

# BRANCH ACCOUNTING

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# BRANCH ACCOUNTING

- Branch accounting is a bookkeeping system in which separate accounts are maintained for each branch or operating location of an organization. Typically found in geographically dispersed corporations, multinationals, and chain operators, it allows for greater transparency in the transactions, cash flows, and overall financial position and performance of each branch.
- Branch accounts can also refer to records individually produced to show the performance of different locations, with the accounting records actually maintained at the corporate headquarters.



# TYPES OF BRANCHES

- Dependent Branch
- In a dependent branch, each branch does not maintain separate accounts. The head office at the corporate headquarters will manage the individual profit and loss statements as well as the balance sheets. Only information such as cash accounting or debtors accounting is supported by separate branches as well as inventory.

## Independent Branch

- Independent branches keep a separate book of accounts. This means that their profit and loss statements and their balance sheets are separate from their corporate headquarters. So both the head office and the branches are treated as separate entities



# ADVANTAGES OF BRANCH ACCOUNTING

- It helps to figure out the profit and loss of each of the corporation's branches.
- It helps to know the debtors inventory as well as the cash position of each branch.
- It helps to figure out the wages, rent, salary, and expenses of each separate branch.
- It helps to better control the operations of the overall branch.
- By utilizing separate branch accounting, you can easily track the performance and progress of each branch.
- It helps to make informed decisions according to the requirements of each branch.

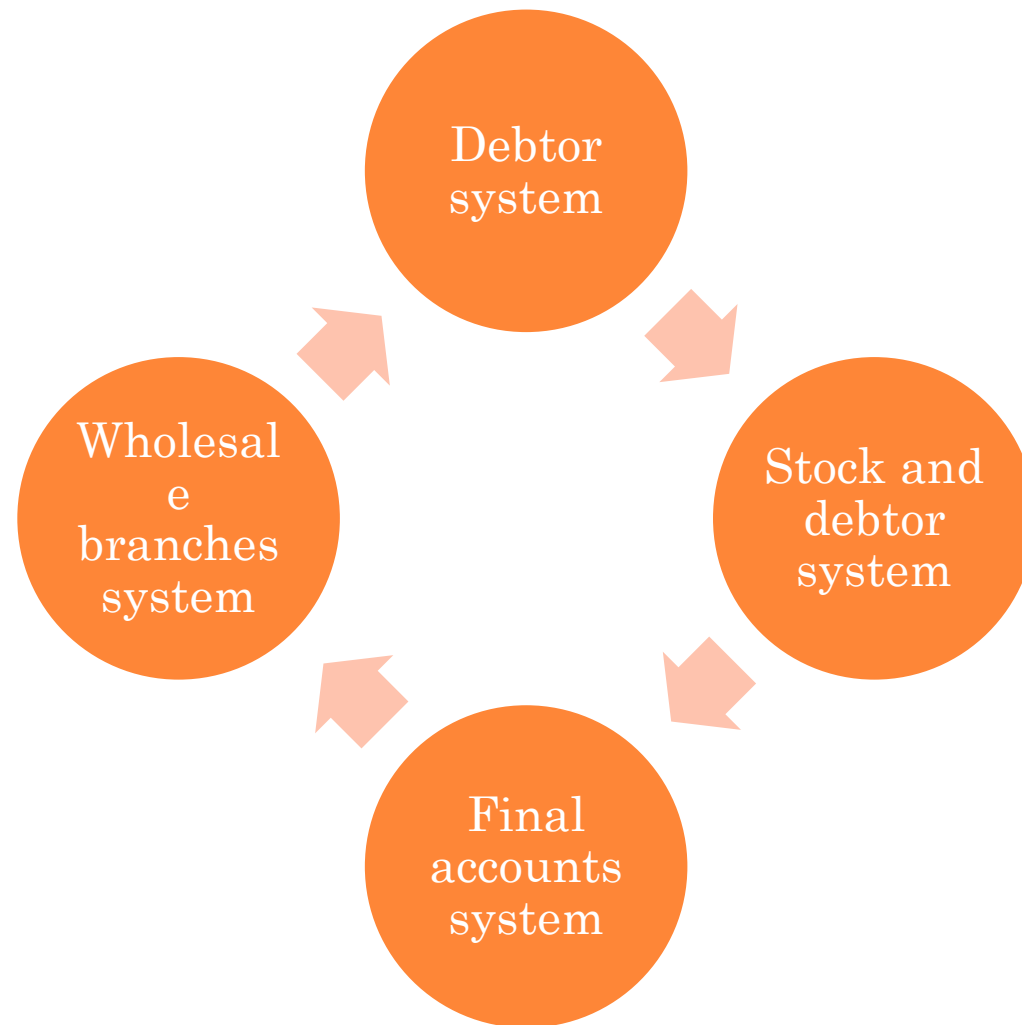


# DISADVANTAGES OF BRANCH ACCOUNTING

- Branch accounting requires a larger workforce. This is because each branch has a separate account, which takes more time.
- You have to have an individual manager for each of the branches.
- You need to have infrastructure at each of the branch locations.
- The accounting system is prone to mismanagement. This is because it is a decentralized operation, so there is less control to be had from head office.
- There are multiple authorities at play. This can make decision-making difficult.
- There is a different setup at each branch's location. This, therefore, increases company expenses.



# METHODS OF BRANCH ACCOUNTING



## ○ Debtor System

- In the debtor system, a branch account is debited in the head office's books with the goods supplied by the head office. The branch account will then be credited with all of the returns and remittances. This can be used to find out the profit or loss of each branch.

## ○ Stock and Debtors System

- This system is ideal for smaller branches. It is where goods are shipped to the branch at the sale price. The branch doesn't have the authorization to vary that selling price.



# FINAL ACCOUNTS SYSTEM

- In this method, trading and profit and loss accounts are prepared. This is for calculating the gross profit or gross loss, alongside the net loss or net profit. Opening goods and stock that are sent to the branch are debited in the trading account. Any closing stock, goods, and sales that are returned by the branch are credited to the trading account.





# WHOLESALE BRANCHES

- For this system, the invoicing of goods is done at the wholesale price. This is to a retail branch. The opening and closing stock of the branch in question is shown at the wholesale price. Plus any unrealized profits in the closing stock are debited as a stock reserve. This is to the profit and loss account of the corporate headquarters. A stock reserve of opening stock is also then credited to the same account.



# NEED FOR BRANCH ACCOUNTING

- A branch is defined as a section of an enterprise which is geographically separated, controlled by a head office and carrying on the same activities as of an enterprise. As a business expands, it may open branches in different towns and cities in order to avail their products and services over a large territory. For example, Bata Shoe Company has branches in various cities all over the country. Simply, branch is a segment of an enterprise.



***Thank You***

