**Practice 1**

Southern Company purchases goods or its business and supplies its branch from its bulk purchases. The branch keeps its full accounting records. The Trial Balance as at 31 December Year 1 was as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Head Office** | | **Branch** | |
|  | **Debit** | **Credit** | **Debit** | **Credit** |
|  | **RM** | **RM** | **RM** | **RM** |
| Capital |  | 38,000 |  |  |
| Drawings | 3,700 |  |  |  |
| Fixtures and Fittings, at cost | 4,500 |  | 1,100 |  |
| Accumulated Depreciation, 1 January Year 1 |  |  |  |  |
| Fixtures and Fittings |  | 500 |  | 350 |
| Inventory, 1 January Year 1 | 13,000 |  | 200 |  |
| Purchases | 37,000 |  |  |  |
| Goods Sent to Branch, at cost |  | 17,200 |  |  |
| Sales |  | 39,000 |  | 21,000 |
| Goods Received from Head Office |  |  | 17,200 |  |
| Allowance for Doubtful Debts |  | 600 |  | 200 |
| Branch Current and Head Office Current | 6,000 |  |  | 6,000 |
| Salaries | 4,500 | ` | 3,000 |  |
| Commission |  |  | 240 |  |
| Rent | 10,200 |  | 960 |  |
| Administrative Expenses | 2,400 |  |  |  |
| General Expenses | 3,200 |  | 1,800 |  |
| Accounts Receivable | 7,000 |  | 2,000 |  |
| Accounts Payable |  | 5,800 |  |  |
| Bank | 9,600 |  | 1,050 |  |
|  | 101,100 | 101,100 | 27,550 | 27,550 |

You are given the following additional information:

1. Inventory at 31 December Year 1 amounted to: Head office RM14,400;

Branch RM 6,570.

1. Head office apportioned 20% of its administrative expenses to the branch.
2. Depreciation is to be charged on fixtures and fittings at 10% on cost.

**You are required to:**

1. prepare head office, branch and combined Income Statement for the year ended 31 December Year 1;
2. prepare head office, branch and combined Statement Of Financial Position as at the same date;
3. show Head Office and Branch Current account in the respective books.