

CHAPTER 4

(BRANCH ACCOUNTS)

FORMAT FOR BOOKS OF HEAD OFFICE - BRANCH ACCOUNT FOR THE YEAR ENDED			
Dr.		Cr.	
PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To Opening stock at Branch	XX	By goods returned at branch	XX
To Opening debtors at branch		By Bank account / Remittances	
To Petty cash at Branch	XX	Cash sales	XX XX
To opening prepaid expenses		Received from debtors	XX XX
To goods sent to Branch	XX	Outstanding expenses	XX
To Bank account (All the expenses)	XX	By Depreciation of fixed assets	XX
To Fixed assets at branch	XX	By Closing stock of debtors at branch	XX
To Cash sent to branch	XX	By Closing stock at branch	XX
To General P / L account (Profit)	XX	By Closing petty cash at branch	XX
		By closing prepaid expenses	
		By General P / L account (Loss)	XX
TOTAL	XXX	TOTAL	XXX

Dr. TOTAL DEBTORS ACCOUNT Cr.			
PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To Opening Balance b/d	XX	By cash a/c	XX
To credit sales (Total sales – cash sales)	XX	(Received from debtors / customers)	
		By Discount allowed	XX
		By sales returned	XX
		By bad debts	XX
		By closing balance	XX
TOTAL	XX	TOTAL	XX

FORMAT FOR BOOKS OF HEAD OFFICE - BRANCH ACCOUNT FOR THE YEAR ENDED			
Dr.		Cr.	
PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To Opening stock at Branch	XX	By imprest cash	XX
To Opening debtors at branch	XX	By Bank account / Remittances	XX
To Petty cash at Branch	XX	Cash sales	XX XX
To opening prepaid expenses	XX	Received from debtors	XX XX
To goods sent to Branch	XX	By Outstanding expenses	XX
LESS: Goods Returned	XX	By stock at Branch	XX
To imprest cash	XX	Directly purchased	XX
To Bank account (All the expenses)	XX	Transferred from H.O.	XX
To Fixed assets at branch	XX	By Depreciation of fixed assets	XX
To Cash sent to branch	XX	By Closing stock of debtors at branch	XX
To stock at branch	XX	By Closing stock at branch	XX
Transferred from H.O.	XX	By opening creditors at branch	XX
Direct purchased	XX	By Closing petty cash at branch	XX

To Bank a/c (direct purchase)	XX	By closing prepaid expenses	XX
To Closing creditors at branch	XX	By Stock Reserve a/c	XX
To Stock Reserve a/c	XX	To goods sent to Branch	XX
To General P / L account (Profit)	XX	By General P / L account (Loss)	XX
TOTAL	XXX	TOTAL	XXX

1. Define Branch.

Branch is an establishment or division or unit of main establishment to meet a long term demand of the customers in providing of goods or rendering of services. These are directly or indirectly regulated by the parent unit.

2. What are domestic / inland branches?

These are the branches established within the geographical location of a country or state where the head office is located. Inland branches are established to meet the demand of local or domestic customers.

3. What is Independent Branches?

These are the branches which are not depending on the head office for the goods or cash requirement. An independent branch maintains complete set of books of accounts separately. At the end of the year, the branch prepares branch trading account, profit and loss account and balance sheet.

4. Mention two objectives of Branch account?

- To know the number transactions occurred in the branch.
- To find out the nature of expenses incurred in the branch and its requirement.
- To know about the cash position of the branch
- To know the inventory level at the branch
- To know profit and loss of the branch
- To evaluate the performance of staff at the branch
- To calculate the commission amount payable to the sales staff on making cash sales and recovering against credit sales
- To know the profit and loss of each branch
- To know the financial position of each branch
- To control the activities of the branch
- To find out the requirement of goods or cash for each branch
- To provide concrete suggestions for the improvement in the working of different branches
- To compare the performance of one branch it that of another branch

5. What are dependent branches?

These are the branches which are fully or partly depending on the head office for the requirement goods or cash to transact. They operate as per the guidelines and instructions of head office.

6. State any features of dependent branches.

- Branches, generally, depend on the head office for the goods and cash to transact.
- The head office may send the goods to branch at cost price or invoice price.
- The branch expenses are paid directly by the head office.
- Only petty expenses are allowed to be paid by the branch manager out of imprest cash maintained at the branch.

7. What are foreign branches?

These are similar to independent branches. Foreign branches are the branches established in the countries other than the country where the head office is located. The branches prepare the books of accounts in foreign country's currency and equal to the features of independent branches.

8. State the methods of accounting for branch accounting.

These are four methods of accounting for branch accounting.

- Debtors Method
- Stock and Debtors Method
- Final account method
- Whole sale branch method

9. What is debtor system of branch accounting?

Under this method, branch and head office relationship is similar to Debtor and Creditors relationship. Branch treats its head office as its creditor and head office treats its branch as its debtor. Head office sends to goods on credit basis to its debtors / customers (Branch) and branch sells them at profit and remit the cash to its creditor (head office).

10. What is meant by loaded price in branch accounts?

Loaded price is a price at which the goods are sent by HO to Branch. It includes cost price of goods sent and Lord or profit percentage charged by Head office on the goods sent.