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## Branch A/c

Any subordinate division of a business.

Parent co., — Head office,  
its offshoots — Branches.

Types of branches.

↓ ↓ ↓  
Dependent / Independent / Foreign

- ↓
- ✓ Debtors System.
  - ✓ Stock & Debtors System.
  - Whole Sale branch system.
  - Frial Accounts System.

1) Debtors System.

- ① goods invoiced at Cost
- ② goods ~~invoiced~~ at invoiced price.

(At cost method)

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Branch A/c

Op. Assets	Op. Liabilities
Goods sent	∴
Branch Exp.	Cash sales.
	Cash collected from Div
Closing Liabilities	Goods sent (Return)
(transferred to General P/L a/c)	Closing Assets
Branch P/B	(transferred to General P/L a/c)
	Branch Loss a/c

(At selling price)

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- As the goods are supplied to branch at invoice price,
- (a) op. stock
  - (b) Goods sent to branch,
  - (c) Goods returned by branch
  - (d) Closing stock.

will be recorded in the branch at this price. &

To find out the true profit & loss at branch,

To eliminate the loading or profit added & bring down to cost levels,

For this purpose, some adjustment entries are to be made in the Branch A/c

# Stock & Debtors System

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The following accounts are kept in the head office books.

Branch Stock A/c

" Debtors A/c

" Expenses A/c

" Adjustment A/c

" P&L a/c

" Goods sent to Branch A/c

## Departmental

A/c

The modern practice is to divide the Organisation into independent departments each of which may deal in a particular class of goods or service.

To ascertain the trading results of each department and the overall result,

The method of accounting which is followed to obtain such results is known as 'Deptal A/c'.

Need :

- ① To compare the results of depts
- ② To know (or) ascertain the trend
- ③ To assess the position of stocks
- ④ To improve 'Cost Control'
- ⑤ To decide expansion & discontinua-  
-tion

## Advantages :

- ① Ascertainment of profit
- ② Comparative performance
- ③ Appraisal of personnel.
- ④ Remedial measures
- ⑤ Expansion & Diversification
- ⑥ Policy formulation

## Departmentation of Expenses

Direct / Indirect  
↓

Logical apportionment of such expenses:

Selling Exp - Sales ratio  
Rent / repairs - Floor area  
Depreciation - Value of each asset.

Lighting — Light point (or) floor  
power — Consumption.

Carriage Inwards — purchase value.

Welfare exp — No. of workers.

Insurance payable } — wages of each Dept  
by employers }

factory manager salary — Time devoted

Inter departmental transfer:



At cost

at selling price.

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Hire purchase :-

An agreement under which goods are let on hire or under which the hirer has an option to purchase them.

Cash price - retail price.

Hire purchase price - includes

Cash price + Interest

Interest - Apart from the cash price payable by buyer

Compensation for postponed payment

Down payment - Advance payable by buyer.

Hirer - Buyer.

Hire Vendor - seller of the goods.



## Features:

- buyer gets possession
- buyer gets Ownership on payment of last instalment.
- Hirer has the duty to keep the goods on payment of Condition
- Each instalment is hire charge.
- Hirer has option to return
- Vendor can repossess the goods if the buyer fails to pay.
- If goods are repossessed the value of goods on that date, & the instalments paid are added the balance is payable by the hire vendor to the hirer.

## Calculation of Interest :

- ① When the rate of interest, cash price, instalment are given.
- ② When rate of interest is not given.
- ③ When cash price is not given.
- ④ When instalment amounts are not given, but cash price & rate of interest are given.
- ⑤ Calculation of cash price by annuity method.

## Difference b/w HP & Crdt. System

- ① Name of agreements
- ② Ownership
- ③ Names of parties.
- ④ Relationship.
- ⑤ Risk of loss.
- ⑥ Right of sale.
- ⑦ Repossession of goods.
- ⑧ Termination of agreements.
- ⑨ Instalment.
- ⑩ Governing.

## Journals.

### Default & Repossession

- ⊛ Complete Repossession
- ⊛ Partial Repossession

# Royalty.

Or

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payable

by

An amount ~~1000000~~ payable by one person to another for the use of an asset (or) right (or) monopoly.

- It is a periodical payment in nature of rent made to a person for the right to use certain property mine, patent, copy-right,

When a person (lessor) having an exclusive right of some kind, surrenders it to another person (lessee) in exchange for a certain amount calculated with reference to output or units produced or sold such an amount is known as royalty.

## Minimum rent

Guaranteed minimum rent amount payable by the lessee to the land lord irrespective of the actual Output or sales of the lessee.

Land Lord will not accept anything less than this guaranteed minimum.

## Shortworkings:

Excess of minimum rent over actual royalty paid to the land lord is 'shortworkings'. It doesnot arise if actual royalty is more than minimum rent.

## Recoupment of Shortworkings:

The land lord permits the tenant to recoup the shortworkings in a specific period in future only out of the surplus Royalties.

## Books of Lessee -

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① Royalty payable :

Royalty a/c Dr  
To Landlord a/c

② Payment of cash :

Landlord a/c Dr  
To Cash a/c

③ Transferring Royalty :

Production a/c Dr (Cr)

P & L a/c - Dr

To Royalty a/c

④ Shortworkings :-

No minimum rent

Minimum Rent

Royalty a/c Dr

Mini. Rent a/c Dr

Short working Dr

To Landlord

To Landlord

Royalty a/c Dr

Short working a/c Dr

To Mini. Rent a/c

Shortworkings written off :

Profit & Loss a/c Dr

To Shortworkings : a/c

# Books of Landlord.

① Royalty receivable:

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Tenant a/c Dr

Tenant a/c ~~Dr~~

To Royalty a/c

To Royalty a/c

To Short working a/c

② Receiving cash.

Cash a/c Dr

Cash a/c Dr

To Tenant a/c

Short working a/c Dr

To Tenant a/c

③ Transferring Royalty:

Royalty receivable a/c Dr

To P/L a/c

(No lapse)

Royalty receivable a/c Dr

Short working a/c Dr

To P/L a/c

## Admission of a Partner.

- ① Adjustment in Profit Sharing Ratio  
— Sacrificing ratio
- ② Adj. for Goodwill.
  - ⊗ Avg profit method
  - ⊗ Super profit "
  - ⊗ Capitalisation "
- ③ Adjustment for Revaluation the
  - When revised values are to be recorded
  - When revised values are not to be recorded
- ④ Adjustment of Reserves
- ⑤ Adj. for Capitals



## Retirement :

- ① Profit sharing ratio  
Gaining ratio
- ② Valuation of Goodwill
  - Existing Goodwill
  - New Goodwill:
  - Concerning partner making sacrifice
  - Hidden Goodwill
- ③ Revaluation of Assets & Liabilities
- ④ Treatment of Undistributed Profits & Losses
- ⑤ Payment to retiring partner.
- ⑥ Adf for capitals

## Death of a partner,

Capital account of the deceased partner is credited with his share of the following amounts:

- Capital Standing
- Share of goodwill
- Share of profit to the date of death
- Profit on revaluation
- Share of accumulated P&L
- Share of proceeds of JLP
- Int in Capital
- Salary due.

The deceased partner's capital account is to be debited with his share of the following amounts

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## Dissolution of a firm :

modes of Dissolution :

- ① Dissolution by Agreement
- ② Compulsory dissolution
- ③ Dissolution on happening of certain events -
- ④ Dissolution by notice
- ⑤ Dissolution by Court.

Treatment of Unrecorded Assets / Liabilities

## Dissolvency of a partner.

Garner Vs Murray:

— All the solvent partners should bring cash equal to their share of the loss on realization.

— The deficiency of the insolvent partner must be borne by the solvent partners in the ratio of their capitals then standing.

Capital ratio under fixed capital method.

Capital ratio under fluctuating capital method.

# Piecemeal Distribution

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following order of payment is adopted.

- Payment to creditors / other external liabilities
- Payment of partners loan
- If any amt remains after making above payments this is utilised in payment of capital to partners.

Two methods may be adopted.

- Proportional capital / Surplus capital method.
- maximum loss method.

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## Insurance Claims:-

⊛ Types of fire Insurance policy  
Loss of Stock Claims,  
— Salvage.

The damaged & Undamaged  
Stock are ~~se~~ separately Valued & are  
~~also~~ called salvage value.

If the normal gross profit  
percentage of the firm to its sales is  
available a Memorandum Trading  
Account can be prepared for the period  
from the beginning of the accounting  
year till the date of fire.

$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Sales}} \times 100$$

## Average clause:-

It stock on the date of fire

More than the insured stock,  
average clause, must be applied  
to compute claim.

Avg Loss of stock = Stock on the date  
of fire - Salvage Value.

Claims to be lodged =  $\frac{\text{Insured Stock}}{\text{Stock on the date of fire}} \times \text{actual Loss of stock}$

## Insolvency - Accounts.

Insolvent: is one who is not able to pay his debts as and when they are due.

Relevant Acts:

The Presidency Towns Insolvency Act 1909 - which applies to persons residing in Presidency towns of Mumbai, Calcutta & Chennai.

The Provincial Insolvency Act 1920 - which applies to people residing in rest of India.

Statement of Affairs and Deficiency A/c

① Amt of deficiency

② reason for such deficiency



Fully Secured Creditors -  
Partly secured Creditors  
Preferential Creditors -

Creditor	Pres. Town Insol Act	Pro. Insol Act.
Amt due to Govt.	Fully Preferential	Fully preferred
Salary	A month (or) 300 Whichever is less is preferential.	Rs. 20 flat is preferential
wages	A month (or) 100 whichever is less is preferential.	Rs. 20 flat
rent	One month rent is preferential	—