**2021 Tsun Jin High School Paper 2 Question 6**

Nigel Enterprise set up a branch in Ipoh which keeps its own books. All goods are purchased by the head office and distributed to its branch at cost price. The Trial Balances as at 31 December 2020 were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Head Office** | | **Branch** | |
| **Debit** | **Credit** | **Debit** | **Credit** |
|  | **RM** | **RM** | **RM** | **RM** |
| Motor Vehicles | 180,000 |  | 60,000 |  |
| Office Equipment | 30,000 |  | 10,000 |  |
| Inventory, 1 January 2020 | 12,000 |  | 8,500 |  |
| Trade Receivables and Trade Payables | 27,600 | 40,420 | 6,000 | — |
| Cash At Bank | 24,000 |  | 14,900 |  |
| Water And Electricity | 9,400 |  | 3,600 |  |
| Salaries | 30,000 |  | 12,000 |  |
| Accumulated Depreciation Of Motor Vehicles |  | 36,000 |  | 5,850 |
| Accumulated Depreciation Of Office Equipment |  | 11,000 |  | 1,600 |
| Allowance For Doubtful Debts |  | 1,180 |  | 550 |
| Goods Sent To Branch |  | 32,000 |  | — |
| Goods Received From Head Office | — |  | 30,000 |  |
| Current | 38,500 |  |  | 35,000 |
| Drawings | 4,400 |  | — |  |
| Capital |  | 152,900 |  | — |
| Returns Inwards | 1,400 |  | — |  |
| Purchases and Sales | 78,600 | 162,400 | — | 102,000 |
| 435,900 | 435,900 | 145,000 | 145,000 |

**Additional information:**

1. The inventory was valued at 31 December 2020: Head Office RM 10,000; Branch RM 7,100.
2. Motor vehicles and office equipment are charged at a depreciation of 10% per annum on equal instalment basis. The scrap values of office equipment were RM 2,000 and RM 500 for the head office and the branch respectively.
3. Allowance for doubtful debts is calculated at 5% on the balance of trade receivables.
4. Head office makes carriage charges of RM 300 against the branch.
5. Goods sent to the branch costing RM 2,000 were still in transit and any discrepancy in current account should be treated as a cash remittance from the branch had not been
6. received at the end of the reporting period.

**You are required to prepare:**

1. Branch Current account in the books of head office;
2. Head Office Current account in the books of branch;
3. a columnar Income Statement for the year ended 31 December 2020, separately for the head office, the branch and including a “combined” column.