

Record Product Sales

Overview: This scenario and table will present method of correctly accounting for the transactions of product sales whether the council chooses not to write commission checks to units or allows them to retain their commissions.

Scenario Facts:

- You issue a purchase order to the vendor for \$ 100,000 (wholesale) in product
- Units signed for \$ 295,000 in product (retail)
- Commissions to be retained by units are a total of \$ 100,000
- The council will have left over product at wholesale value of \$ 5,000
- The council has determined that there may be difficulty in collecting from units up to \$ 5,000.

What happened?	Council Action	Account No.	Debit	Credit
Sales and promotional materials are ordered and received.	Record expense of materials and show as accounts payable.	1-8106-XXX-99 Office Supplies 1-8601-XXX-99 Postage 1-2006-000-00 Accts Payable	600 200	800
Product is ordered from the vendor	Accrue the wholesale value of the product and record the inventory.	1-2131-XXX-00 Accrued Exp 1-1404-XXX-00 Inventory	100,000	100,000
Product is signed for by units. (Units retain commissions) OR	Record gross sales, reduce inventory, accounts receivable from units, unit commissions, and cost of goods sold.	1-6401-XXX-90 Product Sales 1-1404-XXX-00 Inventory 1-1241-XXX-00 Accts Re-Units 1-6471-XXX-90 Commissions 1-6451-XXX-90 Cost of Goods	195,000 100,000 95,000	295,000 95,000
Product is signed for by units. (Units DO NOT retain commissions)	Record gross sales, reduce inventory, accounts receivable from units, unit commissions, and cost of goods sold.	1-6401-XXX-90 Product Sales 1-1404-XXX-00 Inventory 1-1241-XXX-00 Accts Re-Units 1-6471-XXX-90 Commissions 1-2006-000-00 Accts Payable 1-6451-XXX-90 Cost of Goods	295,000 100,000 95,000	295,000 95,000 100,000
You expect that \$ 5,000 will not be paid by units.	Record an allowance for doubtful accounts. Use another cost center if you desire.	1-6401-ZZZ-90 Product Sales 1-1241-ZZZ-00 Accts Re-Units	5,000	5,000
Product Invoice is received from the vendor	Enter invoice in Accounts Payable	1-2131-XXX-00 Accrued Exp 1-2006-000-00 Accts Payable	100,000	100,000
It is time to pay the vendor	Issue an accounts payable check for the full amount	1-1001-XXX-00 Checking Acct 1-2006-XXX-00 Accts Payable	100,000	100,000
Units Pay \$ 190,000 for Product by December 31.	Collect all payments and enter through cash receipts into the Receivable account	1-1001-XXX-00 Checking 1-1241-000-00 Accts Receivable	190,000	190,000
Reconcile Unit Collections - final write off	You guessed right, and \$5,000 is not collected. OR	No Entry is made		
	You collected more than expected by \$1,000 OR	1-6401-ZZZ-90 Product Sales 1-1241-ZZZ-00 Accts Re-Units	1,000	1,000
	You collected LESS than expected by \$1,000	1-6401-ZZZ-90 Product Sales 1-1241-ZZZ-00 Accts Re-Units	1,000	1,000

What happened?	Council Action	Account No.	Debit	Credit
Product is sold from inventory	\$3,000 of inventory value is sold for \$ 9,000 - record through cash receipts, adjust inventory and COG sold - the council retains \$2,000 wholesale value	1-1001-XXX-00 Checking 1-6401-XXX-90 Product Sold 1-1404-XXX-00 Inventory 1-6451-XXX-90 Cost of Goods	9,000 3,000	9,000 3,000
Pay for promotional supplies	Pay from accounts payable	1-2006-000-00 Accts Payable 1-1001-XXX-00 Checking Acct	800	800
\$2,000 worth of product is used as recognition	Record expense for recognition using the cost center or whatever event used the recognition	1-9152-YYY-99 Recog Adults (for example) 1-1404-XXX-00	2,000	2,000
Prizes are ordered for youth in the amount of \$5,000	Record prizes as an expense	1-1001-XXX-00 Checking Acc 1-9153-XXX-99 Recognition Youth	5,000	5,000
Council Issues Scout Bucks as Recognition	Expire date the Scout Bucks and record the value of the \$4,000 issued	1-9153-XXX-99 Recognition 1-2786-XXX-00 Other Current Liabilities	4,000	4,000
Scouts use the Scout Bucks in the Trading Post	Record Sales but instead of cash for the \$3,500 used by the expire date.	1-6301-ZZZ-90 Sale of Suppl 1-2786-XXX-00 Other Current Liabilities	3,500	3,500
Reconcile the Scout Bucks after the expire date	Reduce the expense from Bucks not used (\$ 500 not redeemed).	1-9153-XXX-99 Recognition 1-2786-XXX-00 Other Liab	500	500

The accounting rules that apply here are:

- Full Disclosure
- Gross Accounting

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Please send comments to financeimpact@scouting.org