



# Accounting For Sales

## المحاسبة عن المبيعات

### Terms that interest you

Dear student In order to be able to deal with the vocabulary of this chapter, you should pay attention to the following terms :

Sales revenue	ايراد مبيعات
Sales Returns	مردودات مبيعات
Sales Allowances	مسموحات مبيعات
General journal	سجل اليومية العامة
General ledger	سجل الاستاذ العام
Accounts receivable – debtors	المدينون

### Revenue

**Revenue** is the **gross inflow** of economic benefits during the period arising in the course of the **ordinary activities** of an entity when those inflows result in **increase in equity**, other than increases relating to contributions from equity participants (IAS 18).

### Sale revenue

Sale revenue is an **increase in equity** during an accounting period except for such increases caused by the contributions from owners (equity participants). Sale revenue must result in increase in net assets (equity) of the entity such as by inflow of



cash or other assets. However, net assets of an entity may increase simply by further capital investment by its owners even though such increase in net assets cannot be regarded as sale revenue.

**Sale revenue may arise from the following sources:**

- Sale of goods
- Provision of services
- Revenue from use of entity's assets by third parties such as interest, royalties and dividends.

**Accounting for Sales**

As sale results in increase in the income and assets of the entity, assets must be debited whereas income must be credited. A sale also results in the reduction of inventory. **In General, sales Transactions Divided into three types as following:**

**1- Sales Goods on cash**

When a cash sale is made, the following double entry is recorded:

<b>DR</b>	<b>Cash</b>	<b>xxx</b>	
<b>CR</b>	<b>Sales Revenue (Income Statement)</b>	<b>xxx</b>	
<hr/>			
<b>Sales goods on cash</b>			

Cash is debited to account for the increase in cash of the entity. Sale Revenue is credited to account for the increase in the income.



## 2- Sales Goods by check

The following double entry is recorded:

<b>DR</b>	<b>Bank</b>	<b>xxx</b>	
<b>CR</b>	<b>Sales Revenue (Income Statement)</b>		<b>xxx</b>

### Sales goods by check

Cash in bank is debited to account for the increase the balance of bank for the entity. Sale Revenue is credited to account for the increase in the income.

## 2- Credit Sale

In case of a credit sale, the following double entry is recorded:

<b>DR</b>	<b>Receivables</b>	<b>xxx</b>	
<b>CR</b>	<b>Sales Revenue (Income Statement)</b>		<b>xxx</b>

### Credit Sale

The double entry is same as in the case of a cash sale, except that a different asset account is debited (i.e. receivable).

When the receivable pays his due, the receivable balance will have be reduced to nil. The following double entry is recorded:

<b>DR</b>	<b>Cash</b>	<b>xxx</b>	
<b>CR</b>	<b>Receivables</b>		<b>xxx</b>

### Received the due

## Sales Returns Transactions

Sales returns, or returns inwards, are a normal part of business. Goods may be returned to supplier if they carry defects or if they are not according to the specifications of the buyer.



There is need to account for sale returns as though no sale had occurred in the first place.

Hence, the value of goods returned must be deducted from the sale revenue. The Sales Return transactions are:

### 1- Sales Return – Sales on cash

In case of **sales on cash**, the following double entry must be made upon sales returns:

DR	Sales Return (decrease in income)	xxx
CR	cash (decrease in asset)	xxx

#### Sales Return

### 3- Sales Return – sales by check

In case of **sales by check**, the following double entry must be made upon sales returns:

DR	Sales Return (decrease in income)	xxx
CR	Bank (decrease in asset)	xxx

#### Sales Return

### 3- Sales Return - Credit Sale

In case of **credit sale**, the following double entry must be made upon sales returns:

DR	Sales Return (decrease in income)	xxx
CR	Receivable (decrease in asset)	xxx

#### Sales Return



**Example:** Bike LTD sells a mountain bike to XYZ for \$100 on credit. XYZ later returns the bike to Bike LTD due to a serious defect in the design of the bike.

The initial sale will be recorded as follows:

<b>Debit</b>	XYZ (Receivable)	100
<b>Credit</b>	Sales	100

**Credit Sales**

Upon the return of bike, the following double entry will be passed:

<b>Debit</b>	Sales Return	100
<b>Credit</b>	XYZ (Receivable)	100

**Sales Return**

**Sales allowances transactions**

**1- Sales allowances – Sales on cash**

In case of **sales on cash**, the following double entry must be made upon sales allowances:

<b>DR</b>	Sales allowances (decrease in income)	xxx
<b>CR</b>	cash (decrease in asset)	xxx

**Sales allowances**

**3- Sales allowances – sales by check**

In case of **sales by check**, the following double entry must be made upon sales allowances:

<b>DR</b>	Sales allowances (decrease in income)	xxx
<b>CR</b>	Bank (decrease in asset)	xxx



### Sales allowances

#### 3- Sales allowances - Credit Sale

In case of **credit sale**, the following double entry must be made upon sales allowances:

<b>DR</b>	Sales allowances (decrease in income)	xxx
<b>CR</b>	Receivable (decrease in asset)	xxx

### Sales allowances

**Example:** Assume the following data concerning a sales of goods by **R. Company**:

1. On Oct 2. sold \$15000 of goods on account to **L. co.**
2. Returned \$9000 Of the merchandise sold on Oct 2.
3. 18 Oct, \$21000 of sales on cash to **F. co.**
4. 22 Oct, Get allowances from **F. co.** amounted \$1200.

**Required:** Record These transactions in the general journal of R. company?

#### General journal R. company

1- Oct 2,

	Receivables	15000	
	Sales Revenue		15000
Credit Sale			

2-

	Sales Return	9000	
	Receivables		9000



### Sales Return

**3- Oct 18,**

Cash 21000

Sales Revenue 21000

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Sales goods on cash

**4- Oct 22,**

Sales allowances 1200

cash 1200

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Sales allowances