

Choice Based IV Semester B.Com Degree Examination, September 2022
(2020-21 Batch Onwards) COMMERCE
FINANCIAL ACCOUNTING IV (BCMCMC 282)
SCHEME OF VALUATION

Time 3 Hours

Max.Marks: 120

1) **Royalty** is what a lessee pays to a lessor for the use of any rights, copyrights, franchises or any such asset. In other words, royalty is an amount payable for utilising the benefits of certain rights vested with some other persons. Thus, royalty is not a payment for goods and is not payment for services. It is a payment for acquiring the right to use of certain assets.

3+3

Shortworking: The excess of minimum rent over the actual royalty of any particular year is known as short working / Deficiency / Shortage. In other words, working is short that means output is short. It means royalty is less than the minimum rent. There will not be any short working for the year in which the actual royalty is equal to or more than minimum rent.

2)

Analytical Table							
Year	Royalty	Min.Rent	Shortworking	Surplus	S.W Recouped	S.W P/L A/C	Payable to Landlord
2019	70,000	80,000	10,000	-	-	-	80,000
2020	90,000	80,000	-	10,000	10,000	-	80,000
2021	1,00,000	80,000	-	20,000	-	-	1,00,000

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Minimum Rent					
Date	Particulars	Amount	Date	Particulars	Amount
2019	To Landlord	80000	2019	By Royalty	70,000
				By S. W	10,000
		80,000			80,000

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3) **Profit or loss prior to incorporation** refers to the profit earned or loss suffered by the company from the acquired business before it legally came into existence, i.e., for the period from the date of acquisition of the existing business to the date of the incorporation of the company. Legally, this profit is not available for distribution as dividend, since a company cannot earn profit before it comes to existence. Profit earned before incorporation is a capital profit and profit earned after incorporation is a revenue profit.

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Post-Incorporation Profit or Loss: Post incorporation period begins after the incorporation and ends with the closing of accounting year. The profits earned or losses suffered during this period are referred to as "Post- Incorporation Profit or Loss". These profits are revenue profits which can be used for distributing dividend to the shareholders.

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4)

Expenses	Basis of allocation
a) Bad debts	Sales
b) Labour welfare expenses	No. of employees
c) Repairs to machinery	Cost of machinery
d) Rent	Floor area
e) Lighting	Light points
f) Advertisement	Net sale value

1 mark each

5)

**Ledger A/c in the books of Bhargavi Ltd
Mangaluru Branch A/c**

Particulars	Amount	Particulars	Amount
To Branch stock A/c	14,500	By Bank A/c	83,300
To Branch petty cash A/c	2,150	By Goods sent to branch (goods returned)	2,600
To Goods sent to branch (goods supplied)	47,400	By Branch stock A/c	16,500
To Bank A/c:		By Branch petty cash A/c	2,320
Salary	6,500		
Rent	3,200		
Petty cash	3,000		
To General P & L A/c	27,970		
	1,04,720		1,04,720

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6) a) Calculation of Time Ratio:

Pre-incorporation period 4 months, Post-incorporation period : 8 months, Time Ratio=4:8 or 1:2

b) Calculation of Sales Ratio: Total Sales during the year 2020-21 = 48,00,000

Pre-incorporation period Sales=18,00,000 i.e (48,00,000-30,00,000), Post-incorporation period Sales=30,00,000

Sales Ratio = 18:30=3:5

3+3

7) Analytical table showing Shortworking and Royalty

Year	Output (in tons)	Royalty	Minimum rent	Short working	Surplus royalty	Short working recouped	Short working transferred to P & L A/c	Short working transferred to next year	Amount payable to landlord
2017	9,000	13,500	20,000	6,500	-	-	-	6,500	20,000
2018	12,000	18,000	20,000	2,000	-	-	-	8,500	20,000
2019	16,000	24,000	20,000	-	4,000	4,000	4,500	4,500	20,000
2020	20,000	30,000	20,000	-	10,000	-	-	-	30,000

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Ledger A/c in the books of a Pogo Ltd [Lessee]
Royalty A/c

Date	Particulars	Amount(₹)	Date	Particulars	Amount(₹)
31-12-17	To Landlord A/c	13,500	31-12-17	By Profit & Loss A/c	13,500
		<u>13,500</u>			<u>13,500</u>
31-12-18	To Landlord A/c	18,000	31-12-18	By Profit & Loss A/c	18,000
		<u>18,000</u>			<u>18,000</u>
31-12-19	To Landlord A/c	20,000	31-12-19	By Profit & Loss A/c	24,000
31-12-19	To Shortworking A/c	4,000			
		<u>24,000</u>			<u>24,000</u>
31-12-20	To Landlord	30,000	31-12-20	By Profit & Loss A/c	30,000
		<u>30,000</u>			<u>30,000</u>

3

Dr Shortworking A/c Cr

Date	Particulars	Amount(₹)	Date	Particulars	Amount(₹)
31-12-17	To Landlord A/c	6,500	31-12-17	By Balance C/d	6,500
		<u>6,500</u>			<u>6,500</u>
01-01-18	To Balance B/d	6,500	31-12-18	By Balance C/d	8,500
31-12-18	To Landlord A/c	2,000			
		<u>8,500</u>			<u>8,500</u>
01-01-19	To Balance B/d	8,500	31-12-19	By Royalty A/c	4,000
			31-12-19	By Profit & Loss A/c	4,500
		<u>8,500</u>			<u>8,500</u>

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Dr Landlord / Lessors A/c Cr

Date	Particulars	Amount	Date	Particulars	Amount
31-12-17	To Bank A/c	20,000	31-12-17	By Royalty A/c	13,500
			31-12-17	By Shortworkings A/c	6,500
		<u>20,000</u>			<u>20,000</u>
31-12-18	To Bank A/c	20,000	31-12-18	By Royalty A/c	18,000
				By Shortworkings A/c	2,000
		<u>20,000</u>	31-12-18		<u>20,000</u>
31-12-19	To Bank A/c	20,000		By Royalty A/c	20,000
		<u>20,000</u>	31-12-19		<u>20,000</u>
31-12-20	To Bank A/c	30,000		By Royalty A/c	30,000
		<u>30,000</u>	31-12-20		<u>30,000</u>

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8)

In the books of Jaseera Ltd

Dr Departmental Trading and Profit & Loss A/c for the year ended on 31-03-2021 Cr

Particulars	Dept. X	Dept. Y	Total	Particulars	Dept. X	Dept. Y	Total
To Opening stock	25,000	20,000	45,000	By Sales A/c	6,40,000	9,60,000	16,00,000
To Purchases A/c	4,50,000	7,78,000	12,28,000	By Closing stock	27,000	30,000	57,000
To Gross profit e/d	1,92,000	1,92,000	3,84,000				
	6,67,000	9,90,000	16,57,000		6,67,000	9,90,000	16,57,000
To Gen. Exp. A/c (2:3)	30,000	45,000	75,000	By Gross profit/d	1,92,000	1,92,000	3,84,000
To Gen. P & L A/c	1,62,000	1,47,000	3,09,000				
	1,92,000	1,92,000	3,84,000		1,92,000	1,92,000	3,84,000

Calculation of unrealised profit and rate of Gross profit;

Percentage of Gross profit = $\frac{\text{Gross profit}}{\text{sales}} \times 100$	
Dept X = $\frac{192000}{640000} \times 100 = 30\%$	Dept Y = $\frac{192000}{960000} \times 100 = 20\%$
Stock Reserve of Dept. X: Closing stock Reserve = $9000 \times 20\% = 1800$ Less: Opening stock Reserve = $3000 \times 20\% = 600$ <u>1200</u>	Stock Reserve of Dept. Y: Closing stock Reserve = $8000 \times 30\% = 2400$ Less: Opening stock Reserve = $2000 \times 30\% = 600$ <u>1800</u>

Dr General Profit and Loss A/c Cr

Particulars	Amount	Particulars	Amount
To Stock Reserve		By Net profit B/d	
Dept. X:	1,200	Dept. X:	1,62,000
Dept. Y:	1,800	Dept. Y:	1,47,000
	3,000		3,09,000
To Net profit transferred to Balance sheet	3,06,000		
	3,09,000		3,09,000

9)

Calculation of Credit sales:	
Total sales	8,80,000
Less: Cash sales	5,60,000
\therefore Credit sales	3,20,000
Calculation of closing value of petty cash	
Opening value of petty cash	5,000
Less: Petty expenses	3,600
\therefore Closing value of petty cash	1,400
Calculation of closing value of furniture	
Opening value of furniture	20,000
Less: Depreciation (20,000 x 10%)	2,000
\therefore Closing value of furniture	18,000

In the books of Dora Ltd
Memorandum Debtors A/c

Particulars	Amount	Particulars	Amount
To Balance B/d	85,000	By Cash from debtors	2,85,000
To Credit sales	3,20,000	By discount allowed	2,500
		By Sales return	4,000
		By Balance C/d	1,13,500
	4,05,000		4,05,000

Dr		Udupi Branch A/c		Cr	
Particulars	Amount	Particulars	Amount	Particulars	Amount
To Branch stock A/c	1,50,000	By Bank A/c			
To Branch petty cash A/c	5,000	Cash sales	5,60,000		
To Branch debtors A/c	85,000	Cash from debtors	2,85,000		8,45,000
To Branch furniture A/c	20,000	By Goods sent to branch A/c			10,000
To Goods sent to branch A/c	8,00,000	By Branch stock A/c			1,20,000
To Bank A/c		By Branch petty cash A/c			1,400
Rent	24,000	By Branch debtors A/c			1,13,500
Salary	42,000	By Branch furniture A/c			18,000
To Stock reserve	66,000	By Stock reserve A/c			
1,20,000 - 125	24,000	1,50,000 - 125			30,000
? - 25		? - 25			
To Goods sent to branch A/c		By Goods sent to branch A/c			
10,000 - 125	2,000	8,00,000 - 125			
? - 25		? - 25			1,60,000
To General Profit & Loss A/c	1,45,900				
	12,97,900				12,97,900

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10.)

Dr		In the Books of Head Office		Mysore Branch Trading and Profit & Loss A/c as on 31-3-2022		Cr	
Particulars	Amount	Particulars	Amount	Particulars	Amount	Particulars	Amount
To Mysore Branch A/c		By Mysore Branch A/c					
Opening stock	30,000	Sales	1,85,000				
Purchases	84,000	Goods supplied	30,000				
Goods received	45,000	Closing stock	13,500				2,28,500
To Mysore branch P & L A/c	1,59,000						
(Gross profit c/d)	69,500						
	2,28,500						2,28,500
To Mysore Branch A/c		By Mysore Branch					
Salaries	8,000	Trading A/c (gross					
Rent	4,300	profit B/d)					69,500
Other expense	2,350						
To General P & L A/c(difference)	14,650						
	54,850						
	69,500						69,500

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Incorporation Entries in the books of Head Office

Sl.No.	Particulars	L.F.	Debit (₹)	Credit (₹)
1.	Mysore Branch Trading A/c To Mysore Branch A/c	Dr	1,59,000	
2.	Mysore Branch A/c To Mysore branch trading A/c	Dr		1,59,000
3.	Mysore Branch Trading A/c To Mysore Branch P & L A/c	Dr	2,28,500	
4.	Mysore Branch P & L A/c To Mysore Branch A/c	Dr		2,28,500
5.	Mysore Branch P & L A/c To General P & L A/c	Dr	69,500	
6.	Mysore Branch P & L A/c To Mysore Branch A/c	Dr		69,500
7.	Mysore Branch Asset A/c To Mysore Branch A/c	Dr	14,650	
8.	Mysore Branch P & L A/c To General P & L A/c	Dr		14,650
9.	Mysore Branch Asset A/c To Mysore Branch A/c	Dr	54,850	
10.	Mysore Branch P & L A/c To Mysore Branch A/c	Dr		54,850
11.	Mysore Branch A/c To Mysore Branch Liabilities A/c	Dr	66,400	
12.	Mysore Branch A/c To Mysore Branch Liabilities A/c	Dr		66,400
13.	Mysore Branch A/c To Mysore Branch Liabilities A/c	Dr	9,250	
14.	Mysore Branch A/c To Mysore Branch Liabilities A/c	Dr		9,250

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11. Suthyam private Ltd.
Statement Showing the Apportionment Profit and Loss between Pre and Post Incorporation
period for the year ended 31st March 2020

Particulars	Basis of Allocation	Total	Pre-Incor- poration	Post-Incor- poration
Gross Profit (A)	Sales Ratio (1:3)	2,50,000	62,500	1,87,500
Less: Expenses (B):				
Rent, Rates and Taxes	Time Ratio (1:2)	90,000	30,000	60,000
Salaries	Time Ratio (1:2)	1,50,000	50,000	1,00,000
Directors fees	Direct	38,000	-	38,000
Audit fees	Time Ratio (1:2)	20,000	6,667	13,333
General expenses	Time Ratio (1:2)	48,000	16,000	32,000
Printing and stationery	Time Ratio (1:2)	36,000	12,000	24,000
Bad debts	WN3	6,000	2,000	4,000
Advertising	Sales Ratio (1:3)	18,000	4,500	13,500
Preliminary expenses	Direct	10,000	-	10,000
Interest to Vendors @ 12% on `1,00,000	1:1	8,000	4,000	4,000
		4,24,000	1,25,167	2,98,833

8 marks

*Capital Loss transferred to Goodwill Account

*Revenue Loss transferred to Statement of Profit or Loss

Working Notes:

1. Calculation of Time Ratio:

$$\text{Time Ratio} = 4 : 8 = 1:2$$

2. Calculation of Sales Ratio:

Pre-incorporation Period Sales = ` 2,00,000 Post-incorporation Period Sales = ` 6,00,000

$$\text{Sales Ratio} = 2,00,000 : 6,00,000 = 2:6 = 1:3$$

3. Calculation of Bad debts:

Amount of bad debts relating to Pre-incorporation Period = 2,000 Actual amount of bad debts = 6,000

Amount of bad debts relating to Post-incorporation Period = 6,000 - 2,000 = 4,000

4. Calculation of Interest to Vendors:

$$\text{Interest} = 1,00,000 \times 12/100 \times 8/12 = ` 8,000$$

Pre-incorporation months = 4 months

Post-incorporation months = 4 months

$$\text{Ratio} = 4 : 4 = 1 : 1$$

Pre-incorporation Interest = 8,000 x 1/2 = ` 4,000

Post-incorporation Interest = 8,000 x 1/2 = ` 4,000

4 marks

12. Dependent branches are those which depends completely on the Head office for all their requirement i.e., for goods and expenses. Even the accounts of these branches are maintained by the Head office. Books of accounts relating to such branch also will be maintained by Head office. They sell only those goods which are receivable from the H.O. They are not allowed to make purchases in their own name.

4+8

Features of Dependent branches:

- 1) The branch does not maintain its own set of books. But the head office maintains record of all transactions in respect of branch.
- 2) Goods are received from the head office. However, the outside purchases by branch are not allowed.
- 3) All expenses of regular nature directly paid by the H.O. through cheques.
- 4) Goods are often supplied by the H.O. at cost price. But sometimes they are sent at invoice price or loaded price.
- 5) All petty expenses at branch are paid by the branch manager from the petty cash received in advance from the H.O.
- 6) Generally, branch makes sales on cash basis. But in certain cases, credit sales may be made with authorisation from the H.O.
- 7) Cash received on account of cash sales and from debtors is duly remitted to H.O.

13)

Analytical table in respect of Ajay [Lessee]

Year	Output	Royalty	Minimum rent	Short working	Surplus royalty	Short working recouped	Short working transferred to P & L A/c	Short working transferred to next year	Amount payable to Rajiv
2017	1,500	15,000	20,000	5,000	-	-	-	5,000	20,000
2018	1,700	17,000	20,000	3,000	-	-	-	8,000	20,000
2019	2,000	20,000	20,000	-	-	-	-	8,000	20,000
2017	2,300	23,000	20,000	-	3,000	3,000	5,000	-	20,000
2018	3,000	30,000	20,000	-	10,000	-	-	-	30,000

Analytical table in respect of Abhay [Sub-lessee]

Year	Output	Royalty	Minimum rent	Short working	Surplus royalty	Short working recouped	Short working transferred to P & L A/c	Short working transferred to next year	Amount payable to Raghu
2017	400	5,000	9,600	4,600	-	-	-	4,600	9,600
2018	540	6,750	9,600	2,850	-	-	-	7,450	9,600
2019	700	8,750	9,600	850	-	-	4,600	3,700	9,600
2017	900	11,250	9,600	-	1,650	1,650	1,200	850	9,600
2018	1,200	15,000	9,600	-	5,400	850	-	-	14,150

Ledger A/c in the books of Ajay
Royalty Payable A/c

Date	Particulars	Amount	Date	Particulars	Amount
31-12-17	To Rajiv A/c	15,000	31-12-17	By Royalty receivable A/c	4,000
		15,000	31-12-17	By Profit & Loss A/c	11,000
					15,000
31-12-18	To Rajiv A/c	17,000	31-12-18	By Royalty receivable A/c	5,400
		17,000	31-12-18	By Profit & Loss A/c	11,600
					17,000
31-12-19	To Rajiv A/c	20,000	31-12-19	By Royalty receivable A/c	7,000
		20,000	31-12-19	By Profit & Loss A/c	13,000
					20,000
31-12-20	To Rajiv A/c	20,000	31-12-20	By Royalty receivable A/c	9,000
31-12-20	To Shortworking A/c	3,000	31-12-20	By Profit & Loss A/c	14,000
		23,000			23,000
31-12-21	To Rajiv A/c	30,000	31-12-21	By Royalty receivable A/c	12,000
		30,000	31-12-21	By Profit & Loss A/c	18,000
					30,000

Shortworking A/c

Date	Particulars	Amount	Date	Particulars	Amount
31-12-17	To Rajiv A/c	5,000	31-12-17	By Balance C/d	5,000
		5,000			5,000
31-12-18	To Balance B/d	5,000	31-12-18	By Balance C/d	8,000
31-12-18	To Rajiv A/c	3,000			8,000
		8,000			8,000
01-01-19	To Balance B/d	8,000	31-12-19	By Balance C/d	8,000
		8,000			8,000
01-01-20	To Balance B/d	8,000	31-12-20	By Royalty payable A/c	3,000
		8,000	31-12-20	By Profit & Loss A/c	5,000
					8,000

Arjun A/c					
Date	Particulars	Amount	Date	Particulars	Amount
31-12-17	To Bank A/c	20,000	31-12-17	By Royalty payable	15,000
			31-12-17	A/c By Shortworking	5,000
		20,000		A/c	20,000
31-12-18	To Bank A/c	20,000	31-12-18	By Royalty payable A/c	17,000
			31-12-18	By Shortworking A/c	3,000
		20,000			20,000
31-12-19	To Bank A/c	20,000	31-12-19	By Royalty payable A/c	20,000
					20,000
		20,000			20,000
31-12-20	To Bank A/c	20,000	31-12-20	By Royalty payable A/c	20,000
					20,000
		20,000			20,000
31-12-21	To Bank A/c	30,000	31-12-21	By Royalty payable A/c	30,000
					30,000
		30,000			30,000

3

Royalty receivable A/c					
Date	Particulars	Amount	Date	Particulars	Amount
31-12-17	To Royalty payable A/c	4,000	31-12-17	By Ravi A/c	5,000
31-12-17	To Profit & Loss A/c	1,000			5,000
		5,000			5,000
31-12-18	To Royalty payable A/c	5,400	31-12-18	By Ravi A/c	6,750
31-12-18	To Profit & Loss A/c	1,350			6,750
		6,750			6,750
31-12-19	To Royalty payable A/c	7,000	31-12-19	By Ravi A/c	8,750
31-12-19	To Profit & Loss A/c	1,750			8,750
		8,750			8,750
31-12-20	To Royalty payable A/c	9,000	31-12-20	By Ravi A/c	9,600
31-12-20	To Profit & Loss A/c	2,250	31-12-20	By Shortworking allowable A/c	1,650
		11,250			11,250
31-12-21	To Royalty payable A/c	12,000	31-12-21	By Ravi's A/c	14,150
31-12-21	To Profit & Loss A/c	3,000	31-12-21	By Shortworking allowable A/c	850
		15,000			15,000

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Shortworking allowable A/c					
Date	Particulars	Amount	Date	Particulars	Amount
31-12-17	To Balance C/d	4,600	31-12-17	By Ravi's A/c	4,600
		4,600			4,600
31-12-18	To Balance C/d	7,450	01-01-18	By Balance B/d	4,600
			31-12-18	By Ravi's A/c	2,850
		7,450			7,450
31-12-19	To Profit & Loss A/c	4,600	01-01-19	By Balance B/d	7,450
31-12-19	To Balance C/d	3,700	31-12-19	By Ravi's A/c	850
		8,300			8,300
31-12-20	To Royalty receivable A/c	1,650	01-01-20	By Balance B/d	3,700
31-12-20	To Profit & Loss A/c	1,200			
31-12-20	To Balance C/d	850			
		3,700			3,700
31-12-21	To Royalty receivable A/c	850	01-01-21	By Balance B/d	850
		850			850

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Abhay A/c

Date	Particulars	Amount	Date	Particulars	Amount
31-12-17	To Royalty receivable A/c	5,000	31-12-17	By Bank A/c	9,600
31-12-17	Shortworking allowable A/c	4,600			<u>9,600</u>
		<u>9,600</u>			9,600
31-12-18	To Royalty receivable A/c	6,750	31-12-18	By Bank A/c	9,600
31-12-18	Shortworking allowable A/c	2,850			<u>9,600</u>
		<u>9,600</u>			9,600
31-12-19	To Royalty receivable A/c	8,750	31-12-19	By Bank A/c	9,600
31-12-19	Shortworking allowable A/c	850			<u>9,600</u>
		<u>9,600</u>			9,600
31-12-17	To Royalty receivable A/c	9,600	31-12-17	By Bank A/c	9,600
		<u>9,600</u>			<u>9,600</u>
31-12-18	To Royalty receivable A/c	14,150	31-12-18	By Bank A/c	14,150
		<u>14,150</u>			<u>14,150</u>

14.

Dr Departmental Trading and Profit & Loss A/c for the year ended 31-12-2020 Cr

Particulars	Dept. X	Dept. Y	Total	Particulars	Dept. X	Dept. Y	Total
To Opening stock	1,74,000	1,47,000	3,21,000	By Sales	6,00,000	4,00,000	10,00,000
To Purchases	3,50,000	3,00,000	6,50,000	By Transfer	4,200	-	4,200
To Transfer	-	4,200	4,200	By Closing stock	1,67,400	1,20,500	2,87,900
To Wages	87,000	22,000	1,09,000				
To carriage inwards	15,600	7,800	23,400				
To Gross profit C/d	1,45,000	39,500	1,84,500				
	<u>7,71,600</u>	<u>5,20,500</u>	<u>12,92,100</u>		<u>7,71,600</u>	<u>5,20,500</u>	<u>12,92,100</u>
To Salaries (2:1)	20,000	10,000	30,000	By Gr. profit B/d	1,45,000	39,500	1,84,500
To Rent (2:1)	62,600	31,300	93,900	By Discount received (7:6)	3,500	3,000	6,500
To Sundry exp. (2:1)	24,000	12,000	36,000	By Net loss	21,820	51,080	72,900
To Lighting (2:1)	14,000	7,000	21,000				
To Discount allowed	13,320	8,880	22,200				
To Advertising (1:1)	18,400	18,400	36,800				
To Depreciation on furniture (3:1)	2,250	750	3,000				
To Depreciation on plant (3:1)	15,750	5,250	21,000				
	<u>1,70,320</u>	<u>93,580</u>	<u>2,63,900</u>		<u>1,70,320</u>	<u>93,580</u>	<u>2,63,900</u>

Nayak Ltd

Balance Sheet as on 31-12-2020

Liabilities		Amount	Assets		Amount
Creditors		3,06,500	Cash at bank		1,00,700
Capital	4,76,600		Debtors		60,600
Net loss (-)	<u>72,900</u>		Closing stock		2,87,900
	4,03,700		Furniture	30,000	
Less: Drawings	<u>45,000</u>	3,58,700	Less: Depreciation	<u>3,000</u>	27,000
			Plant	2,10,000	
			Less: Depreciation	<u>21,000</u>	1,89,000
		<u>6,65,200</u>			<u>6,65,200</u>

15.

Ledger A/c in the books of Puttur (Head Office)

Goods sent to Branch A/c

Particulars	Amount	Particulars	Amount
To Branch stock A/c	30,000	By Branch stock A/c	6,00,000
To Branch adjustment A/c	2,00,000	By Branch adjustment A/c	10,000
To Trading A/c (b/f)	3,80,000		
	<u>6,10,000</u>		<u>6,10,000</u>

Branch stock A/c			
Particulars	Amount	Particulars	Amount
To Balance B/d	1,20,000	By Branch cash A/c	2,14,000
To Goods sent to branch A/c	6,00,000	By Branch debtors A/c	3,40,000
To Branch debtors A/c (sales return)	20,000	By Goods sent to branch A/c	30,000
		By Branch adjustment A/c	2,000
		By Branch P/L A/c	4,000
		By Bal. C/d	1,50,000
	7,40,000		7,40,000

Branch Debtors A/c			
Particulars	Amount	Particulars	Amount
To Balance B/d	60,000	By Branch cash A/c	2,92,000
To Branch stock A/c (transfer entry)	3,40,000	By Branch expenses A/c (discount)	8,000
		By Branch stock A/c (sales return)	20,000
		By Bal. C/d (difference)	80,000
	4,00,000		4,00,000

Branch Cash A/c			
Particulars	Amount	Particulars	Amount
To Branch stock A/c	2,14,000	By Branch expenses A/c By	66,000
To Branch debtor A/c	2,92,000	Bank A/c (remittance)	5,06,000
To Bank A/c (40,000 + 20,000 + 6,000)	66,000	(2,14,000 + 2,92,000)	
	5,72,000		5,72,000

Branch Expenses A/c			
Particulars	Amount	Particulars	Amount
To Branch debtors A/c	8,000	By Branch Profit & Loss A/c	74,000
To Branch cash A/c	66,000	(difference)	
	74,000		74,000

Branch Adjustment A/c			
Particulars	Amount	Particulars	Amount
To Branch stock A/c	2,000	By Balance B/d or stock reserve	40,000
To Goods sent to branch A/c	10,000	1,20,000 - 150%	
To Branch Profit & Loss A/c (difference)	1,78,000	? - 50%	
To Balance C/d or stock reserve	50,000	By Goods sent to branch A/c	2,00,000
1,50,000 - 150%		6,00,000 - 150%	
? - 50%		? - 50%	
	2,40,000		2,40,000

Branch Profit & Loss A/c			
Particulars	Amount	Particulars	Amount
To Branch stock A/c	4,000	By Branch adjustment A/c	1,78,000
To Branch expenses A/c	74,000		
To General Profit & Loss A/c	1,00,000		
	1,78,000		1,78,000

16. Incorporating Entries in the books of Head Office

Sl.No.	Particulars	L.F.	Debit	Credit
1.	Kundapura Branch Trading A/c To Kundapura Branch A/c	Dr	3,78,500	3,78,500
2.	Kundapur Branch A/c To Kundapur Branch Trading A/c	Dr	4,93,000	4,93,000
3.	Kundapur Branch Trading A/c To Kundapur Branch P & L A/c	Dr	1,14,500	1,14,500

4.	Kundapur Branch P & L A/c To Kundapur Branch A/c	Dr		1,20,000	1,20,000
5.	Kundapur Branch A/c To Kundapur Branch P & L A/c	Dr		1,500	1,500
6.	General P & L A/c To Kundapur Branch P & L A/c	Dr		4,000	4,000
7.	Kundapur Branch assets A/c To Kundapur Branch A/c [Cash at bank - 7,500, Debtors - 40,000 Closing stock - 1,43,500, Good in transit - 20,000 cash remittance 40,000]	Dr		2,51,000	2,51,000
8.	Kundapur Branch A/c To Kundapur Branch liability Creditors - 27,000, O/s rent - 1,500	Dr		28,500	28,500
9.	Kundapur Branch A/c To Dep. on machinery A/c To Dep. on furniture A/c	Dr		26,500	25,000 1,500
10.	Goods-in-transit A/c To Kundapur Branch A/c	Dr		20,000	20,000
11.	Cash-in-transit A/c To Kundapur Branch A/c	Dr		40,000	40,000

11 marks

In the Books of Head Office
Kundapur Branch Trading & Profit & Loss A/c for the year ended 31-12-2021

Particulars	Amount	Particulars	Amount
To Kundapur Branch A/c		By Kundapur Branch A/c	
Opening stock 82,000		Sales 3,49,500	
Purchases 1,28,000		Closing stock 1,43,500	4,93,000
(-) Returns 3,000	1,25,000		
wages 65,500			
M. Expenses 34,000			
Goods received 72,000	3,78,500		
To Kundapur branch P & L A/c	1,14,500		
(Gross profit c/d)			
	4,93,000		4,93,000
To Kundapur Branch A/c		By Kundapur Branch Trading A/c (G/P B/d)	1,14,500
Rent 17,000		By Kundapur Branch A/c	1,500
+ O/s 1,500		By General P & L A/c	4,000
Salaries 55,000			
General Expenses 20,000			
Dep. on machinery 25,000			
Dep. on furniture 1,500	1,20,000		
	1,20,000		1,20,000

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Kundapur Branch A/c as on 31-12-2021

Particulars	Amount	Particulars	Amount
To Balance B/d	2,00,000	By Kundapur Branch Trading A/c	3,78,500
To Kundapur Branch Trading A/c	4,93,000	By Kundapur Branch Profit & Loss A/c	1,20,000
To Kundapur Branch Profit & Loss A/c	1,500	By Kundapur Branch assets A/c	2,51,000
To Kundapur Branch liabilities A/c	28,500		
To Dep. on machinery A/c	25,000		
To Dep. on furniture A/c	1,500		
	7,49,500		7,49,500

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