Branch
(Ans. 1-d, 2-c, 3-e, 4-b, 5-a)	
Column "A"	Column "B"
(2) 1. Stock Reserve 2. Closing Stock 3. Debtors System 4. General P & LA/c- Debit 5. Debit Branch A/c	(a) Dependent Branch (b) Profit in Closing Branch Stock (Invoice Price) (c) Stock Reserve in Closing Stock (d) Credit Branch A/c (e) Abnormal Loss.
(Ans. 1-b, 2-d, 3-a, 4-e, 5-c)	
Column "A"	Column "B"
(3) 1. Branch A/c 2. Unloading of profit 3. Debtors System 4. Independent Branch 5. General P& LA/c- Credit	(a) Maintenance of full records at Branch (b) Single Entry system approach (c) Abnormal Gain (d) Goods sent to Branch A/c at Invoice Price (e) Nominal Account
(Ans. 1-e, 2-d, 3-b, 4-a, 5-c)	

Questions

- (1) Distinguish between:
 - (a) Dependent Branch and Independent Branch
 - (b) Invoice Price and Cost Price
 - (c) 'Debtors System' and 'Stock and Debtors System'
- (2) What do you mean by a Branch? How it is linked up with Head Office?
- (3) What is the significance of Stock Reserve Account?
- (4) Explain the Accounting Treatment under Debtors System in the books of HO when Goods are Sent to Branch
 - (a) At Invoice Price
 - (b) At Cost Price

- (5) Explain the Meaning and Advantages of Stock and Debtors System.
- (6) How will you deal with the following under Debtors Method and Stock & Debtors Method?
- Normal Loss of Stock
 - Abnormal Loss of Stock
 - Insurance Claims
 - Goods returned by the Branch Customers directly to HO
 - Cash remitted by Branch Customers directly to HO
 - Abnormal Losses due to fire etc.

Problems for Practice

- (1) Champaklal & Co. of Chennai had a branch at Baroda. The Head Office invoices goods to Branch at cost plus 20% basis. Following transactions related quarter ended 31.3.2008.

On 1.1.2008 branch carried stock ₹ 15,000/- and goods costing ₹ 75,000/- were remitted. Branch sold goods on credit for ₹ 96,000/- On 31.3.2008 Branch held goods of invoice value of ₹ 12,000/-

On 1.1.2008 amount due from customer was ₹ 9,000/- One customer returned goods worth ₹ 3,000/- which were returned to Head Office. The amount received from customers ₹ 74,250/- to whom ₹ 750/- was allowed as discount. The customer paid ₹ 5,000/- directly to head office. Out of the amount received from customers, branch paid for salaries ₹ 3,000/- Administrative expenses ₹ 1,750/- Selling expenses ₹ 2000/- amount remitted ₹ 66,500/- and remaining was held at branch. Head office paid ₹ 1,500/- as rent.

Pass necessary Journal entries and prepare Branch A/c.

(Ans. Net Loss ₹ 18,500)

- (2) Goods are invoiced by Head Office at cost and Branch sales are partly cash and partly credit. From the following particulars prepare Branch A/c in the books of Head Office under the Debtors Method.

Particulars	₹
Stock of goods at Branch on 01-01-2007	3,500
Stock of goods at Branch on 31-12-2007	3,750
Goods sent to Branch	2,75,000
Goods return to Head Office	15,000
Cash Sales	60,000
Credit Sales	3,46,000
Return from customers	8,000
Discount to customers	12,000
Bad debts	1,000
Cash received from customers	3,29,000

Debtors on 1-1-2007	48,000
Debtors on 31-12-2007	?
Branch expenses	95,550

(Ans. Closing Debtors ` 44,000; Net Profit ` 27,700)

- (3) A trader having his Head Office at Delhi supplies goods to his Branch at Pune at cost. The Branch sell; the goods for cash and on credit and remits the proceeds to the Head Office by cheque, Following transactions, relate to the Branch for the year ended 31st March, 2008. Prepare branch Account in the Books of Head Office.

Opening Balance		Collection from Debtors	4,20,000
Branch stock	60,000	Discount Allowed	20,000
Branch Debtors	80,000	Bad debts written off	10,000
Transactions during the year:		Expenses paid by Head Office:	
Goods sent to Branch	4,50,000	Salaries	50,000
Cash Sales by Branch	2,20,000	Rent	25,000
Credit Sales by Branch	5,20,000	Petty Expenses	5,000
Returns from Debtors	20,000	Closing Balance:	
		Stock at Branch	90,000
		Debtors at Branch	?

(Ans. Branch Profit ` 1,90,000)

- (4) Goods are invoiced by Bombay Head Office at Pune Branch to a price so as to show profit of 20% on sales. Branch sales are partly cash and partly credit. From the following information prepare Pune Branch A/c in the books of Head Office.

Particulars	
Stock of goods 01-01-2007 (Invoice price)	12,000
Stock of goods 31-12-2007 (Invoice price)	15,000
Goods sent to Branch (Invoice price)	1,25,000
Goods returned by Branch	2,500
Cash Sales	55,000
Credit sales	67,000
Returns from customers	1,000
Bad debts	2,000
Discount allowed to Customers	500
Sundry Debtors 01-01-2007	5,000
Sundry Debtors 31-12-2007	8,500

Rent, Rates etc.	4,000
Salaries	4,000
Sundry Expenses	2,000

(Ans. Cash from Debtors ` 60,000, N. P. ` 17,400)

- (5) Goods are invoiced by H.O. at cost plus 25% and Branch sales are partly cash and partly credit. From the following particulars prepare Branch Account in the books H.O.

Particulars	
Stock of goods at Branch (01-01-2007 invoice price)	3,500
Stock of goods at Branch(31-12-2007(Invoice price)	3,750
Goods sent to branch (Invoice Price)	2,75,000
Goods Returned to H. O.	15,000
Cash sales	60,000
Credit Sales	3,46,000
Returns from customer	8,000
Discount allowed	12,000
Bad debts	1,000
Cash received from customer	3,29,000
Debtors (1-1-2007)	48,000
Debtors (31-12-2007)	?
Branch Expenses	97,550

(Ans. Net Profit ` 79,650; Debtors ` 44,000)

- (6) Universal Chemicals (P) Ltd. has a Branch at Pune. Goods are invoiced to the Branch at cost plus 30%. From the following details prepare Branch Account in the books of H. O.

Stock on 1-1-2007	26,000	Goods returned to H. O.	6,500
Debtors on 1-1-2007	50,000	Goods returned by Branch	
Cash-in-hand on 1-1-2007	250	Debtors to Branch	3,000
Goods sent to Pune Branch	1,30,000	Total Sales of the Branch	2,23,000
Cheques sent to Branch:		Cash Sales	1,70,000
(a) Salary	3,000	Expenses paid by Branch	23,000
(b) Rent	2,000	Collection from Debtors	84,000
Furniture purchase by H.O.	10,000	Closing Stock on 31-12-2007	1,04,000
		Cash balance on 31-12-2007	130

Depreciation on Furniture 10%

(Ans. Closing Debtors ` 16,000; Net Profit ` 71,880)

- (7) REC Industries has its office at Bangalore and Branch at Chennai Goods are invoiced to Branch at cost plus 25%. From the following prepare Branch Account in books of Head Office.

Particulars	₹
Opening stock on 1-4-2007 (invoice price)	40,000
Closing stock on 31-3-2008 (invoice price)	60,000
Debtors as on 1-4-2007	28,000
Debtors as on 31-3-2008	27,500
Cash as on 1-4-2007	800
Goods sent to Branch	1,75,000
Cash sales of Branch	1,60,000
Credit sales of Branch	75,000
Discount allowed to customers	3,000
Goods returned by customers directly to H. O. Goods transferred during the year	4,000
From Mumbai Branch to Chennai Branch (Invoice Price)	15,000
Cash remitted from H.O. Branch during the year for salaries	14,500
Furniture purchased by H.O. for Branch	10,000

It is the policy of the Company, that all cash collections have to be immediately remitted to Head Office the same day. Provide depreciation on furniture @ 10%.

(Ans. Profit ₹ 34,500)

- (8) Reliable Bros, Mumbai had a Branch at Delhi. All purchase are made by Head Office. Branch expenses are paid out of an imprest which is reimbursed by the Head Office. From the following particulars, prepare Delhi Branch Account in the Books of Head Office.

Particulars	₹
Balance on 1-1-2007	
Stock at cost	8,000
Cash	800
Machinery	10,000
Balance on 31-12-2007	
Stock at cost	7,000
Transactions during the year:	
Goods sent to Branch	50,000
Petty Expenses paid by Branch out of Imprest	700
Expenses paid by Head Office	<u>5,000</u>
	5,700

Cash Sales	70,000
Sale of machinery on 1-7-2007(Book value ` 1000/-)800	
Provide Depreciation on machinery @ 20% p.a.	

(Ans. Net Profit ` 3,300)

- (9) Chennai Head office had Branch at Pune to which goods are invoiced at cost plus 20%. From the following particulars prepare the Branch Account in the Head Office books.

Particulars	₹
Goods sent to Branch (Invoice price)	2,11,872
Total Sales	2,06,400
Cash Sales	10,000
Cash received from Branch Debtor	88,000
Branch Debtor at Commencement	24,000
Branch stock at Commencement (Invoice Price)	7,680
Branch stock at close of the period at invoice price	13,440

(Ans. N. P. ` 34,640)

- (10) Bombay Ltd sending to its Madras Branch at the plus 25%. The following particulars are available in respect of the Branch for the year ended 31st March, 2008.

Particulars	₹
Opening Stock at Branch at cost to Branch	80,000
Goods sent to Branch at invoice price	12,00,000
Loss in transit at invoice price	15,000
Pilferage at invoice price	6,000
Sales	12,19,000
Expenses	60,000
Closing stock at Branch at cost to Branch	40,000
Recovered from Insurance Co. against Loss in transit	10,000

Show Ledger Accounts in Head Office books

- (1) Branch Stock Account
- (2) Goods sent to Branch Account
- (3) Branch Adjustment Account
- (4) Branch Profit and Loss Account.

(Ans.GP @20% of Sales, Net Loss due to transit loss ` 2,500, Sales to be credited to Branch stock NP ` 1,77,000)

- (11) A Head Office in Satara has a Branch at Solapur to which goods are sent at invoice price which is fixed at a profit of 20% on sale. Following is the information about the Branch transactions:

Particulars	₹
Stock on 1-7-2007 (at Invoice Price)	5,000
Debtors on 1-7-2007	2,000
Goods sent to Branch	40,000
Total Sales	43,000
Cash Sales	32,000
Collection from Debtors	8,400
Goods returned by Debtors	600
Cheque sent to Branch for : Salaries	3,600
: Sundry Expenses	<u>300</u>
	3,900
Discount allowed to debtors	150
Bad debts	250
Stock on 31-12-2007 (at Invoice Price)	2,100

Prepare: (a) Branch Stock Account, (b) Branch Debtors Account, (c) Branch Expenses Account, (d) Branch Profit and Loss Account.

(Ans. Cl. Drs. ₹ 3,200, NP ₹ 4,020)

- (12) Apna Bazar has a Branch a Mulund. All goods are sent to the Branch at invoice price of 20% on sales. Petty expenses are incurred by the Branch manager from Branch cash. All collections are remitted to the H.O.

Particulars	₹
Stock (1-1-2007) at invoice price	90,000
Drs. (1-1-2007)	54,000
Petty cash on hand on (1-1-2007)	4,600
Office equipment (1-1-2007)	12,000
Goods sent to branch (at invoice price)	4,80,000
Goods returned to branch (at invoice price)	6,000
Goods returned by Debtors	3,000
Cash collection from Debtors	1,90,000
Cash sales	3,00,000
Credit sales	1,80,000
Discount allowed to customer	300
Expenses remitted by H. O.	

Rent @ ₹ 400 per month, Salaries @ ₹ 2,400 per month, Petty cash exp. @ ₹ 250 per month.

Petty expenses incurred by the branch manager amounted to ₹ 2,400 for the year, Depreciate branch office Equipments @10% p.a.

Apna Bazar treats branch as a debtor. Prepare necessary journal entries in the books of HO and prepare Debtors A/c. under Stock and Debtors system.

(Ans: Assume Closing Stock to be NIL, Net Loss ` 12,400)

Head office in Kanpur has a branch at Mumbai. All purchases are made at head office and goods sent to branch are invoiced at cost plus 25%. All cash received by branch is deposited to the Head Office account in the Mumbai branch of the Head Office Bank.

Particulars (year 2007-2008)	₹
Stock at Branch 1 st April 2007 (Invoice Price)	30,000
Stock at Branch 31 st March, 2008 (Invoice Price)	25,000
Goods received from the Head Office less returns (Invoice Price)	96,000
Cash Sales	54,000
Credit Sales less returns	43,000
Cash received from Debtors	41,000
Discount allowed to Debtors	1,000
Bad debts written off	500
Branch expenses paid by Head Office	5,700

From the above information prepare following accounts in Head Office Books to calculate Branch profit as per Stock and Debtors system.

(1) Branch Stock Account, (2) Branch Stock Adjustment Account, (3) Branch Debtors Account, (4) Branch Cash Account, (5) Branch Expenses Account, (6) Branch Profit & Loss Account, (7) Goods sent to Branch Account.

(Ans. GP= 1/5 of Sale, Cl. Drs. ` 500, NP ` 7500)

- (14) M/s Hindustan Publication Ltd, has a Branch at Nagpur. Goods are dispatched by H.O. to branch to H.O. to branch at cost Branch sell goods on cash & credit. Amount is regularly remitted by branch to H.O. from the following details prepare Nagpur branch Account in the books of H.O. for the year ended 31-3-2008 under Stock and Debtors system.

Particulars	₹
Branch Stock on 1-4-2007	20,000
Branch Cash on 31-3-2008	15,000
Branch Furniture on 1-4-2007	50,000
Branch Stock on 31-3-2008	5,000
Branch Customers on 1-4-2007	40,000
Branch Cash on 1-4-2007	10,000
Goods sent to Branch at cost	1,00,000
Discount allowed by Branch	1,000

Cash Sales of Branch	25,000
Credit Sales of Branch three times of cash sale	
Bad debts of Branch	4,000
Cash received from Debtors	65,000

Branch salary ` 5,000 Rent ` 500 & Printing charges ` 2000 & Telephone exp. ` 1,500 paid by H.O.

Goods returned by Branch ` 2,000.

H. O. provides 10% depreciation of furniture.

(**Ans.** Cash sent to H.O. ` 65,000 from Drs + Cash Sales ` 25,000, Net Loss ` 37,000)

- (15) A Head Office in Solapur has a Branch to which goods are sent at invoice price which is fixed at a profit of 20% on sale under the strict instruction of selling goods only at invoice price. Following are the particulars about the Branch transactions:

Particulars	`
Stock (at invoice price) on 1 st July, 2007	5,000
Branch Debtors on 1 st July 2007	2,000
Goods sent to Branch	40,000
Total Sales	43,600
Cash Sales	32,600
Cash Received from Debtors	8,400
Goods returned by Debtors	600
Cheque sent to Branch for :	
Rent	1,200
Salaries	3,600
Sundry Expenses	300
Discount allowed to Debtors	150
Bad Debts	250
Stock on 31 st December, 2007(at Invoice Price)	2,100

Calculate Profit made by the Branch Accounts are to be opened on Stock and Debtors System.

(**Ans.** Loss 4,800)

