

**WELCOME**

**Class: B.Com – Part-1**

**Subject: Financial Accounting**

**Topic: Branch Accounts – Part – 4**

**Dependent Branch – Methods of Accounting  
Summary Stepwise**

**Prepared By**

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**Methods of Accounting:** There are four methods of accounting for dependent branches which are as follows:

- (1) **Branch Debtors Method:** This system of accounting is suitable for the small size branches. Under this a branch account is opened for each branch in the head office ledger.

Head office may send goods to branch at either at cost price or selling price.

- (a) Cost price method
- (b) Selling price method (Invoice price)

### **(a) When goods sent to Branch at cost price**

#### **RULES:**

- (i) Branch a/c is opened in the books of H.O.
- (ii) Show opening balances of stock, debtors, fixed assets and petty cash on the Dr. side of Branch a/c
- (iii) Show opening balances of liabilities on the Cr. Side of the Branch a/c
- (iv) Goods sent to Branch by H.O. will be shown on Dr. Side of Branch a/c.
- (v) Goods returned to H.O. by Branch will be shown on Cr. Side of the Branch a/c.
- (vi) Branch expenses paid by H.O. will be shown on Dr. side of Branch a/c.
- (vii) Branch expenses paid by Branch itself will not be shown in the Branch a/c. (Memorandum cash a/c banega or wahan se amount calculate hokar Branch a/c me show hoga)

- (viii) If the Branch is making credit sales then 'memorandum branch debtors a/c' will be prepared.
- (ix) Cash & Goods in transit(Jiske pas jayega uske account me dikhaya jayega)
- (x) Inter Branch Transfer (H.O. ke through kiya jayega)
- (xi) Purchase of Fixed Assets by Branch (Branch account ke credit side me written down value par show hoga or cash a/c ke credit side me ayega)
- (xii) Purchase of Fixed Assets by H.O.(Branch a/c ke dono side show hoga)
- (xiii) Theft, Loss or Wastage of Goods: No entry in Branch a/c only insurance claim is shown on the credit side. In case to calculate the closing stock such loss will be shown on credit side of Branch Stock a/c.

## Performa of Accounts

### In the Books of H.O.

Dr.			Cr.		
Branch Account					
Date	Particulars	Amount	Date	Particulars	Amount
	To Branch Stock a/c (Opening)			By Liabilities a/c (Opening)	
	To Branch Debtors a/c (Opening)			By Cash a/c (Cash remitted to H.O. by Branch)	
	To Branch Petty Cash a/c (Opening)			By Bank a/c (Cheque sent to H.O. by Branch)	
	To Branch Fixed Assets a/c(Opening)			By Goods sent to Branch a/c (Goods return by Branch to H.O.)	

	To Goods sent to Branch a/c (Goods sent by H.O. to Branch)			By Cash a/c (Insurance claim)	
	To Cash a/c (Branch Expenses paid by H.O.)			By Branch Stock a/c	
	To Cash a/c (Fixed Assets purchased by H.O.)			By Goods in Transit a/c	
	To Liabilities a/c (Closing)			By Branch Debtors a/c (closing)	
	To Profit to Gen. P&L a/c (Bal. Fig.)			By Branch Petty Cash a/c (closing)	
				By Branch Fixed assets a/c (closing)	
				By Loss to Gen. P&L a/c (Bal. Fig.)	

### Working Notes:

**Dr.**

#### Memorandum Branch Debtors Account

**Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
Jan.1	To balance b/d			By cash a/c	
	To credit sales			By Discount Allowed a/c	
				By Return Inward	
				By Allowances	
				By Bad Debts a/c	
			Dec.31	By balance c/d	

**Dr.**

#### Memorandum Cash a/c

**Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
	To Balance b/d			By Wages & Salaries	
	To Sales a/c			By Rent & Taxes	
				By Insurance Expense	
				By Petty Expense	
				By Postage	
				By Stationery	
				By Fixed Asset a/c	
				By H.O. a/c	
				By balance c/d	

**(b) When goods sent to Branch at selling price/ invoice price/ inflated price.**

**RULES:**

- (i) Opening Stock, Closing Stock, Goods sent to branch, Goods returned by branch will be shown at invoice price in Branch a/c.
- (ii) Loading on above items should be shown opposite side of each account in Branch a/c.
- (iii) Loading on opening stock and closing stock will be shown by the name 'Branch Stock Adjustment a/c'.
- (iv) Loading on Goods sent to Branch a/c and Goods returned by branch will be shown by the name 'Goods sent to Branch Adjustment a/c'.
- (v) Loading on Goods in Transit will be shown by the name 'Goods in Transit Adjustment a/c'.
- (vi) All other things will remain the same as in the Branch a/c at cost price.
- (vii) Sometimes it may be asked to prepare Branch Adjustment a/c. In such situation the loading will be shown in the Branch Adjustment a/c instead of Branch a/c.

**Note: Loading should be calculated as a percentage on Invoice Price. If it is given on cost then it should be converted to Invoice price.**

## Performa of Accounts

### In the Books of H.O.

**Dr.**

**Branch Account**

**Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
	To Branch Stock a/c (Opening) at <b>IP</b>			By Liabilities a/c (Opening)	
	To Branch Debtors a/c (Opening)			By Branch Stock Adjustment a/c (Loading on Opening Stock)	
	To Branch Petty Cash a/c (Opening)			By Cash a/c (Cash remitted to H.O. by Branch)	
	To Branch Fixed Assets a/c(Opening)			By Bank a/c (Cheque sent to H.O. by Branch)	
	To Goods sent to Branch a/c (Goods send by H.O. to Branch) <b>IP</b>			By Goods sent to Branch Adjustment a/c (Loading on Goods send by H.O. to Branch)	
	To Goods sent to Branch Adjustment a/c (Loading on Goods Returned by Branch to H.O.)			By Goods sent to Branch a/c (Goods return by Branch to H.O.) <b>IP</b>	
	To Cash a/c (Branch Expenses paid by H.O.)			By Cash a/c (Insurance claim)	
	To Cash a/c (Fixed Assets purchased by H.O.)			By Branch Stock a/c <b>IP</b>	
	To Branch Stock Adjustment a/c (Loading on Closing Stock)			By Goods in Transit a/c <b>IP</b>	
	To Goods in Transit Adjustment a/c (Loading on Goods in transit)			By Branch Debtors a/c (closing)	
	To Liabilities a/c (Closing)			By Branch Petty Cash a/c (closing)	
	To Profit to Gen. P&L a/c(Bal. Fig.)			By Branch Fixed assets a/c (closing)	
				By Loss to Gen. P&L a/c (Bal. Fig.)	

## Branch Adjustment System

## In the Books of H.O.

Dr.

### Branch Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
	To Branch Stock a/c (Opening) <b>IP</b>			By Liabilities a/c (Opening)	
	To Branch Debtors a/c (Opening)			By Cash a/c (Cash remitted to H.O. by Branch)	
	To Branch Petty Cash a/c (Opening)			By Bank a/c (Cheque sent to H.O. by Branch)	
	To Branch Fixed Assets a/c(Opening			By Goods sent to Branch a/c (Goods return by Branch to H.O.) <b>IP</b>	
	To Goods sent to Branch a/c (Goods send by H.O. to Branch) <b>IP</b>			By Cash a/c (Insurance claim)	
	To Cash a/c (Branch Expenses paid by H.O.)			By Branch Stock a/c <b>IP</b>	
	To Cash a/c (Fixed Assets purchased by H.O.)			By Goods in Transit a/c <b>IP</b>	
	To Liabilities a/c (Closing)			By Branch Debtors a/c (closing)	
	To Branch Adjustment a/c(Bal. Fig.)			By Branch Petty Cash a/c (closing)	
				By Branch Fixed assets a/c (closing)	
				By Branch Adjustment a/c (Bal. Fig.)	

**Dr.****Branch Adjustment Account****Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
	To Goods sent to Branch a/c (Loading on Goods returned by Branch to H.O.)			By Branch Stock a/c (Loading on Opening Stock)	
	To Branch a/c (Dr. balance of Branch a/c)			By Branch a/c (Cr. Balance of Branch a/c)	
	To Branch Stock a/c (Loading on Closing Stock)			By Goods sent to Branch a/c (Loading on Goods send by H.O. to Branch)	
	To Goods in Transit a/c (Loading on Goods in transit)			By Loss to Gen. P&L a/c*	
	To Profit to Gen. P&L a/c*				

(2) **Branch stock & Debtors Method:** This method of Branch Accounting is the perfect accounting method for the dependent branches. It is utilized when the branch business is expanded and difficult to prepare 'Branch a/c'. It is more expanded form of the Branch Debtors Method.

(a) **When goods sent to Branch at cost price.**

**RULES:**

- (i) Mainly five accounts are prepared
- Branch Stock Account
  - Goods sent to Branch Account
  - Branch Debtors Account
  - Branch Expenses Account
  - Branch P&L Account



- (ii) Branch stock Account works as 'Trading Account' of the Branch. Gross Profit or Gross Loss is transferred to Branch P&L Account.
- (iii) Goods sent to Branch Account records only the goods send by H.O. to Branch and goods returned by Branch to H.O. and balance is transferred to H.O. Trading Account.
- (iv) Branch Debtors Account is the Normal Debtors Account and records all items related to debtors.
- (v) Branch Expenses Account records all expenses done by Branch or H.O. It also records the bad debts, Discount allowed, allowances etc.
- (vi) Total of Branch expenses account is transferred to Branch P&L Account.

### Performa of Accounts

**Dr.**

#### **Branch Stock Account**

**Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
	To balance b/d			By Goods sent to Branch a/c (Goods returned to H.O.)	
	To Goods sent to Branch a/c (Goods send by H.O.)			By Bank a/c (Cash sales)	
	To Branch Debtors a/c (Goods returned by Customers)			By Branch Debtors a/c (Credit Sales)	
	To Profit to Branch P&L a/c (G.P.)*			By Normal Loss	
				By Abnormal Loss	
				By balance c/d	
				By Loss to Branch P&L a/c*	



**(b) When goods sent to Branch at selling price/ invoice price/ inflated price.**

**RULES:**

- (i) Mainly seven accounts are prepared
  - Branch Stock Account
  - Branch Goods sent to Branch Account
  - Branch Debtors Account
  - Branch Expenses Account
  - Branch Stock Reserve Account
  - Branch Adjustment Account
  - Branch P&L Account
- (ii) Branch Debtors Account and Branch Expenses Account will remain the same as in previous case.
- (iii) Branch Adjustment Account will work as 'Branch Trading Account'.
- (iv) All items related to stock will be shown at invoice price in Branch Stock Account.
- (v) Loading on Opening Stock and Closing Stock will be recorded in the Branch Stock Reserve Account and from there will be transferred to Branch Adjustment Account.
- (vi) Loading on goods sent to Branch by H.O. and goods returned by branch to H.O. will be recorded in the 'Goods sent to Branch Account' and from there will be transferred to Branch Adjustment Account. Closing balance of the account will be transferred to H.O. Trading Account.
- (vii) Abnormal Loss invoice price par Branch Stock Account me dikhaya jayega or iska cost element Branch adjustment Account me transfer hoga and cost element Branch P&L account me transfer hoga.

**Performa of Accounts**

<b>Dr.</b>			<b>Branch Stock Account</b>			<b>Cr.</b>
Date	Particulars	Amount	Date	Particulars	Amount	
	To balance b/d			By Goods sent to Branch a/c (Goods returned to H.O.)		
	To Goods sent to Branch a/c (Goods send by H.O.)			By Bank a/c (Cash sales)		
	To Branch Debtors a/c (Goods returned by Customers)			By Branch Debtors a/c (Credit Sales)		
	To Branch Adjustment a/c (Surplus)*			By Branch Adjustment a/c (NL)		
				By Branch Adjustment a/c (AL)(Loading)		
				By Branch P&L a/c (AL)(Cost element)		
				By Branch adjustment a/c (Shortage)*		
				By Balance c/d		

**Dr.****Branch Debtors Account****Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
	To balance b/d			By Bank a/c (Cash received from debtors)	
	To Branch Stock a/c (Credit Sales)			By Branch Stock a/c (Goods returned by Customers)	
				By Branch Expenses a/c (Bad Debts)	
				By Branch Expenses a/c (Disc. Allow)	
				By Branch Expenses a/c (allowance)	
				By balance c/d	

**Dr.****Goods Sent to Branch Account****Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
	To Branch Stock a/c (Goods returned to H.O.)			By Branch Stock a/c (Goods send by H.O.)	
	To Branch Adjustment a/c (Loading on goods send by H.O.)			By Branch Adjustment a/c (Loading on goods returned by Branch to H.O.)	
	To Trading a/c*				

## Dr.

### Branch Expenses Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
	To Bank a/c (Expenses paid by H.O. or Branch)			By Branch P&L a/c*	
	To Branch Debtors a/c:-				
	Bad Debts				
	Disc. Allowed				
	Allowance				

**Dr.**

### Branch Stock Reserve Account

**Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
	To Branch Adjustment a/c (Loading on Opening Stock)			By balance b/d	
	To balance c/d*			By Branch Adjustment a/c (Loading on Closing Stock)	

## Dr.

### Branch Adjustment Account

**Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
	To Goods sent to Branch a/c (Loading on goods returned by Branch)			By Branch Stock Reserve a/c (Loading on Opening Stock)	
	To Branch Stock a/c (Shortage) (Loading element)			By Goods sent to Branch a/c (Loading on Goods sent to Branch by H.O.)	
	To Branch Stock a/c (NL)			By Branch P&L a/c (G.L.)*	
	To Branch Stock a/c (AL)(Loading)				
	To Branch Stock Reserve a/c (Loading on Closing Stock)				
	To Branch P&L a/c (G.P.)*				

## Dr.

### Branch P & L Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
	To Branch Expenses a/c			By Branch Adjustment a/c (G.P.)	
	To Branch Stock a/c (AL)( Cost element)			By Bank a/c (Insurance co.)	
	To Net Profit to Gen. P&L a/c*			By Net Loss to Gen. P&L a/c*	

### 3. Final Accounts Method

#### RULES:

- (i) Branch Trading and P&L Account will be prepared.
- (ii) Opening Stock, Closing Stock, Goods sent to Branch and Goods returned by the Branch will be shown at cost price in the trading a/c.
- (iii) Branch Account will be prepared as a personal account.
- (iv) Items in Branch Account will be recorded at cost price.
- (v) Balance of this account shown amount receivable or payable.

#### Performa of Accounts

#### In the Books of H.O.

Dr.

#### Branch Trading and P & L Account

Cr.

For the year ended -----

Date	Particulars	Amount	Date	Particulars	Amount
	To Opening Stock a/c (at cost)			By Goods sent to Branch a/c (at cost)	
	To Goods sent to Branch a/c (at cost)			By Sales a/c	
	To Gross Profit c/d*			Cash	
				Credit	
				By Closing Stock a/c (at cost)	
				By Gross Loss c/d*	
	To Branch Expenses a/c			By Gross Profit b/d	
	To Depreciation on Assets a/c			By Net Loss to Gen. P&L a/c*	
	To Net Profit to Gen. P&L a/c*				

**Dr.****Branch Account****Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
	To Branch Stock a/c (Opening)			By Liabilities a/c (Opening)	
	To Branch Debtors a/c (Opening)			By Cash a/c (Cash remitted to H.O. by Branch)	
	To Branch Petty Cash a/c (Opening)			By Bank a/c (Cheque sent to H.O. by Branch)	
	To Branch Fixed Assets a/c(Opening)			By Goods sent to Branch a/c (Goods return by Branch to H.O.)	
	To Goods sent to Branch a/c (Goods send by H.O. to Branch)			By Cash a/c (Insurance claim)	
	To Cash a/c (Branch Expenses paid by H.O.)			By Branch Stock a/c	
	To Cash a/c (Fixed Assets purchased by H.O.)			By Goods in Transit a/c	
	To Liabilities a/c (Closing)			By Branch Debtors a/c (closing)	
	To P&L a/c (Profit)			By Branch Petty Cash a/c (closing)	
				By Branch Fixed assets a/c (closing)	
				By P&L a/c (Loss)	

Thank You