

RETAIL: WHAT HAPPENS IN THE ACCOUNTS

Introduction

This Document deals with the Retail Accounts Perspective, i.e. which Debits and Credits are generated in the system when a Retail Sale or Order is processed. Both Sales and Orders must be fully Tender specified (Detail of Payment for, or charged to Account), before the system will process an Invoice (although a Proforma Invoice may be generated at any stage). Before an Invoice can be processed, a range of Accounts Transactions are generated.

Elements of a Deal

A Deal may include Catalog Item Sales, Direct Item Sales, Goods Returned to Stock, Goods Returned to Hold (non-Invoice Returns or Goods not suitable for Return to Stock), Trade-In to Stock and Trade-In to Hold (for possible inclusion in Stock at a later stage).

The Tender (Payment) may include 1 or more of the following elements: Account Charges, Account Credits, Cash, Gift Certificates, Credit Vouchers, Forex Traveller Cheques, Forex Notes, Debit Card Charges / Refunds, Credit Card Charges / Refunds and Cheques (Private).

A Retail Deal may also include calculation of Customer Loyalty Points, and Sales Commission Points.

The following Debit/Credit views illustrate the potential Accounts impact: -

Catalog Sales -

Debit	Credit
Cost of Sales	Inventory
Tender	Suspense
Suspense	Income
Cost of Sales	Discount
Cost of Sales	Tax

Direct Item Sales -

Debit	Credit
Suspense	Direct Income
Direct Income	Tax

Returns to Stock -

Debit	Credit
Income	Suspense
Tax	Income
Inventory	Income

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Note: With 'Return to Stock', Income is debited with the Value Returned (original Sale Value), including any Tax. Income is then credited with the Average Cost of the Items that are put into Stock (at the same Value Stock was Credited with at the time of Sale), and also any Tax, leaving the difference in Income.

Returns to Hold -

Debit	Credit
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Hold Tax	Suspense Suspense
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Trade-In to Stock -

Debit	Credit
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Inventory	Suspense
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Trade-In to Hold -

Debit	Credit
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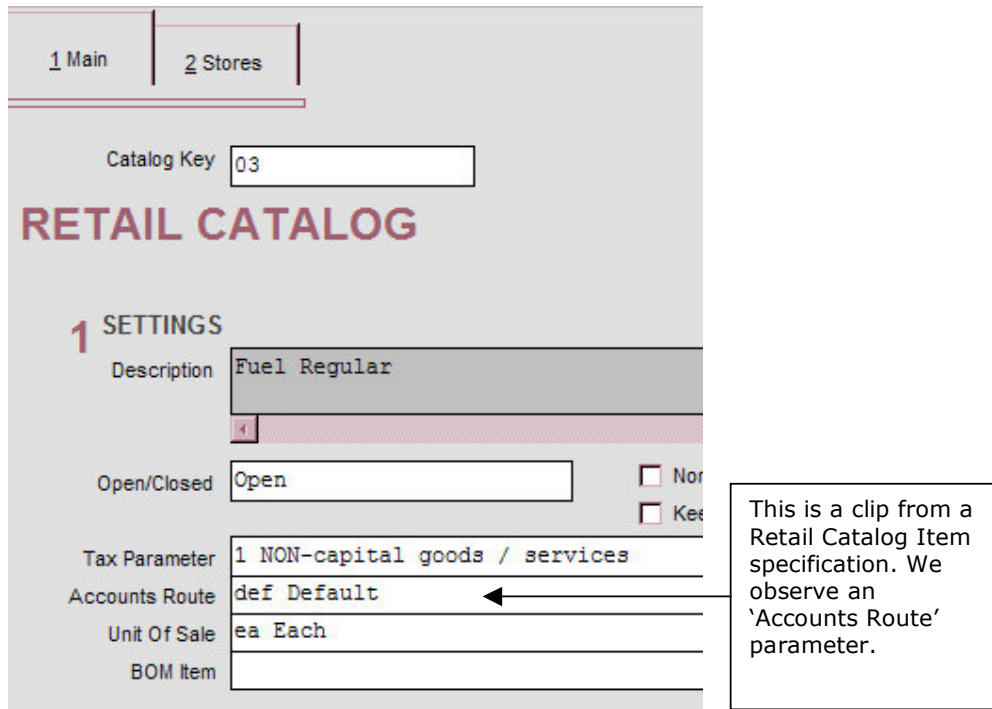
Hold	Suspense
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The above views illustrate the maximum 'split', in order to measure all aspects adequately. If you wish to have a proper measurement of Sales Income, Cost of Sales and Discount Allowed, then the maximum split specification will provide it. However, you also have the choice to route many of these Transaction Debits and Credits through the same Accounts. For example, a Cost of Sales Account is never mandatory to specify, and if it isn't specified, then the system uses the Income (Sales) Account wherever it needs Cost of Sales. Similarly for Discount, which represents all Selling Prices lower than the system Price. You may specify on the Control Parameters whether Discount should be processed as a Transaction or not.

An important observation at this stage is the frequent presence of a Suspense Account as either the Debit or Credit. This has to do with secure Debit / Credit processing in INFOLAB with each Transaction leg, and you should not be concerned with it. In the end, no value remains in the Suspense Account, and we will present a typical Account View of these Transactions lower down, where you will notice that the Suspense Account is absent. If the Suspense Account is ever present in one of these Account Views, it would indicate a system problem of some kind, i.e. where not all Transactions have posted correctly.

The next important observation is that all of the Accounting Elements discussed above can be used singularly or in multiples. In other words, you may have 1 Income Account, or many. For example, each Catalog Item exhibits a Ledger Route parameter, also called a Catalog Income Object. In your system, you may use 1 or many of these Catalog Income Objects, which will translate into Accounts Routing when Retail Sales are processed. Therefore, it is feasible that you may measure Income from different parts of the Catalog through different Ledger Accounts, or simply through a single Ledger Account. It also means that by updating a single Catalog Income Object, you can change your policy instantaneously, affecting all Catalog Items that exhibit this parameter.

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1 Main | 2 Stores

Catalog Key

RETAIL CATALOG

1 SETTINGS

Description

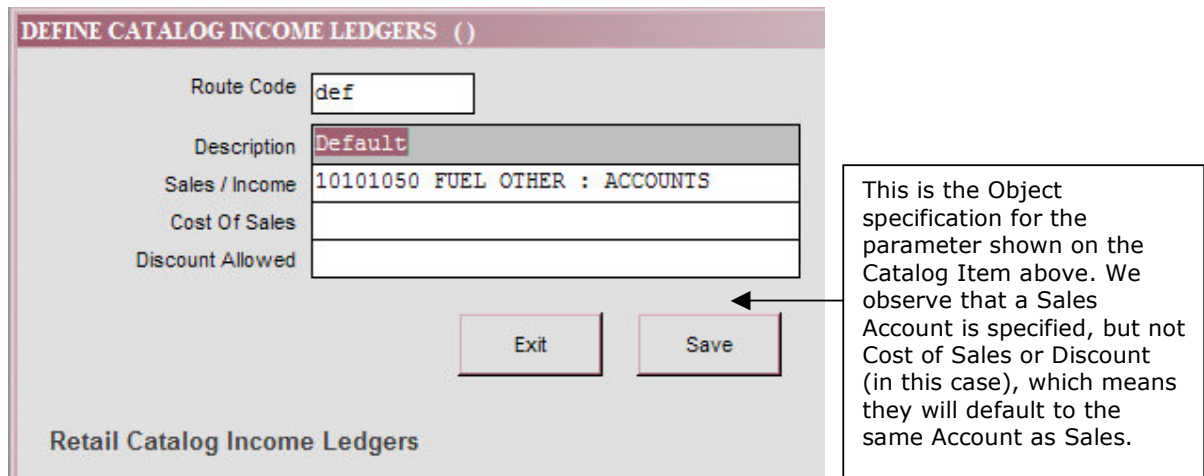
Open/Closed Non Kea

Tax Parameter

Accounts Route ← This is a clip from a Retail Catalog Item specification. We observe an 'Accounts Route' parameter.

Unit Of Sale

BOM Item



DEFINE CATALOG INCOME LEDGERS ()

Route Code

Description

Sales / Income

Cost Of Sales

Discount Allowed

Retail Catalog Income Ledgers

← This is the Object specification for the parameter shown on the Catalog Item above. We observe that a Sales Account is specified, but not Cost of Sales or Discount (in this case), which means they will default to the same Account as Sales.

The elements referred to as Direct Income, Hold and Suspense are not regulated through the Catalog, but by User. Each User with the privilege to process Retail Sales and Invoicing also has a 'Retail Processing Profile'. This Profile determines the many aspects of the User's privileges with regards to Retail Processing, and also indicates to the system which Accounts to process for Direct Item Sales (Direct Income, which is not part of the normal Catalog), Hold and Suspense.

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USER POS CONTROLS ()

UserCode

Cash Account	10000076 CUSTOMER SALES CASH RECEIPTS (1) : PRIVA
Direct Income	10000001 DIRECT SALES
Retail Suspense	10000002 RETAIL SUSPENSE
Hold Account	10000003 GOODS HOLD

In the clip shown above, we see a part of a User's Retail Processing Profile, indicating the Ledger Accounts to use for some of the elements described above. In the case of 'Direct Income', this is the Account to Credit with Income / Sales from Direct Items, which are not part of the Catalog. You may choose to use a single Account for the system, or 1 per Branch, or 1 per User. It depends entirely on the detail that you wish to measure in this regard. The same would apply for 'Hold'.

The purpose of the 'Hold' Account is to reflect all Returned Goods and Trade Ins that are not put directly into Stock. As such, the Account specified is used as a Control Instrument, reflecting both Value and detail of such Goods (the system keeps an Item List in addition to the Transactions flowing through the Account), which ultimately should be journalized out of the Hold Account, and into Stock, Return to Supplier, Write Off, etc. The Hold Account then, is managed in a manner commensurate with the control procedures in place for your operation, and you can have 1 per User, 1 per Branch or 1 per system ...

The Retail Suspense Account is an essential instrument for INFOLAB to balance the split Income Transactions and split Tenders allowed. At the conclusion of a Retail Sale the Suspense Account should always reflect zero, and therefore the Suspense Account should not be used for any of the other Accounting Elements in the Retail process. It is your choice whether to use a single such Account, or 1 per Branch or 1 per User.

The Tax Element is quite easy to understand, since each Line Item has a potential Tax implication, depending on the Tax Parameter used. On Sales Lines, the appropriate Tax Account (derived according to the Tax Parameter object) will be Credited, whereas with Goods Returns Lines there may be an internal Tax Credit (derived from the original Tax Charge when the Items were sold), meaning that a Tax Account could be debited.

Inventory is always Credited for Sales and Debited for Items returned to Stock, and Debited or Credited at the Stock Item + Store level, i.e. Stock Code in Store. The Inventory and Ledger hierarchies determine that these Stock Debits and Credits will also be reflected at the Stock Item level, and in the Ledger at the Stores Control Account level.

The Tender element could result in multiple Debits and Credits when split Tender is processed on a single Deal. To understand the Tender perspective, we need to look at the various Tender types, and how they affect the Tender Accounting, plus the Cash Receipt Account and Customer Account.

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Debit	Credit
(A) Cash Account	Suspense - Cash Suspense - T/Cheques Suspense - Forex Notes Suspense - Debit Card Suspense - Credit Card Suspense - Cheque
(B) Gift Cert Control Account	Suspense – Gift Certificate
(C) Credit Voucher Control Account	Suspense – CRV
(D) Customer Account	Suspense
(E) Suspense	Customer Account CRV Control Account
(F) Suspense	Cash Account

In the table shown above, we indicate how the various Tender Types (A-D) and Refunds or Credits (E-F) are dealt with. The basic understanding is that there is an Amount Due (Income that is Credited), and there is Tender offered, be that Account Charge or other Tender. These potential splits are channeled through the Suspense Account, but must always balance at the end. Consider the example below: -

Debits	Credits
On Account 120-00	
	70-00 Income Account # 1
	50-00 Income Account # 2

This is a rather straight forward example where a number of Line Items have been sold, but the Income is reflected through 2 Income Accounts (as determined by the Catalog Items and their "Accounts Routing" already discussed). The Amount Due = 120-00. The Customer Account is charged on a single Transaction entry, i.e. Debited, whereas the Income is split into 2 Transactions. Of course, you can simply understand this as a multi-leg Transaction with multiple Credits and Debits, and this would be quite correct. At the same time, INFOLAB is a secure Accounting System that will always reflect an equal Credit for each Debit, and vice versa, and therefore, in the table shown above, wherever a Debit is shown without an equal Credit, and vice versa, there the Retail Suspense Account is used to provide the balancing.

Having explained that, we can now look at the examples shown in the previous table.

- (A) The Cash Account is a Ledger Account that acts as a Cash Control Account, and is also used for daily Cash Up. It is a strictly controlled (by the system) Account that should always reflect 'what is in the Cash Till', and why. As such, it is Debited with Cash Tender Types, e.g. Cash,

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Cheques, Debit and Credit Card charges, as well as Foreign Currency (of the T/C and Notes variety).

- (B) Any Amount within the Tender that is deducted from a Gift Certificate balance is NOT reflected in the Cash Account (although a redeemed GC may be expected to be retained and to be present during Cash Up). Instead, it is run through the Gift Cert Control Account that reflects at any moment in time the total of all outstanding Gift Cert Amounts.
- (C) Any Amount within the Tender that is deducted from a Credit Voucher is NOT reflected in the Cash Account (although it is part of the Cash Up Statement and expected to be present). Instead, it is run through the CRV Control Account that reflects at any moment in time the total of all outstanding CRV's.
- (D) Charges to the Customer Account are not reflected in the Cash Account, but charged directly to the Customer Account.
- (E) Credits and Refunds to the Customer that are Credited to the Customer Account do not affect the Cash Account. CRV's issued for Refunds likewise do not affect the Cash Account, but are reflected in the CRV Control Account.
- (F) When the Customer is refunded in Cash, this is credited to the Cash Account. If the Refund is credited to the Customer Credit Card, the refund slip must be present, and it is also reflected on the Cash Account, since this Amount is ultimately transacted by the Credit Card Company to our Bank Account.

Loyalty and Sales Commissions

For each Line Item Sold, and for each Invoice based Goods Return Line, the system will calculate Loyalty and Sales Points accumulation and reduction respectively, if so indicated for the Catalog Item in the Retail Catalog.

4 PRICING and DISCOUNT

Prev Price	10.00
Current Price	10.00
Price Policy	def no markup
Club Discount	club Club Discount
Volume Discount	def Default
Standing Offer	
Loyalty %	1.00
Comm %	2.00

From the % specified for Loyalty and Sales Commission, the system calculates points. Although the points are a % of Financial Volume, they do not have to translate to Financial Reward on a one-to-one ratio, i.e. the Value of a Point is a policy that may be determined separately. The Loyalty and Sales % fields are optional, and are only calculated if present.

Both Loyalty and Sales points are updated as a net Points value per Invoice. In the case of Loyalty points, this is updated to the CRM Register for Loyalty Points. For Sales, the points are updated by UserCode, by Invoice, to the Sales Points Register. For Sales, any Line Item Points Value may be split, in any ratio, between a number of Sales Codes (UserCodes), e.g. 'cindy jack john' with a split of '30 30 40' is an example of this.

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Inventory Update Methods

Catalog Sales -

	Debit	Credit	
	Cost of Sales	Inventory	←
	Tender	Suspense	
	Suspense	Income	
	Cost of Sales	Discount	
	Cost of Sales	Tax	

Earlier in this Document the above Table was shown to indicate the Accounts implication of Inventory Sales, i.e. Retail Catalog Items that are from Stock. We note that the Inventory is credited while Cost of Sales is debited.

The system provides 2 distinct methods of how to perform these updates, e.g. DIRECT or BATCH (as specified on the Control Parameters for Retail). When the DIRECT Method is used, the system updates each Line Item Sale that is from Inventory directly as a Transaction to Inventory, onto the Stock Item in it's Store. This can result in a lot of Transactions in high volume Retail environments, especially where masses of low price Items are sold, e.g. Supermarkets. The BATCH method accumulates all Quantities per Stock Item until a BATCH Update is performed, and then updates each affected Stock Item with the total Quantity and Value of Items sold since the last BATCH Update. Typically, such BATCH Updates are performed daily, or even more regularly. Please note that even with the BATCH method, Negative Stock Controls may still be enforced, since INFOLAB will record 'reserved' and 'pending' indicators on the Stock Items that are sold, indicating the Quantities that are unavailable, even though not yet posted to Inventory. This is a transparent process, managed by INFOLAB, and you need not be concerned about managing any aspect of it.

Example of Accounting Entries

Here is an example of the Accounting entries on a Sale.

ex Catalog		Customer Order #	Cash Account 10000076 CUSTOMER SALES CASH RECEIPTS (1		Deal Status New		Tax Status May Include Taxable and Exempt Items			
1	Stock Code	Store	Description	Price	Cust Price	Qty	Serial/Batch	Total	Tax	Incl Value
	01	01	PHOTO PAPER	10.00	10.00	2.00		20.00	2.80	22.80
	02	01	PRINTER CARTRIDG	20.00	20.00	1.00		20.00	2.80	22.80
	03	01	PAPER DRAFT .35	0.60	0.60	1.00		0.60	0.08	0.68

In the above example, 3 line Items are sold. The total for this Deal (not shown in the clip), is \$46-28.

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DEFINE CATALOG INCOME LEDGERS ()

Route Code:

Description:

Sales / Income: 10101051 SALES INCOME : STATIONERY

Cost Of Sales: 10101002 COS 1

Discount Allowed:

Retail Catalog Income Ledgers

On the left is the definition for Income Route "R1". The Income Account used is 10101051, and Cost of Sales Account is 10101002. This parameter is applied in the Catalog to codes '01' and '03' in the Deal shown above. On the other hand, code '02' in the Deal uses Income Route "R2", which employs the same Cost of Sales Account, but uses 10000001 as the Income Account. We will see what this leads to in the Transaction Updates.

A part of the Invoice detail is shown below to facilitate an easier understanding of the Accounting Entries :-

Item	Price	Qty	Value
PHOTO PAPER	10.00	2	20.00
PRINTER CARTRIDGE BLACK #3367	20.00	1	20.00
PAPER DRAFT .35	0.60	1	0.60
Total before Tax			40.60
Tax on this Invoice			5.68
Inclusive Total			\$ 46.28
Cash			-50.00
Cash Return			3.72

(Note: The Invoice Layout may be customized to your preferences.)

The Accounts View (as presented on a drill down on ANY of the Transactions in the group for this Deal), looks like this -

Accounting View	Actual
10000076 CUSTOMER SALES CASH RECEIPTS (1) : PRI	46.28
10101002 COS 1	2.88
10101003 COS 2	2.80
10000008 VAT / GST CONTROL : PRIVATE LEDGERS	-5.68
10000001 SALES INCOME : PRINT CARTRIDGES	-22.80
10101051 SALES INCOME : STATIONERY	-23.48
	0.00

And here are the internal, secure posted (and audit proof) Transaction Entries –

Debit	Amount	Credit
10000002 RETAIL SUSPENSE	23.48	10101051 SALES INCOME : STATIO
10101002 COS 1	2.88	10000008 VAT / GST CONTROL : P
10000002 RETAIL SUSPENSE	22.80	10000001 SALES INCOME : PRINT
10101003 COS 2	2.80	10000008 VAT / GST CONTROL : P
10000076 CUSTOMER SALES CASH R	50.00	10000002 RETAIL SUSPENSE
10000002 RETAIL SUSPENSE	3.72	10000076 CUSTOMER SALES CASH R

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The clips shown above are from a Transaction Drill Down on ANY of the Accounts updated in this Deal, all of which will show the Transaction 'Family' View. Note also that the Accounting Entries shown here is an example of how it may be done, but the actual Entries may also be customized to reflect a different Accounting Policy that you may wish to enforce.

Now let us consider the Accounting Entries that have been effected in this example :-

Line Items '01' and '03', a total of \$23-48, use the same Income Account, therefore this Account (10101051) has been credited with this Amount, while the combined Tax of \$2-88 has been credited to the Tax Account, and Debited to the Cost of Sales Account.

Line Item '02' uses a different Income Route Parameter, and the Income has been credited to '10000001' while the Tax has been recovered from "COS 2" (10101003).

The Cash Receipt Account received \$50-00 (Tender Offered), and returned Change (Cash Back) of \$3-72, leaving a net receipt of \$46-28, i.e. Value of the Deal.

The Suspense Account was debited with 23-48 + 22-80 + 3-72 a total of \$50-00. It was Credited with \$50-00 also, so the Suspense Account ends with a Zero Balance.

A final Note. You may have noticed that Inventory has not been credited! In fact, the Inventory must be credited with the Average Cost of each Item sold, and the debit goes to Cost of Sales, but in this example, the BATCH update is in place, therefore Inventory will be credited later, and Cost of Sales will pick up the debit(s).

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