BRANCH ACCOUNTS

What is a Branch?

Location other than main office where business is conducted.

Topics

INLAND BRANCHES

DEPENDENT BRANCH



Dad= HO

✓ Books of A/cs



Kid = Dependent Branch

✓ Small

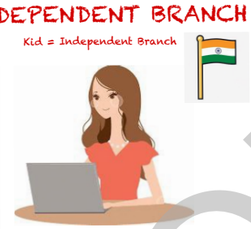
✗ Books of A/cs
(Small hai Cant operate a laptop)

INDEPENDENT BRANCH



Dad= HO

✓ Books of A/cs



Kid = Independent Branch

✓ Big

✓ Books of A/cs

(Big hai can operate a laptop)

FOREIGN BRANCHES

HO



Dad in India

FOREIGN BRANCH



Big Kid working in USA

FOREIGN HO

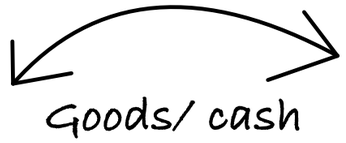
Dad in USA

BRANCH

Big Kid in India

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DELHI
HEAD OFFICE



BANGALORE
BRANCH

HO Books

Own transactions +
HO & Branch Transactions

HO Books

HO own transactions

1. Sales at HO 27,000

Debtor	27,000	
To Sales		27,000

2. Purchases at HO 30,000

Purchases	30,000	
To Creditors		30,000

3. Expenses at HO 1,600

Expenses	Dr 1,600	
To Bank		1,600

HO Books

Branch own transactions

No entry

Branch Books

Own transactions +
HO & Branch Transactions

Branch Books

HO own transactions

No entry

Branch Books

Branch own transactions

1. Sales at Branch 12,000

Debtor	12,000	
To Sales		12,000

2. Purchases at Branch 2,700

Purchases	2,700	
To Creditors		2,700

3. Expenses at Branch paid by branch 400

Expenses	Dr 400	
To Bank		400

Transactions B/W HO & Branch

HO Books	Branch Books

1. Goods sent to branch 10,000

Branch	Dr. 10,000	
To Goods sent to branch		10,000

Goods Recd.from HO.	Dr 10,000	
To HO		10,000

2. Goods returned by branch 1,500

Goods sent to branch	Dr 1,500	
To Branch		1,500

HO	Dr 1,500	
To Goods Recd. from HO		1,500

3. Cash sent to branch. 3,000

Branch	Dr 3,000	
To Bank		3,000

Bank	Dr 3,000	
To H.O.		3,000

4. Remittance from branch 2,000

Bank	Dr 2,000	
To Branch		2,000

HO	Dr 2,000	
To Bank		2,000

5. Branch expenses paid by branch 600

Branch	Dr	
To Bank		

Expenses	Dr 600	
To HO		600

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DEPENDENT BRANCH

Dad= HO



Books of A/cs ✓

Kid = Dependent Branch



Small ✓
Books of A/cs ✗
(Small hai Cant operate a laptop)

DEPENDENT BRANCH

Dependent Branch ?

1. Very small
2. No books of accounts
3. Head office will calculate profit by any 1 method

Method I- Debtors method
Method II- Stock & Debtors Method
Method III- Trading & PGL Method

Dependent branch features -

1. No books of a/c
2. HO calculates profit
3. All collections (cash sales+debtor collection)sent to HO
4. Majority Q: Expenses paid by HO ;
   Some Q: Expenses paid by branch

Debtors Method

How to solve Q?

Step 1 -HO shoes pehno + Branch a/c



Step 2 -Branch shoes pehno + Memorandum a/cs



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Step 1 of Debtors method
HO shoes pehno + Branch a/c



Steps to prepare Branch A/c

Who is preparing this branch A/c? Head office

Step 1 of Branch A/c

Saal bhar kya hota hai??

HO —> Records transactions B/W HO & Branch—>

Post to branch a/c

Branch A/c

To Goods sent to Branch (Goods sent)	By Goods sent to branch (Returns to HO)
To Bank A/c (Cash sent)	By Bank (Cash recd from branch
To Bank A/c (Branch expenses)	

Step 2 of Branch A/c

H.O. B/S
Year end 31.3.2022

Liabilities	Assets
(HO Liabilities + Branch Liabilities) ← Enter books	(HO Assets + Branch assets) → Enter books
Profit (HO Profit + Branch profit) ← Enter books	

Year end pe kya hoga

Branch closing assets , liabilities , profit/ loss is merged with HO balances

HO takes branch assets

Assets Dr
To Branch

HO takes branch liabilities.

Branch Dr
To Liabilities

HO takes branch profit

Branch Dr
To P&L

Post to branch A/c

Branch A/c

To Goods sent to Branch (Goods sent)	By Goods sent to branch (Returns to HO)
To Bank A/c (Cash sent)	By Bank (Cash recd from branch
To Bank A/c (Branch expenses)	
To Liabilities To Profit	By Assets

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Step 3 of Branch A/c

H.O. B/S
Beginning next year 01.04.2022

Liabilities	Assets
(HO Liabilities + Branch Liabilities) ↙ Exit books	(HO Assets + Branch assets) ↙ Exit books

Saal ke start me kya hota hai ??
Branch assets , liabilities removed from HO Books- reverse kardo entries

HO gives back branch assets

Branch Dr
To Assets

HO gives back branch liabilities

Liabilities Dr
To Branch

Post to branch A/c

Profit wont be given back . HO kha gaya profit

Branch A/c

To Assets	By Liabilites
To Goods sent to Branch (Goods sent)	By Goods sent to branch (Returns to HO)
To Bank A/c (Cash sent)	By Bank (Cash recd from branch
To Bank A/c (Branch expenses)	
To Liabilities To Profit	By Assets

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METHOD 1 DEBTORS METHOD

In the books of Head office

Branch A/c

For the year ended XXX

Particulars	₹	Particulars	₹
To Bal B/D • Stock • Debtors • Cash • Furniture • Petty cash		By Bal B/d • Creditors • Salary o/s • O/s expenses	
To Goods sent to Branch		By Goods sent to branch (Returns to HO)	
To Bank A/c (Cash sent to branch)		By Remittances • Cash Sales • Collection from debtors	
To Bank A/c (Branch Expenses)			
To Bal C/D • Creditors • Salary o/s • O/s expenses		By Bal C/D • Stock • Debtors • Cash • Furniture (after dep) • Petty cash	
To Profit*		By Loss*	

*Either profit or loss will be B/F

Step 2 of Debtors method
Branch shoes pehno + Memorandum a/cs



Memorandum A/cs

I. Memorandum Branch Debtors A/c

Particulars	₹	Particulars	₹
To Bal B/d		By Collection from Debtors	
To Credit Sales		By Discounts Allowed	
Less: Returns		By bad debts	
		By Bal C/d	

II. Memorandum Branch Cash A/c

Particulars	₹	Particulars	₹
To Bal B/d		By Expenses paid	
To Cash Sales		By Remittance to H.O.	
To Collection from debtors		By Bal C/d	

III. Memorandum Branch Petty Cash A/c

Particulars	₹	Particulars	₹
To Bal B/d		By Petty Expenses paid	
To Transfer from H.O.		By Bal C/d	

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IV. Memorandum Branch Stock A/c

Particulars	₹	Particulars	₹
To Opening Stock (IP)		By Sales Cash Sales Credit Sales Less Returns	
To Goods sent to branch (IP)		By Goods sent to branch (Returns) (IP)	
		By Closing stock (IP)	

Note - We will learn detailed stock A/C in STOCK & DEBTORS METHOD

V. calculation of closing balance of furniture

Opening balance as on	XXX
Add Furniture purchased	XXX
Less Depreciation	XXX
Closing balance	XXX

DEBTORS METHOD SUMMARY



Step 1

Wear? HO shoes

Make? Branch A/c

POST ? 3 THINGS *

- Branch Op Assets & Liab
- HO & Branch Transactions
- Branch Cl. Assets & Liab

* Profit=b/f



Step 2

Wear ? Branch Shoes

Make ? Memorandum A/c

- Petty expenses of branch
- Depreciation
- Credit sales
- Sales returns
- Bad debts
- Discount allowed
- Collection from debtors
- Cash sales

Branch A/c ✗

Memorandum A/cs ✓

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Goods sent to branch at Invoice price (IP)



COST / IP CONVERSIONS

Remember, COST + LOAD= IP & IP - LOAD = COST

CASE- 1 LOAD = 20% OF COST

GOODS SENT @ COST = 100,000. Calculate Goods sent @ IP

LOAD
Load = 20% of cost
Load on cost = 20/100 of cost = 1/5 of cost

IP = Cost + load
=100,000 + 1/5* 100,000 = 120,000

CASE- 2 LOAD = 25% OF IP

GOODS SENT @ IP = 150,000. Calculate Goods sent @ COST

Load = 25% of IP

Load on IP = 25/100 of IP or 1/4 of IP

Cost = IP - load
= 150,000 - 1/4*150,000
= 112,500

CASE- 3 LOAD = 25% OF IP

GOODS SENT @ COST = 100,000. Calculate Goods sent @ IP

LOAD
Load on IP = 25% of IP = 1/4 of IP
Load on Cost = 1/3 of cost

IP =Cost + load
=100,000 + 1/3* 100,000 = 133,333

CASE-4 LOAD = 20% OF COST

GOODS SENT @ IP = 150,000. Calculate Goods sent @ COST

LOAD
Load on cost = 1/5 of cost
Load on IP = 1/6 of IP

COST= IP - LOAD
=150,000- 1/6 *150,000 = 125,000

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Branch A/c - When goods sent @ IP

In the books of Head office

Branch A/c

Particulars	₹	Particulars	₹
To Bal B/D		By Bal B/d	
• Stock (@ Invoice PX)		• Creditors	
• Debtors		• Salary o/s	
• Cash		• O/s expenses	
• Furniture			
• Petty cash			
		By Stock Reserve (Opening Stock Reserve)	
To Goods sent to Branch (@ Invoice PX)		By Goods sent to branch (Load on Goods sent)	
To Goods sent to Branch (Load on Returns)		By Goods sent to branch (Returns to HO) (@ Invoice PX)	
To Bank A/c (Cash sent to branch)		By Remittances • Cash Sales • Collection from debtors	
To Bank A/c (Branch Expenses)			
To Stock reserve (Closing Stock Reserve)		By Bal C/D • Stock (@ Invoice PX) • Debtors • Cash • Furniture (after dep) • Petty cash	
To Bal C/d • Creditors • Salary o/s • O/s expenses			
To Profit *		By Loss *	

* Either profit or loss will be B/F

METHOD 2 FINAL ACCOUNTS METHOD

1. Who will perform this method? HO
2. Simple trading P&L a/c no new concept
3. HO will prepare a Trading &P&L A/c of branch to find branch profit
4. Everything will be taken @ Cost price. If anything given @ invoice price convert to cost price

Branch Trading & P&L A/c

Particulars	₹	Particulars	₹
To Opening stock (@ Cost Price)		By Sales	
		Cash	
To Goods sent to branch (@ Cost Price)		Credit	
		Less Returns	
Less Returns to HO (@ Cost Price)		By Closing Stock (@ Cost Price)	
To Gross Profit		By Gross Profit	
To Expenses			
To Net Profit			

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