

Welcome students, the course title is DSC 6 accounting one.

Under this, I'll be solving a problem under the debtor system when goods are sent to branch at invoice price. Problem under debtors system when goods are sent to invoice price which is a slightly higher than the cost price, wherein after this will be able to solve the problem under the debtor system when goods are sent at invoice price,

Let's start with the problem. Mandar Limited has a branch at Patna. Goods sent to the branch at cost plus 30%. So here is the invoice price, which is 130 assuming cost as 100 from the following details. Prepared branch account.

Stock on 1.1.2018 26,000, debtors on 1.1.2018 50,000 and cash on 1.1.2018 250. This is your opening balance.

The next goods sent to Patna branch 1,30,000. Cheque sent to branch under that salary 3000, rent 2000. Goods return to Head Office, 6500. Then next goods return by branch debtors to Branch 3000. Total sales 223,000, cash sales 170,000. Expenses paid by branch 23,000, collection from debtors 84,000, closing stock 104000 and closing balance 130.

So let's solve.

Now let's try to understand over here. Opening stock is given, opening cash is given, closing stock, closing cash is given. Opening debtors is given, but closing debtors is missing. So we need to prepare debtors account. So debtors transactions are opening debtors, goods return by branch debtors to branch account. Total sales because with the help of total sales will be able to identify credit sales. And collection from debtors. So these are the transactions which are going to affect your debtors account. So rule the debtors account. Debit side will come to balance brought down as debtor is an asset and asset always has a debit balance so it will come as to balance brought down 50,000.

The next transaction is goods returned by branch debtors to branch. Now, in this case, debtors are returning goods. So as it is returning the entry is goods account debit to debtors because debtors are the givers will come on credit side of debtors by returns 3000.

Next, total sales is given 2,23,000 and cash sales is given 1,70,000 so that signifies the difference between total sales and cash sales would be a credit sale. Now entry for credit sale when you sell goods to debtors, debtors are receiving, debtors account debit to sales. So as debtors is debited, it will come on a debit side to credit sales. There is a difference between total sales and cash sale. And then collection from debtors. Now when you're collecting from debtors, money is coming in and who is the giver? Debtor is a giver. So the entry is cash account debit to debtors account. So as debtors is credit, it will come up credit side as by bank and then find out the difference. Wherein you are getting a closing balance of your debtors.

Then also what is missing in this problem is cash remitted by the branch to the head office.

Cash sent by the branch to head office is not given. We have to prepare a cash account wherein we have to take all cash transactions for branch to be considered for calculating the cash remittance by branch to the head office. Now that is your opening cash. Then your cash sales. Then cash balance, closing cash balance. Collection from debtors. Because here we are receiving money and expenses paid by the branch because branch is paying money. So money is going out. So these are the transaction which are going to affect your cash account.

So let's start preparing the cash account. Now again, cash is asset. So asset has a debit balance. So opening balance will come on your debit side to balance brought down to 50. Then next transaction, cash is now when you sell goods money comes in so money is coming in so it will come on debit side to cash sales. Next expenses paid by branch. Now in this case, money is going out. So it will come on credit side as by expenses.

Next collection from debtors. We are collecting money from debtors again cash is coming in so it will come on your credit side as two debtors and then final cash closing balance 130 it will come on credit side as by balance carried down and then balance the account and you will get a balance amount. Which branch will be remitting to the head office which is coming to 2,31,120.

Now let's prepare the branch account. First will take all the opening balance on debit side to balance carried down stock, debtors and cash. Then next item goods sent to Patna branch, 1,30,000. Now this is both that is your opening stock and good send to Patna branch are at invoice price. So we have to find out the loading. Now how to find out the loading. Cost plus profit is equal to invoice price. Assuming cost as hundred and a profit element is cost plus 30. So profit element is 30. So goods send at invoice at the price of rupees 130.

So how to find out the loading?

Opening stock is 26,000. The loading will come on your credit side by stock reserve 26,000 multiplied by the loading 30 divided by the invoice price 130 so will get a loading 6000. Similarly, goods sent to branch account is at the invoice price. The loading will come on opposite direction by goods sent to branch loading. That is $1,30,000 * 30 / 130$ that is 30,000.

OK, then next transaction. Next transaction is cheque sent to branch. Now in this case again head office is sending money to the branch, branch is receiving it will come on debit side as to bank under that salary 3000, rent 2000.

OK, next transaction goods return to head office. Now as it is return goods are going out from the branch. It will come on credit side as by goods sent to branch which is your return 6500. Now goods return are also at an invoice price. So there will be a loading which will come in opposite direction. That is it will come on debit side to goods sent to branch loading on your return that is $6500 * 30 / 130$, which is 1500.

Then the next transaction. Goods returned by branch debtors. We have taken in your debtors account. Total sales, cash sales is being taken in your debtors account, then expenses paid by branch is taken in your cash account. Collection from debtors is taken in debtors account so this transaction will not come. Next closing stock will come on your credit side by balance carried down closing stock 1,04,000 now again stock is at invoice price so the loading will come in opposite direction as to Stock Reserve 1,04,000 multiplied by the loading element 30 divided by the invoice price 130 which is coming to 24,000. And then closing cash balance is 130 and with the help of debtors account we have found out the closing balance of debtors that we have to record and then find out which side is heavier. In this case the credit side is heavier so we will be getting a profit which will go to transfer to profit and loss account. It is 1,57,000.

These are the references.