IMP QUESTION AND ANSWERS BRANCH ACCOUNTS [10 MARKS]

1. Which type of commission is paid on the goods purchased by the consignee himself ?
   (a) Normal commissions
   (b) Additional commission
   (c) Del credere commission
   (d) Commission is not paid

2. The consignor consigned 3000 liters chemical to the consignee at the rate of ₹ 50 per liter and paid expenses of ₹ 21,000. Due to evaporation there was a loss of 150 liter, consignee sold 2,550 liters at the rate of ₹ 75 per liter. What will be the value of closing stock ?
   (a) ₹ 18,000
   (b) ₹ 15,600
   (c) ₹ 17,100
   (d) ₹ 15,000

answer 1. (a) Normal commissions

2. Answer:Rs. 18,000

Working Note:

Working note : Calculation Of Closing Stock		
Particulars	**Quantity**	**Amount**
Total value of goods consigned	3,000	1,50,000
Add: consignor Expenses		21,000
Less: normal loss	150	0
Net cost of goods consigned	**2,850**	**1,71,000**
Net cost per liter [1,71,000 / 2,850] = **60Rs.** Value of closing stock [2,850 – 2,550] x 60 **= 18,000 Rs**		

1. The consignor, consigned goods worth ₹ 2,00,000 to the consignee and paid ₹ 10,000, consignee paid ₹ 8,000 for octroi to release the goods. 80% goods was sold for ₹ 1,85,000. What will be the value of closing stock ?
   (a) ₹ 40,000
   (b) ₹ 48,000
   (c) ₹ 58,000
   (d) ₹ 43,600

2. Del-credere Commission is calculated on the
   (a) Total sales

(b) Only cash sales
(c) Only credit sales
(d) Total goods sent

answer
[1] [D] 43,600
Working Note:

Working note : 2 Calculation Of Closing Stock	
Particulars	**Amount**
Cost of stock [2,00,000 – (2,00,000 x80%)]	40,000
Add: consignor exp. Proportionate [40,000 x 10,000] / 2,00,000]	2,000
Add: consignee Exp. Proportionate [40,000 x 8,000] / 2,00,000]	1,600
Total price of stock	43,600

[2] [C] only credit sales

1. The abnormal loss is debited to the following account :
(a) Consignment
(b) Consignee
(3) Insurance company
(4) Profit and loss account

2. Which type of commission is paid on the goods purchased by the consignee himself ?
(a) General commission
(b) Del credere commission
(c) Additional commission
(d) Commission is not paid

answer
1. **[D]** Profit & loss account
2. **[A]** General commission

1. Which type of commission is paid on the goods purchased by the consignee himself ?
(a) General commission
(b) Del credere commission
(c) Additional commission
(d) Commission is not paid

2. The consignor consigned goods worth ₹ 20,000 to the consignee and paid expenses of ₹ 1,000. Consignee paid ₹ 500 for freight and octroi. What will be the value of closing stock. If 30% of the goods are unsold ?
(a) ₹ 6,000

(b) ₹ 6,450
(c) ₹ 6,300
(d) ₹ 6,150

answer
1. [A] General commission
2. [B] 6,450 Rs.

Working note : 2 Calculation Of Closing Stock	
Particulars	**Amount**
Cost of stock [20,000 x 30%]	6,000
Add: consignor exp. Proportionate [6,000 x 1,000] / 20,000]	300
Add: consignee Exp. Proportionate [6,000 x 500] / 20,000]	150
Total price of stock	6,450

1. The relation between Consignor and Consignee is of ……
[A].Debtor and Creditor
[B]. Principle and Agent
[C]. Seller and Purchaser
[D]. All of the above

2. From the following expenses which is recurring expense?
[A]. Insurance on goods sent
[B]. Goods Clearing Charges
[C]. Advertisement expense
[D]. All of the above

3. Del –Credere commission is calculated on
[A]. Total Sales
[B]. Only on Cash Sales
[C]. Credit Sales
[D]. Cost Price of goods sent

4. Abnormal loss in consignment business is …….
[A]. Debited to Consignment A/c
[B].Credited to Insurance Company A/c
[C].Credited to Profit and Loss A/c
[D].Credited to Consignment A/c

5.If Goods are sent an Invoice price then Invoice profit in closing stock of Consignment is
[A].Debited to Consignment Stock Reserve A/c
[B].Credited to Consignment Stock Reserve A/c
[C].Credited to Consignment A/c.

6. Cost of required repair on damaged closing stock of Consignment will be
[A].Debited to Consignment A/c
[B].Debited to Consignment Stock A/c
[C].Debited to Repairs A/c
[D].Deducted from Value of Closing Stock

answer
1. [B] Principle & Agent
2. [C] Advertisement Expenses
3. [C] Credit Sales
4. [D] Credited to Consignment A/c
5. [B] Credited to consignment Stock reserve
6. [D] Deducted from value of closing stock

Branch

(1) The balance of an asset account on 1-4-13 was ₹ 1,90,000 which was sent to the branch on 1-10-12. On 31-3-14 depreciation was charged on this asset at 10% p.a. on straight line method. On 31-3-2008 the written down value of this asset in the books of branch would be ________.

(a) ₹ 1,70,000
(b) ₹ 1,90,000
(c) ₹ 1,80,000
(d) ₹ 1,71,000

(2) During the year, Head office sent ₹ 4,500 to its branch for petty cash expenses. The opening balance is ₹ 1,200 and closing balance of petty cash is ₹ 825, then petty cash expenses will be ___________.

(a) ₹ 4,875
(b) ₹ 4,500
(c) ₹ 5,700
(d) ₹ 5,325

answer

1. **[A]** Rs. 1,70,000

Working Note:

Value of asset as on 1/4/2013	1,90,000
We just need to add 6 month depreciation to get original cost of asset	

Suppose assets price on 1/10/2012	100
Less: 6 month depreciation [10 x6/12]	5
Value as on 1/4/2013	95
If value of asset on 1/4/13 is 95 than original cost is 100 **Is asset value is 1,90,000 than original cost is [1,90,000 x 100/95] = 2,00,000**	
So full year depreciation as straight line method [2,00,000 x 10%]	20,000
Calculation of written down value of asset	
Value as on 1/4/2013	1,90,000
Less: depreciation [SLM]	20,000
Value as on 31/3/2014	**1,70,000**

2. [A] 4,875 Rs.

Working Note:

Petty cash account

Particulars	**Amount**	**Particulars**	**Amount**
To, Balance B/d	1,200	**By, Petty Expense [Difference]**	**4,875**
To, Petty cash sent	4,500	By, balance C/d	825
	5,700		**5,700**

1. During the year Head Office sent ₹ 4,500 to its branch for petty cash expenses, the opening balance and closing balance of petty cash is ₹ 1,500 and ₹ 600 respectively, then petty cash expenses will be ____________.

(a) ₹ 4,500
(b) ₹ 6,000
(c) ₹ 6,600
(d) ₹ 5,400

2. The balance of furniture account on 1-4-2013 was ₹ 1,80,000 which was sent to the branch on 01-10-2012. On 31-3-2014 depreciation was charged was changed on furniture @20% on straight line method. On 31-3-2014, the written down value of the furniture in nthe books of branch would be…………….

(a) ₹ 1,90,000
(b) ₹ 1,80,000
(c) ₹ 1,40,000
(d) ₹ 1,44,000

3. For an independent branch, Head Office Account is like

(a) Profit and loss A/c.
(b) Real A/c.
(c) Nominal A/c.
(d) Capital A/c.

answer

1. [D] 5,400

Working Note:

Petty cash account

Particulars	**Amount**	**Particulars**	**Amount**
To, Balance B/d	1,500	**By, Petty Expense [Difference]**	**5,400**
To, Petty cash sent	4,500	By, balance C/d	600
	6,000		**6,000**

2. [C] 1,40,000

Working Note:

Value of asset as on 1/4/2013	1,80,000
We just need to add 6 month depreciation to get original cost of asset	
Suppose assets price on 1/10/2012	100
Less: 6 month depreciation [20 x6/12]	10
Value as on 1/4/2013	90
If value of asset on 1/4/13 is 90 than original cost is 100 **Is asset value is 1,80,000 than original cost is [1,80,000 x 100/90] = 2,00,000**	
So full year depreciation as straight line method [2,00,000 x 20%]	40,000
Calculation of written down value of asset	
Value as on 1/4/2013	1,80,000
Less: depreciation [SLM]	40,000
Value as on 31/3/2014	**1,40,000**

3. [D] capital account

1. Head office sends goods to branch at 20% profit on invoice price. The percentage of profit on cost comes to :
   (a) 15%
   (b) 20%
   (c) 25%
   (d) 30%

2. The balance of Asset A/c on 1-4-16 was ₹ 18,00,000 which was sent to the branch on 1-10-15. On 31-3-17, depreciation was charged on the asset @ 20% by straight line method. On 31-3-17, the written down value of asset in the books of branch would be
   (a) ₹ 14,40,000
   (b) ₹ 14,00,000
   (c) ₹ 16,20,000
   (d) None of the above

answer
1. [C] 25%
Working notes:

If invoice is 100 than profit is 20 so cost will be 80
So if cost is 80 than profit is 20
So if cost is 100 than profit will be 100 x20/80 = 25%

2. [B] 14,00,000

Value of asset as on 1/4/2016	18,00,000
We just need to add 6 month depreciation to get original cost of asset	
Suppose assets price on 1/10/2015	100
Less: 6 month depreciation [20 x6/12]	10
Value as on 1/4/2016	90
If value of asset on 1/4/16 is 90 than original cost is 100 **Is asset value is 18,00,000 than original cost is [18,00,000 x 100/90] = 20,00,000**	
So full year depreciation as straight line method [20,00,000 x 20%]	4,00,000
Calculation of written down value of asset	
Value as on 1/4/2016	18,00,000
Less: depreciation [SLM]	4,00,000
Value as on 31/3/2017	**14,00,000**

Joint venture

1) Sale of joint venture goods by an agent is debited to
   (a) joint venture account (b) agent's account
   (c) joint bank account (d) None of the above

2) The persons entered into joint venture business of advertising are known as
   (a) Ad-ventures (b) partners
   (c) Co-ventures (d) None of the above

3) When one of the co-ventures maintain the accounts of joint venture, the expenses paid for joint venture is
   (a) Credited to joint bank account
   (b) Credited to joint ventures account
   (c) Credited to expenses account
   (d) None of the above

answer

(1) (B) Agent's Account
(2) (C) Co-Ventures
(3) (D) None Of The Above

1. Balance of Memorandum joint venture account indicates _______.

(a) amount payable to co-venture
(b) profit or loss
(c) Closing stock
(d) Amount of balance to be carried forward

[2] Which of the following account is not opened under Joint Venture Account ?

(a) Joint bank account
(b) joint venture account
(c) Co-venture account
(d) Stock reserve account

[3] Abnormal loss of joint venture is debited to _______ Account.

(a) joint venture
(b) insurance company
(c) General P/L
(d) No Account

[4]_______ is an appropriate activity for joint venture business.

(a) Construction of a bridge
(b) Cloth shop
(c) Medical store
(d) ABC cement company

answer

1. **(B) Profit Or Loss**
2. **(D) Stock Reserve Account**
3. **(D) No Account**
4. **(A) Construction Of A Bridge**

1. Normal loss of goods in joint venture is debited to

(A) General profit and loss account
(B) Not debited to any account
(C) Joint venture account
(D) None of the above

[2] The persons entered into joint venture business of advertising are known as-

(A) Ad-ventures (B) Co-ventures
(C) Partners (D) None of the above

answer

(1) B) Not debited to any account

(2) (B) Co-ventures

1. Abnormal loss of joint venture is debited to the following account :
   (a) Joint Venture A/c.
   (b) Insurance Company A/c.
   (c) General Profit & Loss A/c.
   (d) No Account

2. Which activity is appropriate for joint venture business ?
   (a) Construction of a river bridge
   (b) Mobile shop
   (c) Medical store
   (d) Patanjali Agency

3. Bonds of ₹ 3,00,000 are received against work done in joint venture business and they are sold for ₹ 2,37,500 then, how much rupees is recorded on the debit side of Joint Venture A/c ?
   (a) 3,00,000
   (b) 2,37,500
   (c) 62,500
   (d) None of the above

answer

1) **[D]** No Account
2) **[A]** Construction of a river bridge
3) **[C]**62,500 [only loss will be recorder in Joint Venture a/c]

1. Bua and Bhatija enter into joint venture to construct a building. Equity Shares having face value Rs. 4,00,000 were received towards contract price. Shares were sold at Rs. 4,85,000 in the market. Then Joint Venture account will be __________
   (a) Credited by Rs. 4,85,000 only (b) Credited by Rs. 4,00,000 only
   (c) Credited by T 85,000 only (d) None of the above

2. Under joint venture business goods destroyed worth Rs. 1,50,000. Insurance company paid a claim of Rs. 1,05,000. Then in Joint Venture Account__________.
   (a) Debited by Rs. 45,000 (b) Debited by Rs. 1,05,000
   (c) Credited by Rs. 45,000 (d) None of the above

3. Which accounting concept or principle is not followed under joint venture business ?

(a) Cost Concept (b) Entity Concept
(c) Monetary Value Concept (d) Going Concern Concept

answer

1. **Answer : [C] credited by rs. 85,000**
   Note: the loss on sale of share will be debited to joint venture as its considered as loss of joint venture.
2. **[D] none of the above**
   Working : the loss on goods destroyed will be having two effects. One is debit side and other is on credit side. So final it will be setoff so no effect will be given.
3. **[D] Going Concern Concept**

Hire purchase

(1) In case of Hire purchase, interest is included in
(a) Down payment (b) Hire purchase price
(c) Cash price (d) None of the above
(2) In case of Hire purchase, the depreciation is calculated on
(a) Hire purchase price (b) contract price
(c) cash price (d) None of the above
(3) The main difference between sale under Hire purchase agreement and sale under instalment system is regarding
(a) delivery of the goods (b) ownership of the goods
(c) Sales price of the goods (d) None of the above

answer

1. [B] Hire purchase price
2. [C] Cash price
3. [B] Ownership of the goods

1. Interest is debited to ______ Account under the Hire purchase system.
(a) Asset
(b) Purchaser
(c) P/L
(d) Seller

(2) Contract price – Cash price = _________.
(a) depreciation
(b) interest
(c) market price
(d) purchase price

(3) At the end of the year, the interest paid and depreciation charged are transferred to ________ account.

(a) Asset
(b) Profit and loss
(c) Purchaser
(d) seller

answer

(1) (C) P/L
(2) (B) Interest
(3) (B) Profit And Loss

(1) In case of Hire purchase, the depreciation is calculated on.
(A) Cash price (B) Hire purchase price
(C) Contract price (D) None of the above

(2) In case of hire purchase system, interest is not included in
(A) Down payment (B) Installment
(C) Hire purchase system (D) None of the above

answer

(1) [A]Cash price
(2) (A) Down payment

(1) Cash price of asset + interest = _________ price.
(a) Purchase
(b) Market
(c) After depreciation
(d) Contract

(2) Under the Hire purchase system, goods are delivered to the hirer when
(a) First installment is paid
(b) Agreement is signed
(c) Last installment is paid
(d) None of the above

(3) In case of hirer purchase, the depreciation is calculated on
(a) Hire purchase price
(b) Contract price
(c) Cash price
(d) None of the above

answer

1) **[D]** Contract
2) **[B]** Agreement is signed
3) **[C]** Cash price