BRANCH ACCOUNTS REVISION

CA SONAKALRA

DEBTORS METHOD

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 ✓

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

METHOD 1 DEBTORS METHOD

In the books of Head office

Branch A/c

For the year ended XXX

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

* Either profit or loss will be B/F

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	
To Bank A/c (Branch Expenses)		• Collection from debtors	
To Stock reserve (Closing Stock Reserve)		By Bal C/D	
		• Stock (@ Invoice PX)	
		• Debtors	
		• Cash	
		• Furniture (after dep)	
		• Petty cash	

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



₹

I. Memorandum Branch Debtors A/c

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

IV. Memorandum Branch Stock A/c

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

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STOCK & DEBTORS METHOD



Branch Stock A/c

To Opening Stock (IP)	By Sales
To Goods sent to branch (IP)	By Goods sent to branch (Returns) (IP)
To Surplus	By Closing stock (IP)

Branch Adjustment A/c

To Goods sent to branch (Returns) (Load)	By Stock Reserve (Op Stock Reserve)
To Stock reserve (Closing stock)	By Goods sent to branch (Load)
To Gross profit (B/F)	By Surplus

Branch Expenses A/c

To Rent , Rates & Taxes To Salary & wages To Office Expenses To other expenses	By Branch PGL

Branch PGL A/c

To Branch Expenses To bad debts To Discount allowed To Net profit	By Gross Profit

Branch Debtors A/c

To Bal B/d	By Collection from debtors
To Credit Sales (Net of returns)	By Bad debts
	By Discount Allowed
	By Allowances to customers
	By Bal C/D

Goods sent to branch A/c

To Branch Adj A/c (Load on goods sent)	By Branch Stock A/c (@ IP) (Goods Sent by H.O.)
To Branch Stock A/c (@ IP) (Returns to HO)	By Branch Adj A/c (Load on returns)
To HO Trading (B/F)	

Normal loss Abnormal loss

Oranges in transit



Some get spilled every time in transit-
Aam baat hai for our business - NORMAL LOSS



Theft
Kya ye aam baat hai ? No !- ABNORMAL LOSS



Changes in Branch Stock & Adjustment A/c

I. Branch Stock A/c

To Opening Stock (@ IP)	By Sales
To Goods sent to branch (@IP)	By Goods sent to branch (Returns) (@IP)
To Surplus	By Abnormal Loss (@IP)
	By Normal loss (@IP)
	By Closing stock (@ IP)

II. Branch Adjustment A/c

To Goods sent to branch (returns) (Load)	By Stock reserve (Opening Stock Reserve)
To Abnormal loss -(Load)	By Goods sent to branch -Load
To Normal loss(@IP)	By Surplus
To Stock reserve (Closing Stock Reserve)	
To Gross profit (B/F)	

III. Branch PGL A/c

To Expenses	By Gross Profit
To Abnormal loss (Cost)	
To Net profit	

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Goods sent @ Wholesale Price

HO supplies goods to branch @ Wholesale Price & Branch sells @ Retail Price.

Cost —> Wholesale Price —> Retail Price
Eg- 200 —-> 300 —> 350

Cost IP Questions	V/S	Wholesale Price Questions
Branch Profit = 350-200 = 150		Branch Profit = 350-300 = 50

A. How to calculate Branch Profit?

Method 1-
Prepare Branch Stock A/c, Adjustment A/c & PSL A/c - Prepare Adj A/c without loads

Method 2-
Branch Trading & PSL A/c - Prepare Trading A/c @ IP

METHOD 1

I. Branch Stock A/c

To Opening Stock (IP)	By Sales
To Goods sent to branch (IP)	By Closing stock (IP)
To Surplus	

II. Branch Adjustment A/c

To Gross profit (B/F)	By Surplus

III. Branch PSL A/c

To Expenses To Net profit	By Gross Profit

METHOD 2

Branch Trading & PSL A/c

To Opening stock (@IP)	By Sales Cash Credit (-) Returns
To Goods sent to branch (@IP)	By Closing Stock (@IP)
To Gross Profit	
To Expenses To Net Profit	By Gross Profit

B. Prepare HO Trading & PSL A/c with the 3 changes.
I. Credit Trading A/c with Goods sent to branch @ IP
II. Credit PSL A/c with Opening Stock Reserve
III. Debit PSL A/c with Closing Stock Reserve

Stock Reserve A/c

To HO PSL (Opening Stock Reserve)	By Bal B/D (Opening Stock Reserve)
To Bal C/d (Closing Stock Reserve)	By HO PSL (Closing Stock Reserve)

HO Trading & PSL A/c

	By Goods Sent to Branch @ IP
To Stock Reserve (Closing)	BY Stock Reserve (Opening)

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INDEPENDENT BRANCH

Reconciliations

If Branch DR bal in HO books ≠ H.O. CR bal in Branch Books?

Trial Balance

	HO		Branch	
	Dr.	Cr.	Dr.	Cr.
Inter unit accounts Branch A/c HO a/c	110,000			96,000

Pass Reco Entry/ Adjustment entry

For Disagreement in above balances

Who will pass the entry ?

A) If entry not recorded?
Jisne record nahi ki

B) If incorrect entry passed?
Jisne incorrect entry pass kari

C) For items in transit?
Adjust items in transit in books of recipient

Tricky Journal entries

I. Branch expenses paid by HO

HO	Branch
Branch TO Bank	Expenses To HO

II. HO expenses paid by branch

HO	Branch
Expenses TO Branch	HO To Bank

III. HO expenses chargeable to Branch / HO expenses allocated to branch

HO	Branch
Branch TO Expenses	Expenses To HO

IV. Income allocated to branch by HO

HO	Branch
Income To Branch	HO To Income

V. Collection from debtors of branch by HO

HO	Branch
Bank To Branch	HO To Debtors

VI. Purchases by branch paid by HO

HO	Branch
Branch To bank	Purchases To HO

VII. Suppliers of HO Paid by branch

HO	Branch
Creditors Dr To Branch	HO To Bank

VIII. FD interest collected by branch on behalf of HO

HO	Branch
Branch To Interest income	Bank To HO

IX. FIXED ASSETS

A. A/CS BY BRANCH

A1. PAYMENT BY BRANCH		A2. PAYMENT BY HO	
HO	BRANCH	HO	BRANCH
NO ENTRY	FA TO BANK	BRANCH TO BANK	FA TO HO

B. A/CS BY HO

B1. PAYMENT BY BRANCH		B2. PAYMENT BY HO	
HO	BRANCH	HO	BRANCH
FA TO BRANCH	HO TO BANK	FA TO BANK	NO ENTRY

DEPRECIATION ENTRY FOR B1 & B2

HO	BRANCH
BRANCH TO FA	DEPRECIATION TO HO

TRANSIT ITEMS

WHO PASSES THE ENTRY-
RECIPIENT PARTY JISKO MILNE WALE HAIN SAMAAN
~~BOTH PARTY WILL PASS OR ONE PARTY ?~~

I. Goods in transit

Goods sent by HO not recd by branch till year end

HO	Branch
No Entry	Goods in transit To H.O

II. Cash in transit

Cash sent by Branch not recd by HO till year end

HO	Branch
Cash in transit To Branch	No Entry

III. Cash in transit

Cash sent by Ho not recd by Branch till year end

HO	Branch
No Entry	Cash in transit To HO

Note -
Goods in transit - Shown in B/S as part of closing stock
Cash in transit - Shown in B/S as a part of current assets

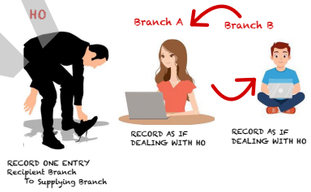
IV. Loss in transit

Goods sent by HO debited to branch a/c , Stolen in transit, Loss to be borne by HO

HO	Branch
Loss in transit To Branch	No entry

INTER BRANCH TRANSACTIONS

INDEPENDENT KIDS DEALING WITH EACH OTHER



A. Branch A recd goods from the Branch B for Rs 5,000

HO		Branch A		Branch B	
Branch A Dr	5,000	Goods recd	5,000	HO	5,000
To Branch B	5,000	from HO Dr	5,000	To Goods	
		To HO		Sent to HO	5,000

B. Branch A incurred expenses (eg advt, travelling etc) on behalf of branch B for Rs 2,000

HO		Branch A		Branch B	
Branch B Dr	2,000	HO Dr	2,000	Advt Exp	2,000
To Branch A	2,000	To Cash	2,000	To HO	2,000

Incorporation of branch TB

HO Books
Incorporation of branch balances

- Profit
- AND
- Assets & Liabilities

SHORT-
Branch
To P&L
↓
#Reverse entry for loss
↓
Prefer this method for All Ques

Branch Assets Dr
To Branch

Branch Dr
To Branch
Liabilities

HO Books
Branch A/c

To Bal B/d	By Assets (Branch Assets)
To P&L (Branch Profit)	
To Liabilities (Branch Liabilities)	

CASONALKALRA

FOREIGN BRANCHES



HO

Dad in India

FOREIGN BRANCH



Big Kid working in USA

INCORPORATE ADJ IN TB

1. Depreciation - Reduce Fixed Assets in TB & New DR item Dep
2. O/S Exp - Increase Expenses in TB & New CR item O/S Exp.
3. Prepaid Exp - Reduce Expenses in TB & New DR item Prepaid Exp.



HO

Journal(₹)
↓
Ledger (₹)
↓
Trial (₹)



Foreign Branch

Journal($)
↓
Ledger ($)
↓
Trial ($)

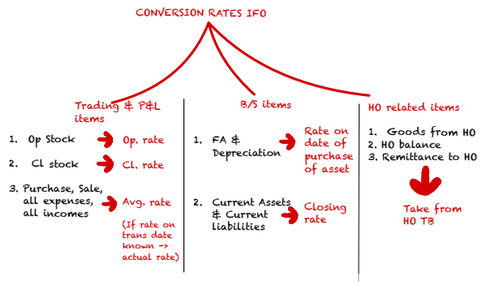
Conversion Rules NFO

1. Rates Same as IFO
   Except FA & depreciation @ CLOSING RATE
2. Exchange diff goes to B/S ✔ or P&L ✗

   Ex diff -> Reserves & Surplus -> Foreign currency Translation reserve

Branch TB in $ & HO TB in ₹
↓
How to incorporate branch TB in HO books ?
↓
Convert Branch $ TB to TB in ₹
↓

Step 1 - Check whether foreign branch is IFO or NFO.Assume IFO if Q silent.
Step 2 - Conversion rules AS -11
Step 3 - Find Exchange difference



EXCHANGE DIFFERENCE

DR SIDE - EX LOSS - P&L DR

CR SIDE - EX GAIN P&L CR

FOREIGN HO

FOREIGN HO



Dad in USA

BRANCH



Big Kid in India





Foreign HO

Journal($)
↓
Ledger ($)
↓
Trial ($)

Independent Branch

Journal(₹)
↓
Ledger (₹)
↓
Trial (₹)

Branch TB in ₹ & HO TB in $
↓
How to incorporate branch TB in HO books ?
↓
Convert Branch ₹ TB to TB in $

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