

RETAILMAGIC - Transactions and Reactions

This manual is designed to illustrate the repercussions, on ledgers, of transactions used to record supporting or source documents in the RetailMagic software. Before we can begin we must first understand some terminology used within the accounting profession.

In every business there are many supporting and source documents that must be input to the system to record transactions. Some documents are created internally while others are created externally. The effect of recording these documents (transactions) is to increase or decrease the balance of specific ledger accounts (reactions).

To begin we must first define the Documents and Ledgers.

DOCUMENTS

PURCHASE ORDER

A supporting document, created internally, used to record the commitment to purchase an inventory item.

RECEIPT ENTRY

A supporting document, created externally, used to record the receiving of an inventory item and commonly referred to as a Packing Slip.

CASH PURCHASE INVOICE (Inventory)

A source document, created externally, used to record the immediate payment for an inventory purchase.

CASH PURCHASE INVOICE (Non-Inventory)

A source document, created externally, used to record the immediate payment for a non-inventory purchase.

ON ACCOUNT PURCHASE INVOICE (Inventory)

A source document, created externally, used to record the actual liability incurred for items received.

ON ACCOUNT PURCHASE INVOICE (Non-Inventory)

A source document, created externally, used to record the actual liability incurred for an expense or purchase of an asset.

PURCHASE RETURN

A supporting document, created internally, used to record the return of inventory to the supplier. The opposite of a Receipt Entry.

SUPPLIER CREDIT INVOICE

A source document, created externally, used to record the actual reduction of liability due to items returned.

CHEQUE STUB

A source document, created internally, used to record the payment from a bank account.

NSF CHEQUE TO SUPPLIER

A source document, created externally, used to record the reversal, by the bank, of a cheque written to a supplier.

LAYAWAY

A source document, created internally, used to record the commitment to sell an inventory item and receipt of deposit. Often referred to as a Customer Order.

LAYAWAY PAYMENT

A source document, created internally, used to record the receipt of funds from a customer to be applied to the layaway.

LAYAWAY PICKUP

The conversion of a layaway to a sale invoice.

RMA

A source document, created internally, used to record receiving, from a customer, an item for repair.

RMA PICKUP

The conversion of an RMA to a sale invoice.

REPAIR ORDER

A source document, created internally, used to record the movement of inventory back to the manufacturer for repair.

CASH SALE INVOICE (Inventory)

A source document, created internally, used to record the sale of an inventory item and receipt of payment.

CASH SALE INVOICE (Non-Inventory)

A source document, created internally, used to record the sale of a service and receipt of payment.

ON ACCOUNT SALE INVOICE (Inventory)

A source document, created internally, used to record the sale of an inventory item without receipt of payment.

ON ACCOUNT SALE INVOICE (Non-Inventory)

A source document, created internally, used to record the sale of a service without receipt of payment.

RECEIPT

A source document, created internally, used to record the receiving of funds.

DEPOSIT

A source document, created internally, used to record deposit of funds into a bank.

BANK STATEMENT

A source document, created externally, used to record charges by the bank.

CUSTOMER NSF CHEQUE

A source document, created externally, used to record the reversal, by the bank, of a cheque received.

INVENTORY ADJUSTMENT

A source document, created internally, used to record a change to inventory quantities.

STANDARD COST ADJUSTMENT

A source document, created internally, used to record a change to inventory costs.

LEDGER ACCOUNTS

GENERAL

A set of ledger cards used to record the changes and new balances of asset, liability, equity, revenue and expense accounts.

PAYABLES

A set of ledger cards used to record the changes and new balances of supplier accounts.

RECEIVABLES

A set of ledger cards used to record the changes and new balances of customer accounts.

INVENTORY

A set of ledger cards used to record the changes and new balances of inventory item quantities and values.

FUNDS

A set of ledger cards used to record the changes and new balances of funds not yet deposited.

BANKS

A set of ledger cards used to record the changes and new balances of cash in bank accounts or balances owed on company credit cards.

Now that we have defined the documents and ledgers we can illustrate the effects, on the ledgers, of transactions. Keep in mind that the following shows the recommended effects and that the system will allow for you to set general ledger accounts as you see fit.

PURCHASE ORDER

<p>INVENTORY Increase in quantity ordered and projected stock.</p>

RECEIPT ENTRY

<p>INVENTORY Increase in quantity on hand</p>
<p>GENERAL Increase in Inventory asset and Temporary Accounts Payable liability</p>

**CASH PURCHASE
INVOICE (Inventory)**

<p>FUNDS Reduction only if Cash paid out.</p>
<p>BANKS Reduction only if Cheque written.</p>
<p>INVENTORY Assuming the Receipt Entry was entered, recording of Most Recent Cost.</p>
<p>GENERAL Decrease in Temporary Accounts Payable liability, increase or decrease in Inventory Cost Variance asset and decrease in Fund or Bank</p>

**CASH PURCHASE
INVOICE (Non-Inventory)**

<p>FUNDS Reduction only if Cash paid out.</p>
<p>BANKS Reduction only if Cheque written.</p>
<p>GENERAL Increase in asset or expense and decrease in Fund or Bank</p>

**ON ACCOUNT PURCHASE
INVOICE (Inventory)**

INVENTORY Assuming the Receipt Entry was entered, recording of Most Recent Cost
PAYABLES Increase in Supplier's balance.
GENERAL Decrease in Temporary Accounts Payable liability, increase or decrease in Inventory Cost Variance asset and increase in Accounts Payable liability

**ON ACCOUNT PURCHASE
INVOICE (Non-Inventory)**

PAYABLES Increase in Supplier's balance.
GENERAL Increase in expense or asset and increase in Accounts Payable liability.

PURCHASE RETURN

INVENTORY Decrease in quantity on hand.
GENERAL Decrease in Inventory asset and decrease in Temporary Accounts Payable liability

**SUPPLIER CREDIT
INVOICE**

INVENTORY Assuming Purchase Return was entered – No effect.
PAYABLES Decrease in Supplier's balance.
GENERAL Increase in Temporary Accounts Payable liability and decrease in Accounts Payable liability.

CHEQUE STUB

<p>BANKS Decrease in Bank balance.</p>
<p>PAYABLES Assuming an invoice was entered, decrease in Supplier's balance.</p>
<p>GENERAL Decrease in Accounts Payable liability and decrease in Bank.</p>

NSF CHEQUE TO SUPPLIER

<p>BANKS Increase in Bank balance.</p>
<p>PAYABLES Increase on Supplier's account.</p>
<p>GENERAL Increase in Accounts Payable liability and increase in Bank.</p>

LAYAWAY

<p>FUNDS Increase due to amount put on as a deposit.</p>
<p>INVENTORY Notation of quantity on layaway and decrease in quantity available for sale.</p>
<p>RECEIVABLES Decrease on Customer's account reflecting the receipt of the deposit amount.</p>
<p>GENERAL Decrease in Accounts Receivable asset and increase in Fund.</p>

LAYAWAY PAYMENT

<p>FUNDS Increase by the amount of payment.</p>
<p>RECEIVABLES Decrease on Customer's account reflecting the receipt of the payment amount.</p>
<p>GENERAL Decrease in Accounts Receivable asset and increase in Fund.</p>

RMA

<p>FUNDS Increase reflecting the amount put on deposit.</p>
<p>INVENTORY Notation of quantity on RMA.</p>
<p>RECEIVABLES Decrease on Customer's account reflecting the receipt of the deposit amount.</p>
<p>GENERAL Decrease in Accounts Receivable asset and increase in Fund.</p>

REPAIR ORDER

<p>INVENTORY Decrease of quantity on hand and increase of quantity sent back to manufacturer.</p>
--

**CASH SALE INVOICE
(Inventory)**

FUNDS Increase in fund on hand.
INVENTORY Decrease in quantity available for sale.
GENERAL Increase in Sale revenue, increase in Cost of Sale expense, decrease in inventory asset, increase Sales Tax liability and increase in Funds asset.

**CASH SALE INVOICE (Non-
Inventory)**

FUNDS Increase in fund on hand.
GENERAL Increase in Sale revenue, increase in Sales Tax liability and increase in Funds asset.

**ON ACCOUNT SALE
INVOICE (Inventory)**

INVENTORY Decrease in quantity available for sale.
RECEIVABLES Increase on Customer's account.
GENERAL Increase in Sale revenue, increase in Cost of Sale expense, decrease in inventory asset, increase Sales Tax liability and increase in Accounts Receivable asset.

**ON ACCOUNT SALE
INVOICE (Non-Inventory)**

RECEIVABLES Increase on Customer's account.
GENERAL Increase in Sale revenue, increase in Sales Tax liability and increase in Accounts Receivable asset.

RECEIPT

FUNDS Increase in fund on hand.
RECEIVABLES Decrease on Customer's account.
GENERAL Increase in Funds asset and decrease in Accounts Receivable asset.

DEPOSIT

FUNDS Decrease in fund on hand.
BANKS Increase on Bank's account.
GENERAL Decrease in Funds asset and increase in Bank asset.

BANK STATEMENT

BANKS Decrease on Bank's account.
GENERAL Decrease in Bank asset and increase in Bank Charge expense.

CUSTOMER NSF CHEQUE**BANKS**

Decrease on Bank's account.

RECEIVABLES

Increase on Customer's account.

GENERAL

Decrease in Bank asset, increase in Bank Charge expense, increase in Accounts Receivable asset and increase in Other revenue if customer charged more than charge by bank.

**INVENTORY QUANTITY
ADJUSTMENT****INVENTORY**

Increase or decrease in quantity on hand.

GENERAL

Decrease (or increase) in Inventory asset and increase (or decrease) in Inventory Shrinkage expense.

**INVENTORY STANDARD
COST ADJUSTMENT****INVENTORY**

Change in value of inventory.

GENERAL

Increase (or decrease) in Inventory asset and decrease (or increase) in Inventory Cost Variance asset.