# PREMIER TRAINING Home Study Courses





**Cash and Credit Sales** 

PREMIER TRAINING
Specialists in Accountancy Training

Telephone: 01469 515444

Web: www.premiertraining.co.uk



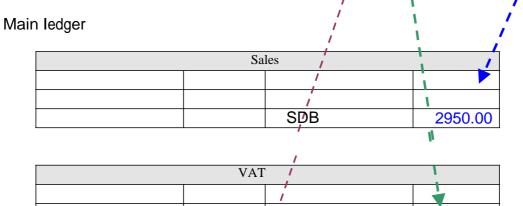
## **Credit Sales and Cash Sales**

The way in which cash sales and credit sales are treated in the books of account can sometimes cause confusion. The key point to remember is that cash sales are not normally entered into the sales ledger control account. So how does it work?

#### Dealing with credit sales

When a sales invoice is raised for a credit sale (where the customer does not pay immediately), it will be entered into a sales day book. The totals from the sales day book form the basis of the postings into the main ledger and the subsidiary ledger.

Sales Day Book					
	Invoice	Gross	Vat	Net	S/ledger
	n er				code
Smith Ltd	1	120.00	20.00	100.00	SOOI
Jones plc	2	2400.00	400.00	2000.00	J020
Armstrong Ltd	3	1020.00	170.00	850.00	All5
		3540.00	590.00	2950.00	



Sales Ledger Control					
SDB	3540.00				

**SDB** 

The gross is posted to the sales ledger control account. This is because the customer has to pay us the full amount including the Vat.

The Vat does not belong to us. We collect it on behalf of HM Revenue and Customs and it will have to be paid to them at some point. Therefore it is a creditor of the business and is entered on the credit side of the Vataccount.

The net sales figure will appear in our profit and loss account. It represents the part of the invoice that belongs to us.

590.00

## Accounting for receipts from credit customers

When a debtor pays an invoice that has already been entered into the sales ledger, the entry in the cash book will be very simple. It will appear in the total column and the sales ledger column.

There is no need to separate the vat out again, because we have already dealt with it through the postings from the sales day book.

Bank Account					
	Total	Vat	Sales	SLC	S/ledger code
Smith Ltd	120.00			120.00	SOOI
Jones plc	2400.00			2400.00	J020
Armstrong Ltd	1020.00			1020.00	All5
	3540.00			3540.00	

Main ledger

Sales Ledger Control				
SDB	3540.00	Bank	3540.00	

The entry made to the individual accounts of the subsidiary ledger will also be the gross total.

## **Dealing with cash sales**

Since cash sales are not entered into the sales day book, and because the receipt is usually made at the date of sale, the vat extraction needs to be performed in the cash book. The postings are then made into the main ledger from the cash book.

