BRANCH ACCOUNTS
OBJECTIVE TYPE QUESTIONS

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Fill in the Blanks:

1. The system of operating at several places through one's own establishments is called *Branch Organization.*

2. The main establishment located at the main place of activity is called the *Head Office* and the subsidiary establishment located at various places is called *Branches*.

3. Branches may be divided into 3 categories, *Dependent* branches, *independent* branches and foreign branches.

4. Goods supplied to Dependent Branches by the Head Office may be either at **COST** or at **Invoice** price.

5. The One Account System or Debtors System is generally adopted when the branch is fairly **small** in size.

6. Branch Account is a *Nominal Account* in nature and is prepared in the Head Office Books.

7. Under Debtors System, bad debts and discounts allowed *Do not record* in the Branch Account.

8. Under the Debtors System the debtors (at close) are shown on the *Credit side* of the Branch Account after adjusting bad debts, discount allowed etc.

9. Under Debtors System fixed assets is shown on the credit side only after *Deducting* the amount of depreciation, if any.

10. Under the Debtors System, the Head Office will record all the transactions relating to the branch in the Branch Account through *Debtors* and *Creditors* relationship between the Branch and the Head Office.

11. Under the Debtors System, the Reserve for Doubtful Debts /Reserve for Discount on Debtors, should be *Deducted* from closing Debtors and only the good closing debtors will be recorded in the Branch Account.

12. Actual petty expenses incurred by the branch will *Not be recorded* in the Branch Account under the Debtors System.

Indicate the correct answers:

1. Under Debtors System, the Debtors at close are shown

(i) On the credit side of the Head Office Account
(ii) On the debit side of the Branch account
(iii) On the credit side of the Branch account after adjusting for bad debts, discount allowed etc.
(iv) Are not shown in the Branch account

2. Under Debtors System treatment of Reserve for Bad debts is

(i) Shown it on the credit side of Branch a/c
(ii) It is not shown in Branch a/c
(iii) It is deducted from the Branch Debtors and the good Branch debtors are shown in the Branch account
(iv) It is shown on the debit side of the general Profit and Loss account

3. The treatment of petty expenses made by the Debtors System is as follows

(i) It is not recorded in the Branch account
(ii) It is shown on the debit side of the Branch account
(iii) It is shown on the general Profit and Loss account of Head Office
(iv) Only the closing balance of Petty Cash (Opening balance plus amount reduced from Head Office less petty expenses) will appear in the credit side of the Branch account

4. The Head Office sends goods at cost and instructs the branch to sell the goods at a profit of 20% on selling price. What is the total sales, if:
   Opening stock at Rs.36,000, Goods sent to branch Rs.6,00,000, Closing stock Rs.60,000

(i) Rs.6,00,000
(ii) Rs.7,20,000
(iii) Rs. 6,72,000
(iv) None of the above

5. Furniture on 1/04/2005 – Rs.20,000; Furniture sold on 1/10/2005 – Rs.9,000 (book value on 1/10/2005 – Rs.9,500); Furniture purchased on 1/10/2005 – Rs.17,000; Depreciation on Furniture – 10% p.a.

From the above information, the value of Furniture shown on the Credit side of Branch Account under Debtors System will be

(i) Rs.27,000
(ii) Rs.24,200
(iii) Rs.23,850
(iv) None of the above

6. Under Debtors System, the Branch Account is
   (i) Real Account
   (ii) Nominal Account
   (iii) Personal Account
   (iv) None of the above

7. Stock Reserve in relation on opening Stock appears (under the Debtors System)
   (i) On the debit side of the Branch Account
   (ii) On the credit side of the Branch Account
   (iii) On the Credit side of Head Office Account
   (iv) None of the above

8. Stock reserve in relation to closing stock appears (under the Debtors System)
   (i) On the debit side of the Branch Account
   (ii) On the credit side of the Branch Account
   (iii) On the debit side of Head Office Account
   (iv) None of the above

9. The cash and credit sales of the branch are Rs.5,000 and Rs.15,000 respectively. The amount collected from debtors is Rs.10,000. The amount to be credited to Branch Account under the Debtors System will be
   (i) Rs.20,000 (ii) Rs.15,000 (iii) Rs.10,000 (iv) Rs.25,000

10. The opening balance of Petty Cash at the Branch is Rs.2,000, amount received from the Head Office for Petty Expenses is Rs.10,000, the closing balance of Petty Cash is Rs. 3,000;
    Which of the following is the right answer under the Debtors System?
    (i) Rs.9,000 on the Debit side of the Branch Account as Petty Expenses
    (ii) Rs.3,000 on the Credit side of the Branch Account as Petty Cash
    (iii) Rs.7,000 on the Credit side of the Branch Account as Petty Cash Expenses.
    (iv) None of the above.