EXAMPLE: WORKOUT ASSIGMENT ON BRANCH

- Transactions and events during the first year of operations of Bahir Dar Branch (for the year 2000) are summarized below

1. **Cash of Br 10,000 was forwarded to branch by the H.O.**
2. **Merchandise with a H.O cost of Birr 300,000, was shipped to Branch**
3. **Equipment was acquired by branch for Birr 4,000 to be carried in the H.O acct records (other PPEs for branches are acquired by the H.O).**
4. **The H.O shipped Equipments of Br 5,000 to B-Dar Branch.**
5. **Cr. sales by branch amtd to Br250,000 to various orgns; the CGS was Br 175,000**
6. **Cash sales by branch amtd to Br 100,000; (CGS Br 70,000).**
7. **Branch collected Br 200,000 from sales made on A/c**
8. **8. Branch paid operating expenses totaled Br 30,000**
9. **9. Branch remitted or transferred cash of Br 270,000 to the H.O.**
10. **10. *Op. exp. incurred by the H.O & charged to branch* total Br 4,000**
11. **11. The H.O collected A/R of Br 10,000 of Branch.**
12. **12. Bahir Dar Branch paid A/P of Br 5,000 of the Home Office.**

A) Required: Record the above transactions in the books of the home office and the branch.
B) Prepare working paper and adjusting entries and closing entries for home office and branch

WORKING PAPER FOR COMBINED FINANCIAL STATEMENTS OF HO AND Bahir Dar **BRANCH**

FOR YEAR ENDED DECEMBER 31, 2005

(PERPETUAL INVENTORY SYSTEM: BILLINGS AT COST)

	Adjusted Trial Balance			
	Home Office	**Branch**	**Elimination**	**Combined**
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Income Statement				
Sales.....	400,000			
Cost of Goods Sold.....	235,000			
Operating Expenses.....	90,000			
Net Income.....	75,000			
Totals.....	-0-	-		-
Statement of Retained Earnings				
Retained Earnings, Jan.1, 2005.....	70,000			
Net Income from above.....	75,000			
Dividends Declared.....	40,000			
Retained Earnings, Dec.31,2005.....				
Totals.....				--

Balance Sheet				
Cash.....	25,000			
Trade Accounts Receivables….	39,000			
Inventories.....	45,000			
Investment in AGARO Branch. .	26,000			
Equipment.....	150,000			
Accumulated Depreciation.....	(10,000)			
Trade Accounts Payable…….	20,000			
Home Office.....				
Common Stock, Br 10 par……..	150,000			
Retained Earnings from above.....				
Totals.....	-0-	-0-	-0-	-

C) Prepare combined financial statements