
Let's Analyze

Activity 1. Reconciliation of Reciprocal Accounts

Comparison between the interoffice account of the Wash Wholesale Company with its suburban branch and the corresponding account carried on the latter's books shows the following discrepancies at the close of business on September 30, 2020:

- a. A debit of P870 (Office Furniture) on the home office books is recorded by branch as P780.
- b. A credit for P300 (Merchandise Allowances) by the home office is recorded the branch as P350.
- c. The home office charges the branch P325 for interest on open account, the branch fails to take up in full; instead, the branch sends to the home office an incorrect adjusting memo, reducing the charge by P75, and sets up a liability for the net amount.
- d. A labor charge by the home office, P433, is recorded twice by the branch.
- e. A charge of P785 for freight on merchandise is made by the home office, but amount is recorded by the branch as P78.50.
- f. The branch incorrectly sends the home office a debit note for P293, representing its proportion of a bill for truck repairs; the home office does not record it.
- g. The home office receives P475 from the sale of a truck, which it erroneously credits to the branch; the branch does not charge the home office therewith.
- h. The branch accidentally receives a copy of the home office entry dated October 10, 2020, correcting item (g), and records a credit in favor of the home office as of September 30, 2020.

The balance of the branch account on the home office books shows P 131,690 receivable from the branch at September 30, 2020. The interoffice accounts were in balance at the beginning of the year.

Required:

1. Determine the balance of the home office account on the branch books before adjustment.
2. Determine the correct amount of the interoffice balance.
3. Reconcile the amount of P 131,690 on the home office books with the adjusted balance of the reciprocal accounts.
4. Prepare the journal entry or entries necessary to adjust the branch books.