## PREMIER TRAINING Home Study Courses





Accounting for a sale

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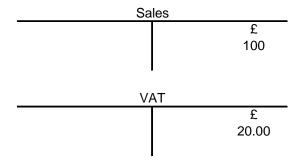


## Accounting for a credit sale

Let us suppose that you are VAT registered and you are selling me one of your products for £100. You are selling me it on credit and I have 30 days to pay.

First of all you are selling me goods worth £100 so there is a sale of £100. But before you can sell it to me you have to charge me VAT (£20.00).

You will show this in your books like this:



As you know there has to be a double entry. The Sales ledger control, or the Debtor's Control account is the account where it goes as this shows the summary of all money that is owed to you from credit sales: (note that this is both the goods and the VAT because our customer owes you it all)

Sales Ledger Control		
£ 120.00		

You may have many sales, so you need to show who owes what. You record this in a subsidiary list of accounts usually by the name of each customer. These do not form part of the double entry, but the total of these accounts should add up to the total on the Sales Ledger Control:

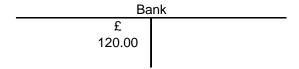
Dawson		
£		
120.00		

So 3 weeks go by and you receive a cheque from me for £120.00. How do you record this?

Well first of all you must remember it is not a sale – we have already recorded this 3 weeks ago. But it does mean that it reduces the amount owed to you, and as you know the total amount owed to you is shown in the Sales Ledger Control:

Sales Ledg	ger Control
£	£
120.00	120.00

But again there must be a double entry. Where have you put this cheque? In the bank of course.

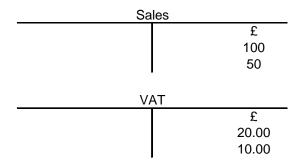


You must not forget to update the subsidiary ledger as well:

Daw	vson
£	£
120.00	120.00

So what happens with a cash sale as opposed to a credit sale?

Well let us suppose that someone comes into your shop and buys goods for £50. Again you have to charge them VAT (£10.00) but as they are paying cash no one will owe you anything. You *have* made a sale, however:



Where you show the other side of the double entry will depend on what you do with the money. If you keep it in the shop you will have a cash account, but let us suppose you bank it at the end of the day when you do your books:

Bank		
£		
120.00 60.00		
60.00		

Now let's balance off your books. (You would do this at regular intervals). I'll just show you the bank account – the rest are done the same. First you total the largest side: (make a guess if you're not sure):

Your other side total **must** be the same:

Ba	ank
£	
120.00	
60.00	
180.00	180.00

Now you have to make the total of the credit side add up correctly. If there are other figures in there you must add them up and what's left over is the balance to carry down:

Bank			
Balance c/d	180.00		
	180.00		

Now you bring down the new balance:

Bank			
	£		_
	120.00	Balance c/d	180.00
	60.00		
	180.00		180.00
•		1	
Balance b/d	180.00		

This particular account is showing you that you have £180.00 in the bank.

And that's all there is to it! If you can grasp this idea then you are half way to completing the Unit.