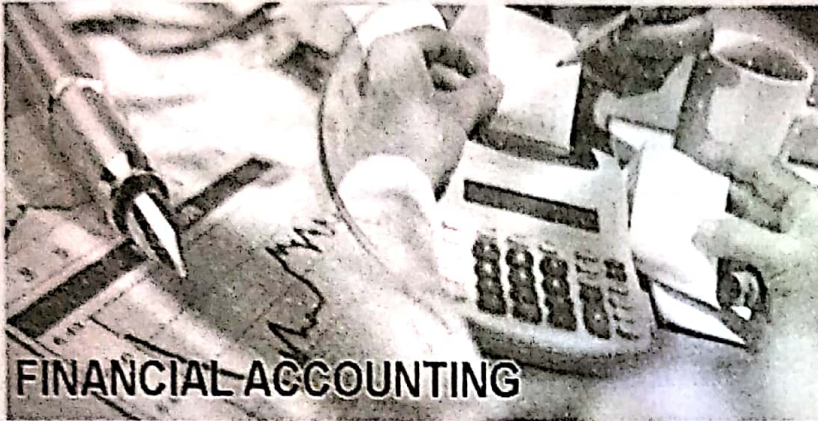


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S.M FOR B.Com I BY DR N. MOHAMMAD



10

Branch Accounts

Branch Accounts

Every business institution wants to expand its area of work (business activities) to earn maximum profit. For this, it opens its offices in different parts of country and in foreign countries also which are managed and controlled by it. Head Office maintains separate Accounts of each branch, which is called Branch Account. The business concern which owns, manages and controls all the branches, is called Head Office (H.O.).

Thus, a branch is section or division of an enterprise, geographically separated from the rest of the business controlled by head office and having same activities.

For example : State Bank of India, Life Insurance Corporation of India, Bata Shoe Company etc. Basically, a branch has no separate legal entity, it is a segment or part of a business.

Objects of Preparing Branch Accounts

1. To find out the efficiency of each branch ;
2. To find out the amount of sales by each branch ;
3. To find out the profit or loss of each branch ;
4. To control each branch ;
5. For proper management of Goods and Cash of each branch ;
6. To increase the efficiency and capacity of each branch ;
7. To make necessary reforms according to need of branches.

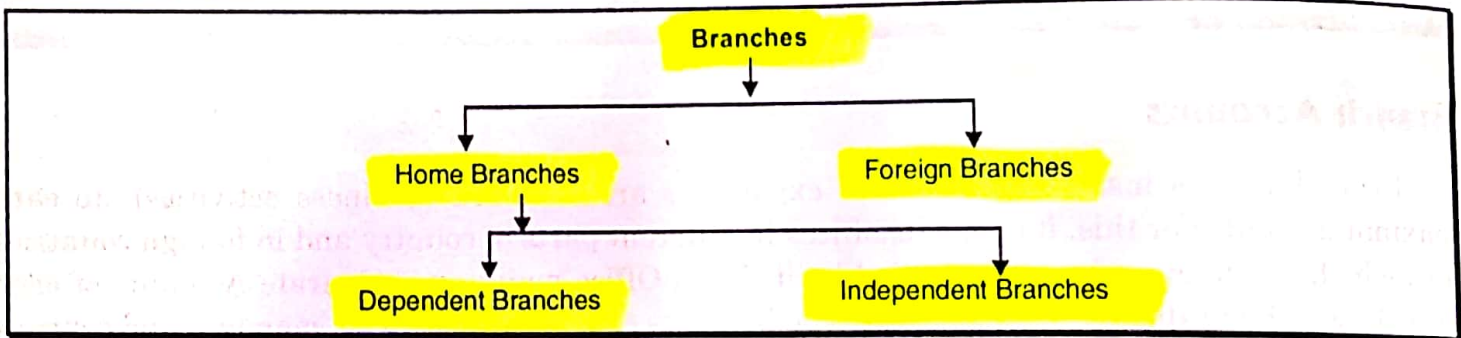
DIFFERENCE BETWEEN BRANCH AND DEPARTMENT

Sr. No.	Basis of Difference	Branch	Department
1.	Place	Branches are established at different places inside country and outside country (foreign country)	Departments are established only inside country.
2.	Objects	Branches are opened to increase sale volume and for direct contact with maximum customers.	Departments are opened to increase the efficiency and smooth functioning of the business.

3.	Accounting	Branches are situated at different places, hence each branch keeps its accounting records separately and head office keeps the accounting records of all the branches.	Department is situated at one place under one roof hence its accounting records are kept at one place. The Profit & Loss A/c and Balance Sheet are prepared together.
4.	Management	For each branch, there is one Branch Manager who takes the responsibility of management.	For each department there is departmental head who is responsible for the functioning of that department.
5.	Allocation of Expenses	Each branch has its separate expenses. Hence, there is no need to allocate the expenses.	Departments have some joint indirect expenses. Hence, it is necessary to allocate it according to rules/provisions.
6.	Independent	Some branches may be independent.	Department cannot be independent.

Types or Classification of Branches

On the basis of size and nature of transaction of Branches, the degree of control by head office and accounting systems adopted by the branches, it is divided into various categories which are as follows :



Home Branches. There are two types of home branches :

1. Dependent Branches. Dependent Branches are those branches who are fully dependent on Head Office. The following are the salient features of such branches :

- These branches sell all those goods, which are supplied by the Head Office.
- These branches have normally no right to purchase goods from local market.
- All branch expenses of regular nature are directly paid by the Head Office; for example – Salary, Rent, Insurance, Advertisement Expenses etc.
- Under the imprest system branch managers are allowed to make some petty expenses out of the Cash sent by the Head Office.
- These branches deposit the amount of Cash Sales and Collections from debtors every day on a local bank in the Account of Head Office.
- The accounts of these banks are maintained by Head Office.
- Accounts of these branches are prepared by Head Office to know profit or loss made during the year/period.
- These branches keep only few essential books such as Cash Book, Sales Book, Stock Register etc.