Chapter 2 Assignment accounting for sales agency, branch, and home office

- **Choose the best Answer with the written explanation**

1. **If the home office maintains accounts in its general ledger for a branch's plant assets, the branch debits its acquisition of office equipment to:**
   A. Home Office.
   B. Office Equipment.
   C. Payable to Home office.
   D. Office Equipment Carried by Home office

2. **A journal entry debiting Cash in Transit and crediting Investment in Branch is required for.**
A. The home office to record the mailing of a check by the branch on the last day of the accounting period.

B. The home office to record the mailing of a check to the branch early in the accounting period.

C. The branch to record the mailing of a check to the home office on the last day of the accounting period.

D. The branch to record the mailing of a check to the home office early in the accounting period.

3. At the end of the year, after adjusting and closing entries, the Overvaluation of Branch Inventory account on the home office books will contain
A. The markup on the branch's ending inventory.
B. The markup on the branch's beginning inventory plus the markup on this year's shipments to the branch.
C. The markup on the branch's ending inventory less the markup on the branch's beginning inventory.
D. The unrealized profit on branch sales for the year

4. The home office accounts for shipments of merchandise to the branch as sales. The billed price reflects a mark-up equal to 40% of billed price. The branch reported beginning and ending inventories at billed prices of Birr 80,000 and Birr 60,000, respectively.
Which of the following statements is **FALSE**?
A. Working paper elimination entries will reduce combined cost of goods sold by Birr 8,000.
B. Home office beginning retained earnings next year is overstated by Birr 32,000.
C. Unrealized intra-firm profit at the end of the year is Birr 24,000.

D. The Overvaluation of Branch Inventory account balance at the end of the year is Birr 8,000.

5**A branch journal entry debiting Home office and crediting Cash may be prepared for:**

A. The branch's transmittal of cash to the home office only.

B. The branch's acquisition for cash of plant to be carried in the home office accounting records only.

C. Either A or B.

D. Neither A nor B

6. In accounting for branch transactions, it is improper for the home office to:

a. Credit cash received from a branch to the Investment in Branch ledger account.

B .Maintain Common Stock and Retained Earnings ledger accounts for only the home office.

cDebit shipments of merchandise to the branch from the home office to the Investment in Branch ledger account.

d.Credit shipments of merchandise to the branch to the Sales ledger account

7. When a home office ships merchandise to Branch A which is later shipped to Branch B, the additional freight charged to ship the merchandise form Branch A to Branch B should:

a. Treated as an expense on the Home Office books

b. Included as part of the cost of merchandise to Branch A

c. Included as part of the cost of merchandise to Branch B

d. Both B and C are correct

8. From the following degree of autonomy, choose the correct degree of sales agency comparing with branch?

A) High

B) Low

C) Equal

D) Moderate

9. The appropriate journal entry for the home office to recognize the branch's expenditure of Birr 10,000 for equipment to be carried in the home office accounting records is:

a. Equipment 10,000

Inv in Branch 10,000

b. Home Office 10,000

Equipment 10,000

c. Investment in branch 10,000

Cash 10,000

d. Equipment- Branch 10,000
Inv in Branch 10,000

10. **Which of the following method of billing merchandise shipments by a home office to a branch is intended to allocate a reasonable gross profit to the home office?**
•A) Billing at a percentage above cost
•B) Billing at cost.
•C) Billing at retail selling prices.
•D) Billing at a percentage below cost.
11. **In preparing the financial statements of the home office and its various branches:**
a. Nonreciprocal accounts are eliminated but reciprocal accounts are combines
b. Both reciprocal and nonreciprocal accounts are eliminated
c. Both reciprocal and nonreciprocal accounts are combines
d. Reciprocal accounts are eliminated and nonreciprocal accounts are combined
12. **In a working paper for combined financial statements of the home office and the branch of a business enterprise, an elimination that debits Shipments to Branch and credits Shipments from Home Office is required under:**
a. The periodic inventory system only
b. The perpetual inventory system only
c. Both the perpetual inventory system and the periodic inventory system
d. Neither the perpetual inventory nor the periodic inventory system
13. **The Western Branch of Rivas Company reported a net income of 60,000 for the month of January. The appropriate journal entry for the home office of Rivas Company is:A).** Income Summary 60,000 Income: Western Branch 60,000**B).** Income: Western Branch 60,000 Income Summary 60,000**C)** Investment in Western Branch 60,000 Income: Western Branch 60,000**D).** Investment in Western Branch 60,000 Income Summary 60,000
14. Assume that Merchandise with a Home Office cost of birr 10,000 was shipped by the Home Office to ABC Brand Further, assume that the Home Office bill merchandise shipped to ABC Branch at a markup of 50% above Home Office cost. In what amount investment in ABC branch account to be recorded in home office book?
A) 5,000

B) 10,000
C) 2,500
D) 15,000

15., **The Home Office shipped merchandise costing birr 10,000 to Branch B and paid freight costs of birr 500. Subsequently, the Home Office instructed Branch B to transfer this merchandise to Branch C. Freight costs of birr 300 were paid by Branch B, to carry out this order. In what amount investment in Branch B account to be recorded to record shipment of merchandise and payment of freight costs?**

A) 10,000
B) 10,500
C) 10900
D) 10,300

16. **The appropriate journal entry in the accounting records of the home office to record a $10,000 cash remittance in transit from the branch at the end of an accounting period is:**

A). Cash 10,000 Cash in Transit 10,000

B). Cash 10,000 Home Office 10,000

C). Cash in Transit 10,000 Investment in Branch 10,000

D). Cash in Transit 10,000 Cash 10,000