



Reference	ACCTINGQ.doc	Last updated	30 June 2009
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Accounting Questions

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Overview

This is a list of accounting questions we have received and our recommended solutions. In the case description names and figures will be introduced so that you can see the financial process.

Warning

All methods and advice is provided as a guide only and professional accounting advice should be used to confirm that the procedure is actually correct for your specific application. SoEasy Accounting.com Ltd, its staff, and associates accept no responsibility for any incorrect application of this information.

Sale of Assets

We have sold a truck which is partly financed through the ABC Finance Company.
We owed \$9000.

We sold it to Bill's Transport for \$90,000 inc GST.
Bill had to arrange finance and did not pay us anything directly.

How should this transaction be processed?

The keys to this transaction are as follows:

1. You will need to clear the current finance on the truck with your finance company to achieve a clear title to the goods so that they can be sold to Bill.
2. Who requires the Invoice, the finance company or Bill's Transport? It would probably be the finance company.

Step 1

Find out from your Finance Company what will be required to sell the vehicle with a clear title.

Step 2

Find out from the purchaser's finance company what they require.

Step 3

Add Bill's Transport or the finance company to your database; whoever is to be sent the invoice.

Step 4

1. Make an Invoice to the appropriate person and confirm that everything is correct.
2. Do not close the invoice just incase there are changes required. We will close it when it is paid for.
3. The Truck will be a Non Stocked Item.

Step 5

The full settlement amount should be paid directly to your finance company.
(This matter can be arranged to suit all parties).

Any money you receive should be receipted against the Invoice or place in the receipts section of whom the invoice has been made out to.

In this situation, your finance company will keep the \$9,000 you owe and pass on the balance of \$81,000.

You will still need to receipt as follows:

1. \$9,000 (even though it was kept by the finance company) – Send this receipt to the Cash on Hand account.
2. \$81,000 that you did actually receive.

This concludes the actual sales transaction.

Step 6

The Cash on Hand account is currently in credit for the \$9,000 receipt.
This will be used to settle the finance company's account.

If you are recording the finance through the creditors module:

1. Make a payment to the finance company in the creditor' module for the \$9,000 which should settle their account.
2. The payment should be by Cash.
3. This completes the transaction.

If you normally pay the finance company just through the cash book:

1. Go to the Cash on Hand account.
2. Add a payment as per normal to the finance company but:
 - a. Set the amount to the \$9,000
 - b. Make the payment from Cash on Hand
 - c. This completes the transaction.

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Contra Deals

If one of your customers/suppliers provides goods or services as an offset to you providing them with goods or services, this is known as a Contra Deal.

The IRD require you to record such deals and include the financial transaction in the GST and End of Year reporting.

To create the transactions inside SoEasy we recommend the following procedure.

Create a charge document

1. Create an Invoice for the transaction
2. Close the Invoice

Receive a charge document

The supplier/customer must provide you with an Invoice for their part of the contra deal.

If they don't this is a breach of the IRD requirements and would make it difficult for you to claim back the GST portion of the transaction as you need a GST Invoice from them to claim the GST

1. Enter the suppliers invoice into the Creditors Module

Offsetting the Transaction

When all documents have been added you can receive and make cash payments which will create the GST transactions inside the Cash Book.

Debtors

1. Go to the Debtors – Receive a payment section and locate the customer
2. Receive a payment from them and set the method as Cash
3. Select that the receipt was made to the Cash on Hand
4. Allocate the receipt against the contra Invoice

Creditors

5. Go to the Creditors module and find the customer/supplier
6. Make a payment to them and set the method as Cash
7. Select that the payment was made from Cash on Hand
8. Allocate the payment against the contra Invoice

Results

- The Debtors invoice should be cleared
- The Creditors invoice should be cleared
- The Cash on Hand account should have an equal in and Out value for the transaction resulting in the Cash on Hand being zero
- The GST has been collected on the sale and offset by the purchase

Sometimes the Contra is not equal in value. Still process the transaction as above but only pay/receive the contra value first. Then receive/pay the difference as per the normal manner.

If there is to be a write off, try to ensure that the debtors and creditors invoices are the same. If not, put a Credit note through for the difference

Questions:

We provided goods valued at \$10,000. The Supplier provided goods at \$9,000
What should we do?

The Supplier still owes you \$1,000

Either:

1. Get them to pay the \$1,000 in cash
2. Write off the amount by discounting your sale. Issue a Credit Note
3. Hold the amount for writing off another contra with them

How Can I Report on a Specific Account?

Actual Cash spent can be reported on by going into:

1. Cash Book – Reports
2. Select the Tab “Cash GL”
3. Select the General Ledger report option

A dialog will appear that allows you to choose a specific account to report on.

About Bank Accounts

SoEasy provides 3 convenient bank accounts:

- A-MB Your main trading bank account
- A-SB A second bank account
- A-IB An Investment bank account

There is also a Cash on Hand account which is designed to manage cash on hand. This account is commonly mishandled and so there is a special training section on the correct way to manage the account. See the manual **Using the Cash Book** – Topic = The Cash Handling Account.

If you have additional bank accounts for your business