

# ACCOUNTING FOR BRANCHES

## SOLUTION SET

### Answer to Question No.6.

#### Nagpur Branch stock A/c

Particulars	Rs.	Particulars	Rs.
To bal b/d	24,000	By branch cash a/c	1,80,000
To Goods sent to branch a/c	4,80,000	By branch debtors a/c	2,80,000
To branch debtors a/c	6,000	By balance c/d	48,000
		By branch profit & loss a/c (stock shortage) (balancing figure)	2,000
	<b>5,10,000</b>		<b>5,10,000</b>

#### Nagpur Branch adjustment A/c

Particulars	Rs.	Particulars	Rs.
To closing stock reserve	12,000	By Goods sent to branch	1,20,000
To stock shortage reserve	500	By opening stock reserve	6,000
To branch P/L (b/f)	1,13,500		
	<b>1,26,000</b>		<b>1,26,000</b>

#### Nagpur Branch Debtors A/c

Particulars	Rs.	Particulars	Rs.
To balance b/d	30,000	By branch stock	6,000
To branch cash (cheque dishonored )	5000	By branch P/L: Discount	1000
		Bad debts	1500
To branch stock A/c (b/f)	2,80,000	By branch cash	2,70,000
		By balance c/d	36,500
	<b>3,15,000</b>		<b>3,15,000</b>

**Branch debtors account shall be closed first, then branch stock account shall be closed and then branch stock adjustment account shall be closed.**

**Answer to Question No.7.**

**Kolkata head office**  
**Trading & Profit and loss Account**

Particulars	Rs.	Particulars	Rs.
To Opening Stock	1,75,000	By Goods sent to Branch	3,78,000
To Purchases	10,50,000	By Sales	10,71,000
To Gross Profit	6,64,000	By Closing Stock	4,20,000
	<b>18,89,000</b>		<b>18,89,000</b>
To Expenses	56,000	By Gross Profit	6,44,000
To Branch Closing Stock Reserve 63,000 x $\frac{2}{7}$	18,000		
	<b>6,44,000</b>		<b>6,44,000</b>

**Gurgaon Branch Trading & Profit and loss account**

Particulars	Rs.	Particulars	Rs.
To Goods received from Head office	3,78,000	By Sales	3,50,000
To Gross Profit (b/f)	35,000	By Closing Stock	63,000
	<b>4,13,000</b>		<b>4,13,000</b>
To Expenses	7,000	By Gross Profit	35,000
To net profit	28,000		
	<b>35,000</b>		<b>35,000</b>

**(If Cost Price = 100, then Whole Sale Price = 140 and Retail Price = 160)**

**Answer to Question No.8.**

**Books of Harrison**  
**Branch Stock Account**

Particulars	₹	Particulars	₹
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	2,000	By Balance c/d	
		Goods in Transit	20,000
		(₹ 2,40,000 – ₹ 2,20,000)	
		Stock at Branch	28,000
	<b>2,72,000</b>		<b>2,72,000</b>

**Branch Debtors Account**

Particulars	₹	Particulars	₹
To Balance b/d	32,750	By Branch Profit & Loss Ac (Bad debts)	750
To Branch Stock	1,65,000	By Branch Cash (b/f)	1,71,000
		By Balance c/d	26,000
	<b>1,97,750</b>		<b>1,97,750</b>

**Branch Cash Account**

Particulars	₹	Particulars	₹
To Balance b/d	5,000	By Remittances to H.O.	2,22,500
To Branch Stock	59,000	By Branch profit & loss A/c	10,000
To Branch Debtors	1,71,000	[Bal. fig. (exp. Paid by Branch)]	2,500
		By Balance c/d	
	<b>2,25,000</b>		<b>2,25,000</b>

**Branch Adjustment Account**

Particulars	₹	Particulars	₹
To closing Stock Reserve (48,000 × 1/6)	8,000	By opening Stock Reserve (25000 × 1/5)	5,000
To Branch profit & loss A/c (Gross Profit)	39,000	By Goods sent to Branch A/c	40,000
		By Branch Stock A/c	2,000
	<b>47,000</b>		<b>47,000</b>

**Branch Profit and Loss Account**

Particulars	₹	Particulars	₹
To Branch Expenses: Paid by branch	10,000	By Branch adjustment a/c	39,000
Paid by HO	12,000		
To Branch Debtors	750		
To Net Profit	16,250		
	<b>39,000</b>		<b>39,000</b>

**Goods Sent to Branch Account**

Particulars	₹	Particulars	₹
To Branch Adjustment A/c	40,000	By Branch Stock A/c	2,40,000
To Trading A/c	2,00,000		
	<b>2,40,000</b>		<b>2,40,000</b>

**Answer to Q.10:**

**Branch Account**

	Rs.		Rs.
To Goods sent to Branch A/c (1,50,000 + 10%)	1,65,000	By Cash (collection from debtors)	1,06,000
To Stock Reserve (1/11 of 53,400)	4,855	By Goods sent to Branch (Returns)	4,200
By Goods sent to Branch (loading on returns) (1/11 X 4200)	381	By Goods sent to Branch (loading) (165000 x 1/11)	15,000
To Profit transferred to General Profit & Loss A/c	37,363	By Balance c/d Stock 53,400 Debtors 29,000 (working note)	82,400
	<b>2,07,218</b>		<b>2,07,218</b>

**WORKING NOTE**

**Branch Debtors Account**

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

**Answer to Q.19.**

**In the books of ABC Ltd.  
New York Branch Trial Balance in (Rs.)  
as on 31st March, 2015**

	Conversion rate per US \$	Dr.	Cr.
	(Rs.)	Rs.	Rs.
Stock on 1.4.14	40	6,000	-
Purchases and sales	41	16,400	30,750
Sundry debtors and creditors	42	8,400	6,300
Bills of exchange	42	2,520	5,040
Sundry expenses	41	22,140	-
Bank balance	42	8,820	-
Delhi head office A/c	-	-	22,190
		<b>64,280</b>	<b>64,280</b>

**Answer to Q.20.**

**In the books of Omega Ltd.  
Trial balance of New York Branch  
as on 31/03/15**

Particulars	Dr. US \$	Cr. US \$	Conversion basis	Conversion rate	Dr. Rs.	Cr. Rs.
Fixed Assets	46,080	-	Date of purchase	43	1981440	-
Depreciation	5,120	-	Date of purchase	43	220160	-
Opening Stock	22,400	-	Opening rate	47	1052800	-
Purchase / Sales	96,000	1,66,400	Average rate	45	4320000	7488000
Goods sent from HO	32,000	-	Actual	-	1580000	-
Carriage	400	-	Average	45	18000	-
Expense	5,200	-	Average	45	234000	-
Outstanding exp	-	400	Closing	50	-	20000
H.o. A/c	-	45,600	Actual	-	-	20,50,000
Drs / Crs	9,600	6,800	Closing	50	480000	340000
Cash	2,400	-	Closing	50	120000	-
Exchange Diff (b/f)						108400
	<b>2,19,200</b>	<b>2,19,200</b>			<b>1,00,06,400</b>	<b>1,00,06,400</b>

**Answer to Q.21:**

**Pune Branch Account**

Particulars		Rs.	Particulars		Rs.
To Opening Balance			By Opening Balance:		
Stock		10,000	Salaries outstanding		100
Debtors		4,000	By Remittances:		
Petty Cash		500	Cash sales	1,30,000	
Furniture		2,000	Cash received from debtors	35,000	
Prepaid Insurance		150	Cash paid by debtors directly to H.O.	2,000	
To Goods sent to Branch Account		80,000	Received from Insurance Company	1,000	1,68,000
			By Goods sent to branch (return of goods by the branch to H.O.)		1,000
To Bank (expenses):			By Closing Balances:		
Rent	2,000		Stock		5,000
Salaries	2,400		Petty Cash		650
Petty Cash	1,000		Debtors		4,900
Insurance	600	6,000	Furniture (2,000 – 10% depreciation)		1,800
To Net Profit		78,950	Prepaid insurance (1/4 x Rs. 600)		150
		<b>1,81,600</b>			<b>1,81,600</b>

**Working Note:**

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

**Answer to Q.22:**

**In the books of Ganesh Ltd.  
New York Branch Trial Balance in (Rs.)  
as on 31st March, 2016**

	Conversion rate per US \$	Dr.	Cr.
	(Rs.)	Rs.	Rs.
Stock on 1.4.15	40	12,000	
Purchases and sales	41	32,800	61,500
Sundry debtors and creditors	42	16,800	12,600
Bills of exchange	42	5,040	10,080
Sundry expenses	41	44,280	
Bank balance	42	17,640	
Delhi office A/c	-		44,380
		<b>1,28,560</b>	<b>1,28,560</b>

**Answer to Question No.23.**

**Trading & P/L  
For the year ended**

	H.O.	Branch		H.O.	Branch
To opening stock	2,25,000	-	By GSTB	9,54,000	-
To Purchases	25,50,000	-	By sales	27,81,000	9,50,000
To goods received from H.O.	-	9,54,000	By closing stock (b/f)	7,00,000	99,000
To Gross Profit	16,60,000 (W.N. 2) (80 / 180 X 27,81,000 + 954000	95,000 (W.N. 1) $\frac{20}{200} \times$ 9,50,000			
To salary	65,000	12,000	By Gross Profit	16,60,000	95,000
To office expenses	90,000	8,500			
To selling expense	72,000	6,300			
To branch closing stock reserve $(99,000 \times \frac{80}{180})$	44,000				
To Net Profit	13,89,000	68,200			

**(Note: C.P. = 100, WSP = 180, RP = 200)**

**Answer to Question No.24.**

**Presume branch to be a NIFO**  
**Washington Branch Trial Balance in Indian Rupees**

Particulars	Dr.	(in \$)	Rate	(in Rs.)	(In Rs.)
Plant & Machinery	1,08,000		41	44,28,000	
Depreciation	12,000		41	4,92,000	
Furniture & Fixture	7,200		41	2,95,200	
Depreciation	800		41	32,800	
Opening stock	56,000		39	21,84,000	
Purchase/ Sales	2,40,000	4,16,000	40	96,00,000	1,66,40,000
Goods from Omega	80,000			39,40,000	
Wages	3,000		40	1,20,000	
Outstanding Wages		1,000	41		41,000
Carriage inward	1,000		40	40,000	
Salaries	6,000		40	2,40,000	
Rent	2,000		40	80,000	
Insurance	1,000		40	40,000	
Trade expenses	1,000		40	40,000	
Head office		1,14,000			43,00,000
Debtors and Creditors	24,000	17,000	41	9,84,000	6,97,000
Cash & Bank	5,000		41	2,05,000	
Cash Hand	1,000		41	41,000	
Exchange difference transferred to foreign currency translation reserve					10,84,000
	<b>5,48,000</b>	<b>5,48,000</b>		<b>2,27,62,000</b>	<b>2,27,62,000</b>

**Trading & P/L**

To Opening stock	21,84,000	By Sales	1,66,40,000
To Purchases	96,00,000	By Closing Stock	21,32,000
To Head office	39,40,000		
To Wages	1,20,000		
To Carriage inward	40,000		
To Gross Profit	28,88,000		
	<b>1,87,72,000</b>		<b>1,87,72,000</b>
To Salaries	2,40,000	By GP	28,88,000
To Rent, Rates and taxes	80,000		
To trade expense	40,000		
To Insurance	40,000		
To Depreciation	4,92,000 32,800		
To Net Profit	19,63,200		
	<b>28,88,000</b>		<b>28,88,000</b>

**Balance Sheet**

<b>Liabilities</b>		<b>Rs.</b>	<b>Assets</b>		<b>Rs.</b>
Head Office	43,00,000		Plant & machinery		44,28,000
Add: Net profit	19,63,200	62,63,200			
Foreign currency translation reserve		10,84,000	Furniture and fixture		2,95,200
Creditors		6,97,000	Closing Stock		21,32,000
Outstanding wages		41,000	Debtors		9,84,000
			Cash in hand		41,000
			Cash at Bank		2,05,000
		<b>80,85,200</b>			<b>80,85,200</b>

**Answer to Question No.26.****Trial Balance of London Branch as on 31<sup>st</sup> March, 2011**

<b>Particulars</b>	<b>U.K. Pound</b>	<b>Rate per U.K. Pound</b>	<b>Dr. (Rs.)</b>	<b>Cr. (Rs.)</b>
Fixed Assets	24,000	70	16,80,000	
Stock (as on 1 <sup>st</sup> April, 2010)	11,200	76	8,51,200	
Goods from Head Office	64,000	-	49,26,000	
Sales	96,000	75		72,00,000
Purchases	12,000	75	9,00,000	
Expenses (4,800 + 400 – 200)	5,000	75	3,75,000	
Debtors	4,800	77	3,69,600	
Creditors	3,200	77		2,46,400
Outstanding Expenses	400	77		30,800
Prepaid expenses	200	77	15,400	
Cash at Bank	1,200	77	92,400	
Head office Account		-		17,20,000
Difference in Exchange				<u>12,400</u>
			<u>92,09,600</u>	<u>92,09,600</u>

Closing stock will be  $(8,000 \times 77) = \text{Rs. } 6,16,600$

<b>Goods from head office</b>	<b>64,000</b>	<b>49,26,000</b>
<b>Head office A/c</b>	<b>22,800</b>	<b>17,20,000</b>



**Trading and profit & Loss A/c  
For the year ended 31<sup>st</sup> March, 2011**

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

**Balance Sheet as on 31<sup>st</sup> March, 2011**

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Head Office			Fixed Assets	16,80,000	
Balance	17,20,000		Less: Depreciation	<u>(1,68,000)</u>	15,12,000
Add: Net Profit	<u>6,08,200</u>	23,28,000	Debtors		3,69,600
Outstanding		30,800	Cash at bank prepaid		92,400
Expenses			Expenses		15,400
Creditors		2,46,400	Closing stock		<u>6,16,000</u>
		<u>26,05,400</u>			<u>26,05,400</u>

**Working Note:**

Since London Branch is an integral foreign operation. Hence

- (1) Fixed assets (cost and depreciation) are translated using the exchange rate at the date of purchases of the assets.
- (2) Exchange difference arising on translation of the financial statement is charged to Profit and Loss Account.

**Answer to Question No.29.**

**In the books of Moon Star  
Trial Balance (in Rupees) of Virginia (USA) Branch  
As on 31<sup>st</sup> March, 2012**

	Dr.	Cr.	Conversion	Dr.	Cr.
	US \$	US \$	Rate	Rs.	Rs.
Office Equipment	43,200		50	21,60,000	
Depreciation on Office Equipment	4,800		50	2,40,000	
Furniture and fixture	2,880		50	1,44,000	
Depreciation on furniture and Fixtures	320		50	16,000	
Stock (1 <sup>st</sup> April, 2011)	22,400		47	10,52,800	
Purchases	96,000		45	43,20,000	
Sales		1,66,400	45		74,88,000
Goods sent from H.O.	32,000			15,80,000	
Carriage inward	400		45	18,000	
Salaries (3,200 + 400)	3,600		45	1,62,000	
Outstanding salaries		400	50		20,000
Rent , rates and taxes	800		45	36,000	
Insurance	400		45	18,000	
Trade expenses	400		45	18,000	
Head Office A/c		45,600			20,50,000
Trade debtors	9,600		50	4,80,000	
Trade creditors		6,800	50		3,40,000
Cash at bank	2,000		50	1,00,000	
Cash in hand	400		50	20,000	
Exchange gain (bal. fig.)					<u>4,66,800</u>
	<u>2,19,200</u>	<u>2,19,200</u>		<u>1,03,64,800</u>	<u>1,03,64,800</u>

**(b) Trading and profit and Loss Account of Virginia Branch  
For the year ended 31<sup>st</sup> March, 2012**

	Rs.		Rs.
To Opening stock	10,52,800	By Sales	74,88,000
To Purchases	43,20,000	By Closing stock	10,75,000
To Goods from Head Office	15,80,000	(21,500 US \$ × 50)	
To Carriage inward	18,000		
To Gross profit c/d	<u>15,92,200</u>		
	<u>85,63,000</u>		<u>85,63,000</u>

To Salaries	1,62,000	By Gross profit b/d	15,92,200
To Rent, rates and taxes	36,000		
To Insurance	18,000		
To Trade Expenses	18,000		
To Depreciation on furniture and fixtures	2,40,000		
To Net Profit c/d	<u>11,02,200</u>		
	<u>15,92,200</u>		

**Balance sheet of Virginia Branch  
As on 31<sup>st</sup> March, 2012**

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Head Office A/c	20,50,000		Office Equipment	24,00,000	
Add: Net Profit	<u>11,02,200</u>	31,52,200	Less: Depreciation	<u>(2,40,000)</u>	21,60,000
Foreign Currency Translation Reserves		4,66,800	Furniture and Fixture	1,60,000	
Trade creditors			Less: Depreciation	<u>(16,000)</u>	1,44,000
Outstanding salaries			Closing Stock		10,75,000
			Trade debtors		4,80,000
			Cash in hand		20,000
			Cash at bank		1,00,000
		<b>39,79,000</b>			<b>39,79,000</b>

**Answer to Question No. 30**

**Books of ABCD Ltd.  
New York Branch Trial bal.  
As on 31<sup>st</sup> March, 2013**

Particulars	\$	\$	Conversion basis	Conversion rate	(in 000's) Rs.	(in 000's) Rs.
Plant & Machinery	100	-	Date of Purchase	45	4500	-
Plant & Machinery Depreciation	-	20	Date of Purchase	45	-	900
Trade receivables / trade payable	60	20	Closing	55	3300	1100
Stock	25		Opening	50	1250	-
Cash & Bank	4		Closing	55	220	-
Purchase & Sales	25	125	Average	52	1300	6500
Goods Received from Head Office	30		Actual		1500	

Wages & Salaries	18		Average	52	936	
Rent	6		Average	52	312	
Office Expenses	12		Average	52	624	
Commission Receipts		100	Average	52		5200
Head office Current A/c		15	Actual			800
Exchange Difference		15			558	
	<b>280</b>	<b>280</b>			<b>14500</b>	<b>14500</b>

**Trading & P/ L**

Particulars	Head office (in 000's) Rs.	Branch (in 000's) Rs.	Particulars	Head office (in 000's) Rs.	Branch (in 000's) Rs.
To Opening Stock	250	1250	By Sales	600	6500
To Purchases	275	1300	By Goods Sent	1500	-
To Goods Received from Head Office	-	1500	By Closing Stock	200	0.55
To Wages & Salaries	100	936			
To Gross Profit	1675	1514.55			
	<b>2300</b>	<b>6500.55</b>		<b>2300</b>	<b>6500.55</b>
To Rent	-	312	By Gross Profit	1675	1574.55
To Office Expenses	25	624	By Commission	275	5200
To Provision for doubtful debts (5%)	25	165	By Opening stock reserve	65	-
To Depreciation	380	720			
To Managing Director Salaries	50	-			
To Exchange loss	558	-			
To Closing stock reserve (1/5 X 55,000)	0.11	-			
To Balance C/d (to consolidated P/L)	976.89	4,953.55			
	<b>2,015</b>	<b>6774.55</b>		<b>2,015</b>	<b>6774.55</b>

**Answer to Q.31.**

**In the books of Mr. Chena Swami  
Salem Branch Account**

	Rs.		Rs.
To balance b/d		By Bank (Remittance to H.O)	19,50,000
Opening stock:		By Balance C/d	
Ghee	40,000	Closing stock:	
Oil	22,500	Refined Oil	19,500
Debtors	1,80,000	Ghee	90,000
Cash on hand	25,690	Debtors (WN 1)	2,10,000
Furniture & fittings	23,800	Cash on hand (WN 2)	44,800
To goods sent to branch A/c		Furniture & fittings	21,420
Refined oil(30x1500x12)	5,40,000		
Ghee(20x5000x12)	12,00,000		
To Bank (Expenses paid by H.O)	76,800		
To Net profit transferred to general P & L A/c	2,26,930		
	<b>23,35,720</b>		<b>23,35,720</b>

**Mr. Chena Swami**

**Trading and Profit and Loss account for the year ended 31st March, 2016  
(Excluding branch transactions)**

	Rs.		Rs.
To opening stock:		By sales:	
Refined Oil	44,000	Refined Oil	24,10,000
Ghee	10,65,000	Ghee	38,40,500
To purchases:		By closing stock:	
Refined Oil           27,50,000		Refined Oil	8,90,000
Less: Goods sent to   (5,40,000) Branch	22,10,000	Ghee	15,70,000
Ghee                   48,28,000			
Less: Goods sent to   (12,00,000) Branch	36,28,000		
To Direct expenses	6,35,800		
To Gross profit	11,27,700		
	<b>87,10,500</b>		<b>87,10,500</b>

To Manager's salary	2,40,000	By Gross profit	11,27,700
To General expenses	1,86,000	By Branch profit transferred	2,26,930
To Depreciation			
Furniture (88,600 - 79,740)	8,860		
Building (5,10,800 + 2,41,600 - 7,14,780)	37,620		
To Manager commission @10% (8,82,150x10/110)	80,195		
To Net profit	8,01,955		
	<b>13,54,630</b>		<b>13,54,630</b>

**Working Notes:**

**(1) Debtors Account**

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

**(2) Branch Cash Account**

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

**Note:**

1. Branch managers generally get commission based on the Branch profits and not on overall organizational profits. The answer given above is on the basis of the information given in the question and the commission of branch manager is computed as 10% on overall organizational profits after charging such commission.

**Answer to Question No.32.**

**Conversion of Ledger balances (in Dollars) into Rupees**

Particulars	\$	Rate Per \$	Amount in Rs.
Building	180	42	7,560
Stock as on 01.04.2011	26	46	1,196
Cash and bank balances	57	50	2,850
Purchases	96	48	4,608
Sales	110	48	5,280
Commission receipts	28	48	1,344
Debtors	46	50	2,300
Creditors	65	50	3,250

**Answer to Q.33.**

**In the books of English Firm (Head Office in New York)**

**Chennai Branch Profit and Loss Account for the year ended 31st December, 2019**

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

**Balance Sheet of Chennai Branch**

**as on 31st December, 2019**

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

**Working Note:**

**Calculation of Exchange Translation Loss  
Chennai Branch Trial Balance (converted in \$)  
as on 31<sup>st</sup> December, 2019**

	Dr. ₹	Cr. ₹	Conversion Rate	Dr. (\$)	Cr. (\$)
Stock on 1st Jan., 2019	2,34,000		52	4,500	
Purchases & Sales	15,62,500	23,43,750	50	31,250	46,875
Debtors & creditors	7,65,000	5,10,000	51	15,000	10,000
Bills Receivable and Bills Payable	2,04,000	1,78,500	51	4,000	3,500
Salaries and wages	1,00,000		50	2,000	
Rent, Rates and Taxes	1,06,250		50	2,125	
Furniture	91,000			1,750	
Bank A/c	5,68,650		51	11,150	
New York Account		5,99,150			13,400
Exchange translation loss (bal. fig.)				2,000	
	36,31,400	36,31,400		73,775	73,775

**Answer to Q.36.**

**M/s Heera & Co.  
Patna Branch Trial Balance in (US \$)  
as on 31<sup>st</sup> March, 2016**

	Conversion rate per US \$ (Rs.)	Dr. US \$	Cr. US \$
Stock on 1.4.15	55	5,454.55	-
Purchases and sales	58	13,793.10	20,689.66
Sundry debtors and creditors	60	6,666.67	5,000.00
Bills of exchange	60	2,000.00	4,000.00
Wages and salaries	58	9,655.17	-
Rent, rates and taxes	58	6,206.90	-
Sundry charges	58	2,758.62	-
Plant	-	6,000.00	-
Bank balance	60	7,000.00	-
USA office A/c	-	-	29,845.35
		<b>59,535.01</b>	<b>59,535.01</b>



**Trading and Profit & Loss Account  
for the year ended 31st March, 2016**

	US \$		US \$
To Opening Stock	5,454.55	By Sales	20,689.66
To Purchases	13,793.10	By Closing stock (Rs. 4,20,000/60)	7,000.00
To Wages and salaries	9,655.17	By Gross Loss c/d	1,213.16
	<b>28,902.82</b>		<b>28,902.82</b>
To Gross Loss b/d	1,213.16	By Net Loss	13,778.68
To Rent, rates and taxes	6,206.90		
To Sundry charges	2,758.62		
To Depreciation on Plant (US \$ 6,000 × 0.6)	3,600.00		
	<b>13,778.68</b>		<b>13,778.68</b>

**Balance Sheet of Patna Branch  
as on 31st March, 2016**

Liabilities		US \$	Assets		US \$	US \$
USA Office A/c	29,845.35		Plant	6,000.00		
Less: Net Loss	(13,778.68)	16,066.67	Less: Depreciation	(3,600.00)	2,400.00	
Sundry creditors		5,000.00	Closing stock		7,000.00	
Bills payable		4,000.00	Sundry debtors		6,666.67	
			Bills receivable		2,000.00	
			Bank balance		7,000.00	
		<b>25,066.67</b>			<b>25,066.67</b>	

**Answer to Q.37.**

**In the books of Head Office - LMN  
Mumbai Branch Account (At invoice price)**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d:		By Stock Reserve (opening)	10,000
Stock	40,000	By Remittances	
Debtors	25,000	Cash Sales                      1,20,000	
Cash in hand	1,000	Cash from Debtors      65,000	1,85,000
Furniture	4,000	By Goods sent to Branch (loading)	45,000
To Goods sent to branch	1,80,000	By Goods returned by branch (Returns to HO)	6,000
To Goods returned by branch (loading)	1,500	By Balance c/d:	
To Bank (Expenses paid by Head Office):		Stock	35,000
Salary                      4,000		Debtors	28,450
Staff Welfare              750		Cash (Rs.1,000-Rs.700)	300
Telephone                  1,200	5,950	Furniture (Rs.4,000-Rs.400)	3,600
To Stock Reserve (closing)	8,750		
To Profit Transferred to General Profit & Loss A/c	47,150		
	<b>3,13,350</b>		<b>3,13,350</b>

**Working Note:**

**Debtors Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	25,000	By Cash A/c	65,000
To Sales A/c (Credit)	70,000	By Sales Return	1,250
		By Discount allowed	300
		By Balance c/d	28,450
	<b>95,000</b>		<b>95,000</b>

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

**Answer to Q.38:**

**Books of Branch**  
**Journal Entries**

		<b>Amount in Rs.</b>	
		<b>Dr.</b>	<b>Cr.</b>
(i)	Expenses Account <span style="float: right;">Dr.</span> To Head Office Account A/c (Being the expenses allocated by the Head office not recorded earlier, now recorded)	2,800	2,800
(ii)	Provision for Doubtful Debts A/c <span style="float: right;">Dr.</span> To Head Office Account (Being the provision for doubtful debts not provided earlier, now provided for)	1,000	1,000
(iii)	Head Office Account <span style="float: right;">Dr.</span> To Salaries Account (Being rectification of salary paid on behalf of Head Office)	3,000	3,000
(iv)	Head Office Account <span style="float: right;">Dr.</span> To Cash Account (Being expenditure incurred on account of other branch, now recorded in books)	5,000	5,000
(v)	No entry in Branch Books is required.		
(vi)	Expenses Account <span style="float: right;">Dr.</span> To Head Office Account (Being allocated expenses of Head Office recorded)	75,000	75,000
(vii)	Head Office Account <span style="float: right;">Dr.</span> To Debtors Account (Being adjustment entry for collection from Branch Debtors directly by Head Office)	30,000	30,000
(viii)	Goods-in- transit Account <span style="float: right;">Dr.</span> To Head Office Account (Being goods sent by Head Office still in-transit)	10,000	10,000

**Answer to Q.39:**

**In the Books of Pawan Delhi (Head Office)  
Jaipur Branch Account**

	Rs.		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	By Closing Balances:	
To Goods sent to branch	12,56,000	Branch stock A/c	1,92,000
To Bank A/c (branch expenses)	2,64,000	Branch debtors A/c	84,300
To Branch stock reserve A/c	38,400	Branch furniture A/c (W.N.2)	46,870
To Profit and loss A/c (Bal. Fig.)	2,74,570		
	<b>21,07,170</b>		<b>21,07,170</b>

**Working Notes:**

**1. Depreciation on furniture**

10% p.a. on Rs. 46,800	4,680
10% p.a. for 6 months on Rs. 5,000	250
	<b>4,930</b>

**2. Closing balance of branch furniture as on 31.3.2013**

Branch furniture as on 1.4.2012	46,800
Add: Acquired during the year	5,000
Less: Depreciation (W.N.1)	(4,930)
Branch furniture as on 31.3.2013	<b>46,870</b>

**3. Collection from branch debtors**

**Branch Debtors Account**

	Rs.		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
	<b>8,07,600</b>		<b>8,07,600</b>

**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

**Answer to Q.40:****Delhi Branch Stock Account**

<b>Particulars</b>	<b>Amount (Rs.)</b>	<b>Particulars</b>	<b>Amount (Rs.)</b>
To Balance b/d	60,000	By Goods sent to branch A/c (Returns)	12,000
To Goods sent to branch A/c	6,00,000	By Bank A/c (Cash sales)	1,80,000
To Branch debtors A/c (Returns)	6,000	By Branch debtors A/c (credit sales)	3,80,000
To Branch adjustment A/c (Surplus over invoice price)	26,000	By Balance c/d	1,20,000
	<b>6,92,000</b>		<b>6,92,000</b>

**Delhi Branch Adjustment Account**

<b>Particulars</b>	<b>Amount (Rs.)</b>	<b>Particulars</b>	<b>Amount (Rs.)</b>
To Stock reserve - 20% of Rs. 1,20,000 (Closing stock)	24,000	By Delhi Branch stock A/c	26,000
To Branch profit & loss A/c	1,31,600	By Stock reserve - 20% of Rs. 60,000 (Opening stock)	12,000
		By Goods sent to branch A/c – 20% of Rs. 5,88,000	1,17,600
	<b>1,55,600</b>		<b>1,55,600</b>

**Branch Expenses Account**

<b>Particulars</b>	<b>Amount (Rs.)</b>	<b>Particulars</b>	<b>Amount (Rs.)</b>
To Bank A/c (Rent, rates & taxes)	16,000	By Branch profit and loss A/c (Transfer)	84,000
To Bank A/c (Salaries & wages)	62,000		
To Bank A/c (Office expenses)	6,000		
	<b>84,000</b>		<b>84,000</b>

**Branch Debtors Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	72,000	By Bank A/c	4,32,000*
To Branch stock A/c	3,80,000	By Branch profit and loss A/c (Bad debts and discount)	14,000
		By Branch stock A/c (Sales returns)	6,000
	4,52,000		4,52,000

**Goods sent to Branch Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Branch stock A/c	12,000	By Branch stock A/c	6,00,000
To Branch adjustment A/c	1,17,600		
To Purchases A/c	4,70,400		
	<b>6,00,000</b>		<b>6,00,000</b>

**Branch Profit & Loss Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Branch expenses A/c	84,000	By Branch adjustment A/c	1,31,600
To Branch debtors A/c (Discount)	8,000		
To Branch debtors A/c (Bad Debts)	6,000		
To Net profit (transferred to Profit & Loss A/c)	33,600		
	<b>1,31,600</b>		<b>1,31,600</b>

In the absence of information about closing balance of Branch debtors A/c and cash received from debtors. The closing balance of debtors is assumed as nil and balancing figure is considered as cash received from debtors.

**Note:** The answer has been given on the basis of Stock and Debtors Method.

## **GAUTAM BUDDHA – DON'T REACT, ONLY RESPOND**

One day [Buddha](#) was passing through a village. The people of that village were against him, against his philosophy, so they gathered around him to insult him. They used ugly words, vulgar words. Buddha listened. Ananda, Buddha's disciple who was with him, got very angry, but he couldn't say anything because Buddha was listening so silently, so patiently, rather as if he was enjoying the whole thing.

Then even the crowd became a little frustrated because he was not getting irritated and it seemed he was enjoying.

Buddha said, "Now, if you are finished, I should move – because I have to reach the other village soon. They must be waiting just as you were waiting for me. If you have not told me all the things that you thought to tell me, I will be coming back within a few days, then you can finish it."

Somebody from the crowd said, "But we have been insulting you, we have insulted you. Won't you react? Won't you say something?"

Buddha said, "That is difficult. If you want reaction from me, then you are too late. You should have come at least ten years ago, because then I used to react. But I am now no longer so foolish. I see that you are angry, that's why you are insulting me. I see your anger, the fire burning in your mind. I feel compassion for you. This is my response – I feel compassion for you. Unnecessarily you are troubled.

"Even if I am wrong, why should you get so irritated? That is not your business. If I am wrong I am going to hell, you will not go with me. If I am wrong I will suffer for it, you will not suffer for it. But it seems you love me so much and you think about me and consider me so much that you are so angry, irritated. You have left your work in the fields and you have come just to say a few things to me. I am thankful."

Just when he was leaving he said, "One thing more I would like to say to you. In the other village I left behind, a great crowd just like you had come there and they had brought many sweets just as a present for me, a gift from the village. But I told them that I don't take sweets. They took the sweets back. I ask you, what will they do with those sweets?"

So somebody from the crowd said, "What will they do? It is easy; there is no need to answer. They will distribute them in the village and they will enjoy."

So Buddha said, "Now what will you do? You have brought only insults and I say I don't take them. What will you do? I feel so sorry for you. You can insult me that is up to you. But I don't take it, that is up to me – whether I take it or not."

Buddha said, "I don't take unnecessary things, useless things. I don't get unnecessarily burdened. I feel compassion for you."

This was Buddha's response.

Response is always good, reaction is always bad. Response is always beautiful, reaction is always ugly. Avoid reactions and allow responses. Reaction is from the past, response is here and now.