

ACCOUNTING FOR INLAND BRANCHES

1. Concept of Dependent Branches

1.1 Definition

- **Dependent Branches:** These are branches that do not maintain independent accounting records. All accounting activities are centralized at the head office, and the branch operates as an extension of the head office.

1.2 Features

- The head office maintains all accounting records.
 - The branch receives goods and cash from the head office.
 - The branch submits periodic reports to the head office.
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2. Accounting Aspects of Dependent Branches

2.1 Debtors System

- **Definition:** Under this system, the head office maintains separate accounts for each branch debtor.
- **Accounting Treatment:**

Goods Sent to Branch:

Branch Debtors A/c	Dr.
To Goods Sent to Branch A/c	

Cash Received from Debtors:

Bank A/c	Dr.
To Branch Debtors A/c	

Expenses Incurred by Branch:

Branch Expenses A/c Dr.
To Bank A/c

2.2 Stock and Debtors System

- **Definition:** This system involves maintaining records of both stock and debtors at the branch level.
- **Accounting Treatment:**

Goods Sent to Branch:

Branch Stock A/c Dr.
To Goods Sent to Branch A/c

Sales on Credit:

Branch Debtors A/c Dr.
To Branch Sales A/c

Cash Received from Debtors:

Bank A/c Dr.
To Branch Debtors A/c

2.3 Branch Final Accounts System

- **Definition:** The head office prepares final accounts for the branch, including a trading and profit and loss account and a balance sheet.
- **Accounting Treatment:**

Trading Account:

Branch Trading A/c Dr.
To Branch Stock A/c
To Goods Sent to Branch A/c

Profit and Loss Account:

Branch Profit and Loss A/c Dr.
To Branch Expenses A/c

Balance Sheet:

- Assets: Branch Debtors, Branch Stock.
- Liabilities: Head Office Account.

2.4 Wholesale Basis System

- **Definition:** Under this system, the branch is treated as a wholesale customer, and the head office records all transactions on a wholesale basis.
- **Accounting Treatment:**

Goods Sent to Branch:

Branch A/c Dr.
To Goods Sent to Branch A/c

Sales by Branch:

Branch A/c Dr.
To Branch Sales A/c

3. Concept of Independent Branches

3.1 Definition

- **Independent Branches:** These branches maintain their own accounting records and operate independently of the head office.

3.2 Features

- The branch maintains separate books of accounts.
 - The branch prepares its own trial balance, profit and loss account, and balance sheet.
 - The head office consolidates the branch's financial statements with its own.
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4. Accounting Treatment for Independent Branches

4.1 Important Adjustment Entries

Goods Sent to Branch:

Branch A/c Dr.
To Goods Sent to Branch A/c

Expenses Incurred by Branch:

Branch Expenses A/c Dr.
To Bank A/c

Profit or Loss Transfer:

Branch Profit and Loss A/c Dr.
To Head Office A/c

4.2 Preparation of Consolidated Profit and Loss Account

- **Steps:**
 - Combine the profit and loss accounts of the head office and the branch.
 - Eliminate inter-office transactions.
 - Adjust for any unrealized profits.
- **Format:**
 - **Debit Side:** Combined expenses of head office and branch.
 - **Credit Side:** Combined revenues of head office and branch.
 - **Net Profit** = (Credit Side Total) - (Debit Side Total).

4.3 Preparation of Consolidated Balance Sheet

- **Steps:**
 - Combine the balance sheets of the head office and the branch.
 - Eliminate inter-office balances.
 - Adjust for any unrealized profits.
- **Format:**
 - **Assets Side:** Combined assets of head office and branch.
 - **Liabilities Side:** Combined liabilities of head office and branch.
 - **Total Assets = Total Liabilities.**

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