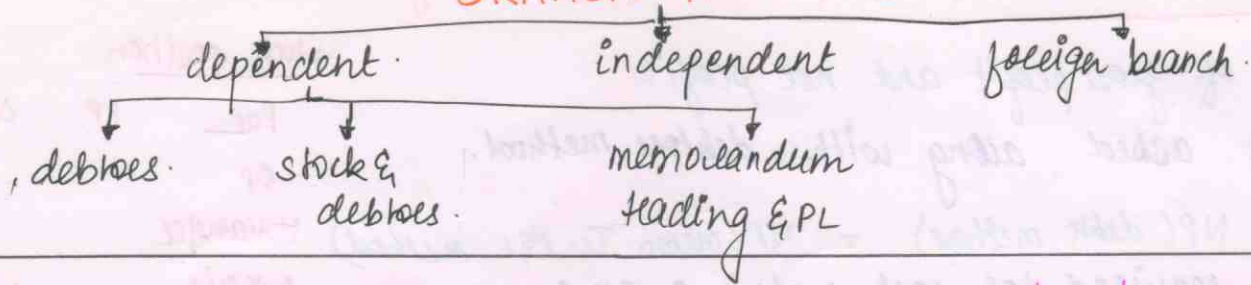


BRANCH ACCOUNTS.

BA ①



① DEBTOR'S METHOD :-

very less control

- use only if profit or loss is asked.
- 2 accounts are opened - (i) Branch A/c. (personal A/c)
- WN accounts : memorandum cash & debtors A/c.
- cash or credit sale done by branch will not be recorded.

Branch A/c (op'n)		Branch A/c (Clsg)	
To various assets	By various liab.	To liabilities	By assets
To goods sent to be (IP)	By GSTB (loading)	To stock reserve	By debtors, stk, cash.
To GSTB (loading on returns)	By GSTB (refunds)	To o/s expenses	By net loss.
To cash (remittance)	By cash remittance what branch → HO.	To net profit.	
• expenses of branch met by HO.		• direct cash colln by HO	
Branch To cash.		Cash To Branch.	

stock position (IP)
Op'n
(+) GSTB
(-) GSTH
(+) sales return
(-) sales

cash credit
(+) transfer
(+) surplus
(-) shtg

= Cl's stk IP.

- always reverse the effect of loading, profit (SP > C) i.e. diff.
- closing stock always shown at invoice price.
- don't forget to carry opening balances (along with stock reserve)
- stock reserve needs to be done on transfer entries only also.

inter branch transaction

a) % of loading is same: Rec. branch IP + Sen. branch loading
To Sen. branch IP To Rec. branch

b) % of loading is diff :- A → HO → B through GSTB.

c) other: Rec. br. To Sen. br.

always show net effect of depreciation:-

OP WDV | U. WDV
OP ○

Op'n net assets = all
Op'n assets - stk reserve
decrease on Op'n assets.

2] MEMORANDUM TRADING & P&L

greater control.

- break up of gross profit and net profit.
- generally asked along with debtors method.

$$NP(\text{debt method}) = NP(\text{memo. Tr. P\&L method})$$

- break up required for cost control & efficiency.

- HO maintains all A/c's of branch.

- everything $\rightarrow$ cost.

Sales $\rightarrow$ selling price.

- prepare normal trading & P&L A/c.

Stock position

Par IP cost
Op

Transfer
Sale.

3] STOCK & DEBTORS METHOD

Very high control A/c.

- gives more detailed break up & control.

pilferage $\rightarrow$ theft or abnormal loss.

- In the books of HO:-

a) Branch Stock A/c: all movements of stock at invoice price.

b) Branch stock adjustment A/c: all the entries of loading of stock A/c.
balancing figure $\rightarrow$ gross profit/loss transfer to P&L.

c) Branch P&L:

- for further details:- Branch expenses, cash, debtors, asset A/c can be opened.

- balancing figure of branch stock A/c surplus or shortage.

b) reverse the "loading" entry of SP > IP on debtors.

c) Net loss or profit to P&L or assume sales criterion.

a) Shortage of goods - abnormal item (theft, fire etc)

Shortage
To Branch Stock A/c } IP.

+

Branch P&L

Branch stock adjustment A/c. loading.

To Shortage A/c

cost.

IP.

b) Shortage - normal loss

Normal loss A/c

IP To Branch Stock A/c

+ Branch Stock adjust.
To Normal loss.

c) excess of SP or IP : SP > IP

Branch Stock A/c xx

To Branch Stock adj A/c xx

same way surplus.

and $\rightarrow$ bal. figure of Branch stock A/c.

* GIT are not included $\rightarrow$ taken as cost.

INDEPENDENT BRANCH BA (2)

- branch and HO maintain their own books.
- for interunit transactions branch & HO A/c in each books are prepared.
- ideally their balance must tally if not then reconcile.
- reasons for not tallying:-
 - a) goods in transit
 - b) cash in transit.
 - c) proxy transactions - only one party has entered.
- reconciliation entries are always passed by the receiving party or the recipient.

- STOCK RESERVE:- always create stk reserve on the cl. stk of branch including goods in transit.
- all the entries are passed in general P&L A/c by HO only.
- imp journal entries:-
 - a) Purchase of assets by HO but used by BR - Asset To cash.
 - b) interbranch goods transfer: $A \rightarrow B$ $A \rightarrow H \rightarrow B$.

- INCORPORATION:- The branch books have to be incorporated in HO's books. Can be done in two ways.

- a) At trial balance:- done by preparing FA's. • All the income, expenses, assets and liabilities of branch are taken over.
- after such incorporation the branch A/c in HO's BK and HO's A/c in branch bks will tally with same bal but on diff sides and will get NIL.
- FA's are prepared by HO.
- columnar P&L A/c and branch profit is transferred to general P&L.
- Balance sheet is always consolidated.

- b) At profit or loss:- Trading & PL by branch
- the net profit is transferred to HO along with assets & liabilities
- any debit or credit bal of branch or HO A/c is shown as advance given or amt advanced.
- if the B/s are made separately.

FOREIGN BRANCH : AS-11

branch and HO in diff countries.

∴ currency difference.

integral foreign opn

- sales depot
- a part of main activity
- dependent branch
- very less inter branch transac.
- SP is affected by HO

non integral f. opn

- overall control by HO
- decides its own
- independent branch
- very less HO transaction.
- SP is not affected due to currency fluctuation when not dealing with HO
- self funded or financed.

- financed by HO

- called extended arm of reporting enterprise.

* difference in trial balance

- transferred to foreign exchange fluctuation profit or loss A/c.
- further transf to P&L

transferred to foreign exchange fluctuation RESERVE in Balance sheet.

↓
carried on till net invest in foreign operation is disposed off. (sold, discontinued)
- P&L

Rate to be applied for translation of TB.

Revenue items.

avg rate

fixed asset & dep.

actual rate

Opn stk.

opn rate

cl. stk

clⁿ rate

Other B/s item.

closing rate

• use actual fig for HO, branch, GSTB, GR, FH A/c after reconciliation.

• Always do the adjustment of dep; o/p; prepaids before translation of TB. only for integral.

Revenue - avg/clⁿ

other - clⁿ rate
(FA etc etc)