INVOICE PRICE METHOD (DEBTORS METHOD OR SYNTHETIC METHOD)

In branch accounting, head office sends the goods to branch on the [invoice](http://www.svtuition.org/2010/07/invoice.html)price instead of cost price because with this, [company](http://www.svtuition.org/2009/12/what-is-company-what-are-its-features.html) can hide his [profit margin](http://www.svtuition.org/2011/12/what-is-net-profit-margin.html) from branch employees. In the invoice price, there are two prices will be included on is cost price and second is profit %. So, it is very necessary to use invoice price method for doing branch accounting. Here, we are teaching its procedure.

INVOICE PRICE OR SELLING PRICE= COST PRICE + PROFIT MARGIN

1st Step: Pass the Journal Entries in Head Office for Adjustment of Stock

It is very necessary to adjust the stock of company when it supplies to branch at invoice price. We are not selling the product to our branch. Branch is the small part of company. So, for deducting the profit from stock, we will pass the reverse entry of stock reserve will pass which is relating to adjustment of opening stock, closing stock and goods send to branch.

For example, we have Rs 1000 opening stock in branch. In this Rs 1000, Rs 200 is our profit, so, it is necessary to deduct Rs 200 from Rs 1000 from opening stock. Same adjustment will apply on closing stock also.

1. For adjustment in the value of opening stock

Stock Reserve Account Dr ( Invoice value - cost value)

TO Branch Account

2. For adjustment in the value of goods sent to branch less return

Goods Sent to Branch Account Dr   ( Invoice value - cost value)

TO Branch Account

3. For adjustment in the value of closing stock

Branch Account Dr ( Invoice value - cost value)

TO Stock Reserve Account

2nd Step: Making of Branch Account

Following is branch account as per invoice method

