**BRANCH ACCOUNTING**

In order to market its products over large territories and to have an effective and efficient retailing, a business is generally split into branches. If various divisions of business are located in different places either in the same town or in different towns, they are known as branch.

Branch is the main part of the main organization, which carries it’s operations. Branch works its operations under the control of principal office which is known as Head office of that branch. In India following are the few examples of branch business India

1. **Retail shops of Bata shoe company**
2. **Patanjali Ayurved Limited**
3. **Reliance Textiles mills etc.**

Branch accounting is an important organ of the head office which is necessary to collect regular information from the branch,result of branch,financial status of the branch, rate of return, legal requirements, information about when goods and cash are to be sent to the branch etc.

# TYPES OF BRANCHES

Branches can be broadly classified into two categories for the purpose of recording transactions in the books of accounts:-

1. **Home Branches:. Home Branches are those branches which are situated in the same country where the principal office or head office of the organization is situated. Home branches are again sub divided into two categories viz**
2. **Dependent Branches: Dependent Branches are those branches which are dependent on the head office for supply goods to be sold by them and also for cash payment of expenses. These branches simply receive goods from head office, sell them as per instructions given head office and remit cash regularly to the head office. Accounts of such branches are maintained by the head office.**
3. **Independent Branches: Independent Branches are those branches which enjoys a substantial freedom in their functioning. The head office permits such branches to make their own purchase wherever required and carry on other transactions on its own . Accounts of such branches are maintained by the branches themselves. All the profits earned by the branches belong to the head office . Similarly, any loss incurred by the branches is borne by the head office.**
4. **Foreign branches: Foreign branches are those branches which are situated in foreign countries. Foreign branches are considered as independent branches. These branches maintain their full system of accounting and record the transactions in the country where the branches are situated**.

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* + **Every branch office registered with RBI shall get itself registered with the Ministry of Corporate Affairs; it is a registration by the BRANCH office as an establishment of foreign company in India. On such registration a CIN i.e. Corporate Identity Number is allotted by the Registrar of Companies.**

# ACCOUNTING FOR BRANCH

* **In case of a dependent branch, the head office may keep accounts of the branch acc to any of**

the following systems

* **1) Debtors System**
* **2) Stock and Debtors system**
* **3) Wholesale System**
* **4) Final Account system**

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## Debtors System (Synthetic Method)

This system is adopted in case of branches of small size. Under this system, a branch account is opened separately for each branch in the books of head office. Branch account is considered as a revenue account. The opening balances of stock, debtors (if any), petty cash are debited to the branch account. Each branch under this system is considered as a Debtor to the head office and on that assumption entries are recorded in the books of the head office. The profit and loss incurred by the branch is transferred to the General profit and loss account.

## Stock and Debtors System

Profit and loss of a branch can be found out by preparing branch account but there is another method for the same purpose. This method is known as stock and debtors method. This system of branch accounting is generally followed for larger size branches. If it is desired to exercise a more detailed account control over the working of a branch, the accounts of the branch are maintained under which is described as the stock and debtors method. With a view to ascertain profit or loss of the branch and in order to exercise control over branch stock and branch expenses, the head office maintain the following accounts.

1. **Branch stock account**
2. **Branch Debtors account**
3. **Goods sent to branch**
4. **Branch cash account**
5. **Branch Adjustment account**
6. **Branch Expenses account**
7. **Branch profit and loss account etc.**

## Wholesale Branch System

Manufacturers may sell goods to the consumers either through the wholesalers and approved stockists or through their branches. In order to know whether self-retailing through branch is more profitable than wholesaling, it is necessary to make distinction between profit due to wholesale and profit due to retail business of the branch. Wholesale price is always less than retail price.

## Final Accounts System

The head office can also ascertain the profit or loss of a dependent branch by preparing branch trading and profit and loss a/c at cost. In such cases, the head office may also maintain a branch account