



**AN INTRODUCTION
TO COST
ACCOUNTANCY**

VOLUME III
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R. WARWICK DOBSON

GEE & CO (PUBLISHERS) LIMITED

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by

R. WARWICK DOBSON
C.A., F.C.W.A.

VOLUME III

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CHAPTER XXV

ACCOUNTING FOR SALES

IN Volume II, Chapters XVIII and XIX, which dealt with the basic documents, records and ledger accounts involved in book-keeping, the following, which relate to sales, are to be found:

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It is the purpose of this chapter to deal more extensively with accounting for sales and to examine the methods and documents which may be employed to meet different situations and to increase speed and accuracy in sales accounting.

Accounting for sales is dealt with first, because the type of product or service sold determines the form of accounting for the factors which are dealt with in the next few chapters. Again, as will be seen, sales accounting covers the beginning and the end of the cycle of business operations from which the remaining factors spring.

Sales accounting is dealt with in this chapter in relation to the following:

- (1) Retailers:
 - (a) Cash sales.
 - (b) Credit sales.
 - (c) Approval sales.
- (2) Service undertakings:
 - (a) Cash sales.
 - (b) Credit sales.
- (3) Manufacturers, wholesalers, etc. – credit sales.

RETAILERS

The simplest form of sales accounting is to be found in trading concerns, such as shops, departmental stores, etc., where sales are made predominantly for cash with a comparatively small amount of selling on credit and approval.

Cash sales

Cash sales may be recorded in the following ways:

1. By cash register

Which prints the amount of each sale on a roll secured inside the register. Certain registers provide also a ticket for the customer, on which details of each sale are recorded. In certain registers the identity of the person who makes each sale can be recorded, so that an analysis of cash sales by salesman can be made subsequently.

2. By autographic register

In one type of register the person who makes each sale writes the details on a continuous roll secured inside the register. In other types of register full details are written on forms, one or more copies of which are secured inside the register. The top copy of the form is given to the customer. The copies secured inside the register are used subsequently for analysing sales.

3. By salesman's check book

Here each salesman writes the sales details on a form, providing simultaneously the required number of copies. The salesman also records the total of each check on a summary maintained at the front of the check book, which can be used for preparing a sales analysis by salesman.

In one system two copies of each check are given to the customer, who pays a local cashier and receives one copy of the check as a receipt or claim for the goods purchased. The cashier uses the other copy of the check to prepare a running sales analysis.

In another system the customer pays the salesman, who sends the cash, together with the two copies of the check, to a central cash department, which retains one copy of the check, from which a running sales analysis is prepared, and returns the change and the other copy of the check as a receipt for the customer.

Summaries of cash sales are prepared in relation to each of the methods of recording described above, from the totals of:

- (1) Cash register rolls.
- (2) (a) Autographic register rolls.
(b) Lists or adding machine listings of autographic register forms.

- (3) (a) Salesman's check lists.
- (b) Local cashier's analysis sheets in conjunction with (a).
- (c) Lists or adding machine listings of salesmen's checks held by central cashiers, in conjunction with (a).

The total of the summaries, which should agree with the total cash taken and banked, is entered in the cash-book, or in the case of a branch shop, in a trading summary or advice which is sent to the head office. At the head office the total of the cash sales from the branch is entered in the bank cash receipts book, or where the number of branches is large, in a branch cash summary. In the latter case, the total of the branch cash summary is entered in the bank cash receipts book.

Postings are made as appropriate, daily, weekly or monthly, from the cash-book, cash summaries or advices, to the sales accounts. In a departmental store or similar business, a sales account is kept for each department, while in a multiple shop or similar business a sales account is kept for each shop, branch, depot, etc., so that departmental or shop trading accounts may be prepared.

Credit and approval sales

Credit sales and approval sales may be recorded on either autographic register forms, or on salesmen's checks in the manner described previously. Provision is made on the forms and checks for indicating the special nature of the transactions so that separate summaries may be made of them. In trading concerns, such transactions must be sanctioned for credit by a central department. This, however, is a financial matter and need not be discussed here.

Summaries of credit or approval sales are made in exactly the same way as described in connection with cash sales.

As no cash is involved in the transactions, the totals of such summaries are not entered in any cash-book or cash section of an advice. In departmental stores etc., the totals of the summaries are posted direct to the credit of the various departmental credit sales accounts and to the debit of the customers' ledger control account. In multiple shops, the totals are entered as credit sales on the trading advice, from which, at the head office, the required postings are made direct, or via summaries, to the ledger accounts. Where credit purchases are paid for locally, a separate customers' ledger control account is kept for each shop or branch, but where they are paid for at the head office, the need for such branch customers' control accounts does not arise. Where information is required concerning the amounts owing by the customers of each branch, individual control accounts may be operated.

So far, the treatment of totals has been dealt with. As far as posting