

SOLUTIONS TO QUESTION ONE ON INDEPENDENT BRANCH

RonalMessi

(a) Statement of profit or loss for the year ended 31/12/2015

	HEAD OFFICE		BRANCH		COMBINED	
	₦	₦	₦	₦	₦	₦
Sales		116,439		41,136		157,575
<u>Less Cost of sales:</u>						
Opening inventory	10,713		3,618		14,331	
Purchases	111,828		-		111,828	
	<u>122,541</u>		<u>3,618</u>		<u>126,159</u>	
Goods sent to Branch	<u>.(29,961)</u>		<u>29,118</u>		<u>-</u>	
Goods available for sale	92,580		32,736		126,159	
Closing inventory	<u>(12,327).</u>		<u>(4,086).</u>		<u>(17,256).*</u>	
Cost of sales		<u>(80,253).</u>		<u>(28,650).</u>		<u>(108,903).</u>
Gross profit		36,186		12,486		48,672
Add:Admin charges		900		-		-
		<u>37,086</u>		<u>12,486</u>		<u>48,672</u>
<u>Administrative Expenses</u>						
Admin charges	-		900		-	
Depreciation	4,230		1,440		5,670	
Salaries and wages	15,348		4,836		20,184	
Rent and Rates	4,641		1,608		6,249	
Sundry Expenses	1,254	<u>(25,473).</u>	222	<u>(9,006).</u>	1,476	<u>(33,579).</u>
Net profit		11,613		3,480		15,093
Transfer of branch net profit		<u>3,480</u>		<u>(3,480).</u>		<u>-</u>
		<u>15,093</u>		<u>-</u>		<u>15,093</u>

(b) Statement of financial position as at 31/12/2015

Non current Assets (37,800 - 5670)	₦	₦
		32,130
<u>Current Assets</u>		
Inventory	17,256	
Trade Receivables	3,879	
Cheque in transit	945	
Cash and cash equivalents	<u>6,336</u>	<u>28,416</u>
Total Assets		<u>60,546</u>
<u>Equity and Liabilities</u>		
Capital		47,532
Netprofit		<u>15,093</u>
		62,625
Drawings		<u>(14,400).</u>
		48,225
<u>Current Liabilities</u>		
Trade payables		<u>12,321</u>
Total equity and liabilities		<u>60,546</u>

* The combined closing inventory includes the inventory in transit