**2021 Confucian Private Secondary Paper 2 Question 6**

Star Company of Kuala Lumpur has a Branch in Penang. The branch keeps its own books and their respective Trial Balances as at 31 December 2019 were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Head Office** | | **Branch** | |
|  | **Debit** | **Credit** | **Debit** | **Credit** |
|  | **RM** | **RM** | **RM** | **RM** |
| Capital |  | 21,000 |  |  |
| Drawings | 2,000 |  |  |  |
| Vehicle, at cost | 16,000 |  | 4,500 |  |
| Accumulated for Depreciation,  1 January 2019 |  |  |  |  |
| - Vehicle |  | 7,000 |  | 500 |
| Inventory, 1 January 2019, at cost | 1,300 |  |  |  |
| Purchases and Sales | 45,000 | 43,350 | - | 23,425 |
| Goods Sent To Branch at invoiced price |  | 19,000 |  |  |
| Goods Received From Head Office at |  |  | 18,750 |  |
| invoice price |  |  |  |  |
| General Expenses | 4,425 |  | 250 |  |
| Administrative Expenses | 9,600 |  | 1,375 |  |
| Allowance for doubtful debts |  | 150 |  | 125 |
| Trade Receivables and Trade Payables | 3,200 | 3,000 | 4,000 | - |
| Cash and Bank | 2,725 |  | 1,175 |  |
| Head Office Current |  |  |  | 6,000 |
| Branch Office Current | 9,250 |  |  |  |
|  | 93,500 | 93,500 | 30,050 | 30,050 |

**Additional information was available as follows:**

1. All goods are purchased by the head office. Those goods sent to the branch are invoiced at cost plus 25%.
2. The inventory in hand at 31 December 2019 were valued as follows:

Head Office (at cost) RM 600

Branch (at invoiced price) RM 900

1. Depreciation is to be provided on vehicles at a rate of 10% per annum at cost.
2. The allowance for doubtful debts is to be maintained at a rate of 5% on Accounts Receivable.
3. As at 31 December 2019, there was a RM 3,000 cash in transit from the branch to the head office, this cash was received on 3 January 2020. There was also RM 250 of goods in transit at invoiced price from the head office to the branch, the branch received these goods on 5 January 2020.

**You are required to show:**

1. A columnar Income Statement for the Head Office and Branch for the year ended 31 December 2019; (including a “combined” column);
2. Branch Current Account in Head Office’s books.