

UDHNA COLLEGE

FYBCOM SEM-1

FINANCIAL ACCOUNTING

UNIT 4 BRANCH ACCOUNT(30%)

- **Introduction:**

Branch means the shops run at different places under single ownership and management. There are two means of expansion of retail business: By adding new departments in same shop or by starting new shops in different areas i.e. Branch

- **Meaning of Branch Accounting:** Branch accounting is a bookkeeping system in which separate accounts are maintained for each branch. Branch Account is a nominal account.

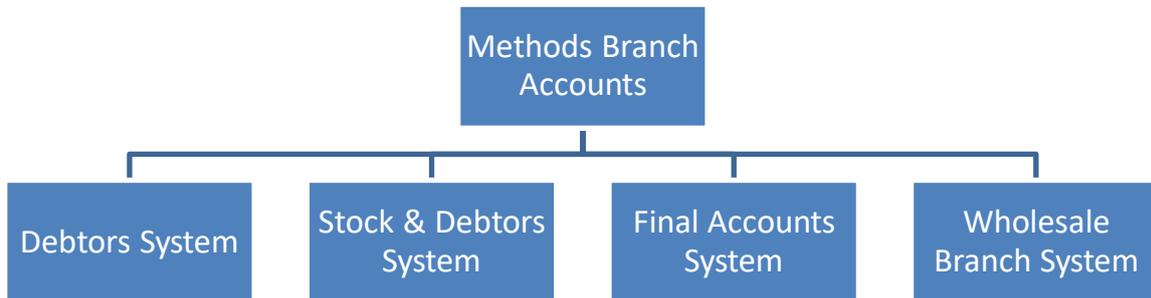
- **Objects of Branch Accounts:**

1. To know Profit & loss of each branch
2. Helpful for management in decision making
3. Helpful in control the branch activities
4. Helpful in knowing requirement of branch
5. Helpful in evaluation of progress of branch

- **Types of Branch:**

- 1.** Dependent Branch: The dependent branch means a branch that does not maintain its own set of books
- 2.** Independent Branch: An independent branch means a branch, which maintains its own set of books separately.
- 3.** Foreign Branch: A foreign branch is one which is situated outside country, it is also known as cross border branch.

- **Methods of keeping Branch Accounts by Head office:**



Accounting Treatment in the books of Head Office:

Journal Entries In The Books Of Head Office:

Sr.No.	Transaction	Debit	Credit
1	When goods are sent to branch	Branch A/C	Goods sent to branch
2	Cash or cheque is sent to branch for expenses	Branch A/C	Cash/bank a/c
3	Cash is received from branch	Cash/Bank A/C	Branch A/C
4	Goods returned by branch	Goods sent to branch A/C	Branch A/C
5	Opening balance of branch	Branch A/C	Branch stock A/C Branch petty cash A/C Branch furniture A/C
6	Closing stock, Petty cash, Furniture etc. of branch	Branch stock A/C Branch petty cash A/C Branch furniture A/C	Branch A/C
7	Opening balances of liabilities	Branch liabilities A/C	Branch A/C
8	Closing balances of liabilities	Branch A/C	Branch liabilities A/C
9	Profit of the branch	Branch A/C	General P/L A/C
10	Loss of branch	General P/L A/C	Branch A/C
11	Closing 'Goods Sent to Branch A/C'	Goods sent to branch A/C	Trading a/c

Format of Branch Account In the books of Head Office:

Particulars	Amount	Particulars	Amount
To Branch Assets(opening) Debtors xxx Stock xxxx Furniture xxx Prepaid Expenses xxx Petty cash xxx	xxxx	By Branch Liabilities(Opening): Outstanding Expense	Xxxx
To goods sent to Branch	Xxx	By goods sent to Branch(returned by Branch)	Xxxx
To Furniture sent to Branch	Xxx	By Cash: Cash Sales xxx Collection from Debtors xx Cash directly sent to H.O. XX	XXX
To Cash (paid by H. O.) Wages xxxx Rent xxx Insurance xx Advertising Expense xx Petty cash xxx	Xxxx	By Branch Assets(Closing): Debtors xxx Stock xxxx Furniture xxx Prepaid Expenses xxx Petty cash xxx	Xxxx
To Branch Liabilities(Closing) Outstanding Expenses	Xxx	By Net Loss	Xxx
To Net Profit	Xxx		
	xxxxxxx		Xxxxx

- Accounting treatment for Head Office supplying goods at invoice price:
 1. When goods are sent by head office:
 - A) Branch A/C Dr.(Invoice price)
To Goods sent to branch A/C
 - B) Goods sent to branch A/C Dr.(with difference between invoice price & cost price)
To Branch A/C
 2. When goods are returned by branch:
 - A) Goods returned by branch A/C Dr.(Invoice price)
To Branch A/C
 - B) Branch A/C Dr.(with difference between invoice price & cost price)
To Goods returned by Branch A/C
 3. For stock with branch at the end:
 - A) Stock at branch A/C Dr.(Invoice price)
To Branch A/C.
 - B) Branch A/C Dr.(with difference between invoice price & cost price)
To Stock Reserve A/C

Exercise:

Q1) A remittance of Rs 25,000 which was made by the Valsad Branch to Head Office on 29-3-2025 was received by the Head Office of Surat on 3-4-2025. The accounting year closed on 31st March. Pass the journal entries in the books of head office and branch both. [V.N.S.G.U. Apr. 2017]

Q2) The balance of Furniture Account on 1-4-2024 was Rs 18,800 which was sent to branch on 1-10-2023. On 31-3-2024 depreciation was charged on furniture at 12% per annum on straight line method. Write journal entry in the books of H.O. for balance of furniture on 31-3-2025. [V.N.S.G.U. Apr. 2016]

Q3) From the following information prepare: Petty cash Account:

Petty cash (1/4/24) Rs. 1,800

Petty cash (31/3/25) Rs. ?

Cash sent to branch for petty expenses Rs. 10,000 Branch has spent Rs. 900 every month as petty expenses.(VN SGU 2023)

Q4) Branch has opening balance of petty cash Rs 1620 and closing balance Rs.8181. During the year branch has incurred sundry expenses of Rs 7074. Find the amount of petty cash received from Head Office by branch. [V.N.S.G.U. Apr. 2015]

Q5) The balance of furniture on 1-04-2025 was Rs 1,71,000 in the books of Bilimora Branch. Valsad Head Office had sent furniture on 31-12-2024. On 31-3-2025 furniture balance in the books of branch was Rs 1,99,775. Depreciation on furniture is 10% per annum as per written down value method. Write journal entry in the books of head office for furniture sent.[V.N.S.G.U. Nov. 2018]

Q6) The Closing stock of a branch at its invoice price is Rs 10,000. Head Office has supplied goods after adding 25% profit to the cost price. Show what accounting entry will be passed in the books of Head Office to record the closing stock of branch.

Q7) The Balance of Furniture Account on 01/04/2025 was Rs. 94,000 which was sent to the branch on 01/10/2024. Depreciation was charged on Furniture at 12% per Annum on Straight line method. Write journal entry in the books of head office for balance of furniture on 31/03/2025.(VN SGU 2024)

Q8) Pappu Varma of Surat has a branch at Navsari. Goods are sent at cost price and are to be sold at 25% profit on cost. Find out the closing stock from the following details:

Cash Sales Rs. 3,00,000; Credit Sales 70% of total sales; Opening stock Rs.1,00,000; Goods sent to Branch Rs. 7,50,000; Goods returned by branch 60% of the goods remaining unsold of the last year; Goods returned by Debtors Rs. 24,000.(VN SGU 2019)

Q9) Select The appropriate option from 'Debit side of branch', 'Credit side of branch' or 'will not be entry in branch account' to note the following transactions (VN SGU 2024)

- (1) Credit sales to customers by branch
- (2) Goods return by branch customers
- (3) Discount given to customers
- (4) Bad debts return.

Q10) Riadhi Siddhi of Valsad has a branch in Dharampur. Head office sends goods at an invoice price by adding 33 $\frac{3}{3}$ % on cost price to branch. Branch sales both for cash as well as credit for payment of sundry expenses Rs. 500 petty cash is being sent every month. From following particulars prepare Dharampur Branch A/C, Branch Trading A/C and profit and loss A/C, for the year ending on 31/3/2025 in the books of Head office.(VNSGU 2023)

Particulars	1/4/24 RS.	31/3/25 RS.
Stock (invoice price)	1,60,000	2,40,000
Petty cash	2,500	?
Debtors	65,000	?
Prepaid insurance	1,800	?
Furniture	24,000	22,500
Outstanding salary	3,200	8,000

Transaction during year:

Goods returned by branch (invoice price) (15% of good sent by H.O)	1,35,000
Cash sales (60% of credit sales)	3,60,000
Goods returned by customers	12,000
Written off bad debts	10,000
Received of bad debts previously written off	15,000
Discount allowed	6,000
Sundry expenses incurred by branch	6,500
Cash paid by debtors direct to H.O.	4,80,000
Expense paid by Head office.	
Wages	15,000
Rent and rates	13,000
Salary	40,000
Insurance (annual up to 30/6/25)	4800

Q11) From the following particulars you are required to prepare Debtors A/C.(VNSGU 2024)

Debtor's Opening Balance	52,400
Closing Balance	66,200
Cash sales	50,000
Discount allowed to Debtors	4,800
Discount received	3,000
Rebate allowed to debtor	640
Goods returned from debtors	2,000

Bed debts	1,200
Bad debts returned	800
Cash received from debtors	1,00,000
Cheque received from debtors	5,000
Discount disallowed	500
Interest debited to debtors	1,000

Q12) Trivedi Stores, Bhavnagar invoices goods to Joshi Stores, Surat branch costplus 25% from the following particulars prepare branch A/c in the books of Head office.(VNSGU 2024)

	Rs.
Stock (01-04-2024)	2,000
Debtors (01-04-2025)	3,000
Petty cash (01-04-2024)	50
Goods received from Head office	35,000
Goods return to Head office	5,000
Cash sent to Head Office	
Cash sales	10,000
Cash received from debtors	21,000
Bad debts previously written off now received	50
Cash sent to branch for expenses	
Salary	1200
Rent-taxes	250
Petty cash	90
Stock with branch (31-03-2025)	4,000
Debtors (31-03-2025)	4,800
Petty cash with branch (31-03-2025)	20

Q13) Muktanand of Navsari has a branch at Surat head office sends goods to branch by adding $\frac{1}{3}$ profit on cost price. Branch sale on cash and credit. Branch is dependent. H.O pays all expenses of branch, but sends petty cash for miscellaneous expenses of Rs 1100 at the beginning of every quarterly.

After considering the following information prepare branch account, branch trading account and branch profit-loss account in the book of H.O for the year ended on 31-03-2018.

Q14) The Balance of Furniture Account on 01/04/2024 was Rs. 94,000 which was sent to the branch on 01/10/2023. Depreciation was charged on Furniture at 12% per Annum on Straight line method. Write journal entry in the books of head office for balance of furniture on 31/03/2025.(VNSGU 2024)