

**Systematic Studies For Professionals**  
(Where your quest for quality education ends)

**Time 2 Hrs.**

**Branch Accounts**

**Max. Marks: 50**

**Q.1** Bombay Traders Ltd. sends goods to its Madras Branch at cost plus 25%. The following particulars are available in respect of the Branch for the year ended 31<sup>st</sup> March 2018:-

Opening stock at branch	80,000
Opening Furniture	12,000
Goods sent to branch	12,00,000
Loss – in – transit at invoice price	15,000
Pilferage at invoice price	6,000
Sales (including sale of goods with cost of Rs.8,000 sold for half of normal selling price)	12,19,000
Expenses paid in cash	60,000
Closing stock at Branch at invoice to Branch	40,000
Recovered from insurance company against loss – in – transit	60%
Furniture with book value of Rs.1,900 on 1 <sup>st</sup> October sold for Rs.1,400	
Depreciate furniture @ 10% p.a.	

**Show** ledger accounts in the Head Office books for:-

- |                                 |                                       |
|---------------------------------|---------------------------------------|
| (i) Branch stock account        | (ii) Goods sent to branch account     |
| (iii) Branch adjustment account | (iv) Branch profit & loss account [8] |

**Q.2** S of Bombay invoices goods to its Noida branch at 20% less than the list price which is cost plus 50 per cent with instructions that cash sales were to be made at invoice price and credit sales at list price. From the following particulars available from Noida Branch, **Prepare:**

- |   |                                 |
|---|---------------------------------|
| (i) Branch Stock Account  | (ii) Branch Debtors Account and |
| (iii) Noida branch Account to reveal the profit for the year ending on 31.3.2018. |                                 |

Stock on 1 <sup>st</sup> April 2017	18,000
Debtors on 1.4.2017	10,000
Personal Computer purchased on 1 <sup>st</sup> July 2017 and paid by H.O by cheque	50,000
Goods received from Head Office at Invoice Price	1,80,000
Cash Sales (including sale of goods costing Rs.3,000 for Rs.4,000)	82,000
Credit Sales	1,20,000
Goods in transit on 31 <sup>st</sup> March 2018	10,000
Cash sent to branch for expenses	32,000
Actual expenses at branch	28,000
Stock at the end at invoice price	16,000
Bad debts written off	400
Goods returned by customers direct to Head Office at list price	3,000
Debtors at the end	8,100
Depreciate Personal Computer by	20%
	p.a.

[10]

**Q.3** RS Ltd. manufactures a range of goods which it sells to wholesale customers only from its head office. In addition, the H.O. transfers goods to a newly opened branch at factory cost plus 20%. The branch then sells these goods to the general public only on cash basis.

The selling price to wholesale customers is designed to give a factory profit which amount to 30% of the sales value. The selling price to the general public is designed to give a gross margin (i.e. selling price less cost of goods from H.O.) of 40% of the sales value.

The company operates from rented premises and leases all other types of fixed assets. The rent and hire charges for these are Rs.2,000 per month. From the information given below, **You are required to prepare** for the year ended 31<sup>st</sup> Dec, 2017 in columnar form:

- |   |          |                 |                            |
|---|----------|-----------------|----------------------------|
| (a) A Profit & Loss account for                                   | (i) H.O. | (ii) the branch | (iii) the entire business. |
| (b) A Balance Sheet as on 31st Dec. 2017 for the entire business. |          |                 |                            |

	Head Office		Branch	
	-	-	-	-
Raw material purchased	35,000	---	---	---
Direct wages	1,08,500	---	---	---
Factory overheads	19,000	---	---	---
Stock on 1-1-2017				
Raw materials	1,800	---	---	---
Finished goods	13,000	---	9,200	---
Debtors	37,000	---	---	---

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Cash	22,000	---	1,000	---
Rent & hire charges	20,000			
Administrative Salaries	13,900	---	4,000	---
Salesman's Salaries	22,500	---	6,200	---
Other administrative & selling overheads	12,500	---	2,300	---
Inter-unit account	5,000	---	---	2,000
Capital	---	50,000	---	---
Sundry Creditors	---	13,000	---	---
Provision for Unrealized profit on stock	---	1,200	---	---
Sales	---	2,00,000	---	65,200
Goods sent to branch	---	46,000	---	---
Goods Received from H.O.	---	---	44,500	---
	<b>3,10,200</b>	<b>3,10,200</b>	<b>67,200</b>	<b>67,200</b>

**Notes:**

- (1) On 28th Dec. 2017 the H.O. dispatched goods to the branch invoiced at ₹ 1,200 and these have not yet been entered into the branch books. It is the company's policy to adjust items in transit in the books of the recipient.
  - (2) The stock of raw materials held at the H.O. on 31st Dec. 2017 was valued at ₹ 4,300.
  - (3) You are advised that Branch employees are entitled to a bonus of ₹ 150 under a bilateral agreement. [16]
- Q.4** ABCD Ltd., Delhi has a branch in New York, USA, which is an **integral foreign operation** of the company. At the end of 31<sup>st</sup> March, 2018, the following ledger balances have been extracted from the books of the Delhi office and the New York Branch:

Particulars	Delhi (₹ thousands)		New York (\$ thousands)	
	Debit	Credit	Debit	Credit
Share Capital		1,250		
Reserves and Surplus		940		
Land	475			
Building (cost)	1,000			
Buildings Depreciation Reserve		200		
Plant & Machinery (cost)	2,000		100	
Plant & Machinery Depreciation Reserve		500		20
Trade receivables/payables	500	270	60	20
Stock (01 - 04 - 2017)	250		25	
Branch Stock Reserve		65		
Cash & Bank Balances	125		4	
Purchases/Sales	275	600	25	125
Goods sent to Branch		1,500	30	
Managing Director's salary	50			
Salaries	100		18	
Rent			6	
Office Expenses	25		12	
Commission		275		100
Branch/H.O. Current A/c	800			15
<b>Total</b>	<b>5,600</b>	<b>5,600</b>	<b>280</b>	<b>280</b>

The following information is also available:

- (1) Stock as at 31-03-2018  
Delhi - ₹ 1,80,000; New York - \$500 (all stock received from Delhi)
- (2) Head Office always sent goods to the Branch at cost plus 25%.
- (3) Provision is to be made for doubtful debts at 5%.
- (4) Depreciation is to be provided on Buildings at 10% and on Plant and Machinery at 20% on written down values.
- (5) Head office received income of ₹ 30,000 but wrongly credited to debtors.

**You are required:**

- (a) To convert the Branch Trial Balance into rupees, using the following rates of exchange:
 

Opening rate	1 \$ = ₹ 60	Closing rate	1 \$ = ₹ 65
Average rate	1 \$ = ₹ 64	For fixed assets	1 \$ = ₹ 54
- (b) To prepare the Trading and Profit & Loss Account for the year ended 31<sup>st</sup> March, 2013, showing to the extent possible. Head Office results and Branch results separately and the balance sheet of the company. [16]