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Explanati

6 years ago 17 R



Prachi Srivastava Finance

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and the same was deducted from their salary in the subsequent month.

Journal entry-

Salaries A/C		7,500	
	To	Purchase	
A/C		7,500	

Question-

- 1.Explanation for Debit and Credit using Golden Rules
- 2.Why 7,500 is being debited and Credited,why not 10,000.

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Aarush
Delhi

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Employee A/c Dr 10000

To Sales Cr 7500

To P&L Cr 2500 (Profit between sales price and cost price, 10K-7.5K)

Salaries A/c Dr 7500 (Salaries expenses, maximum, assume matching concept)

To Employee A/c Cr 7500

Balance Rs. 2500 will stand in employee a/c which will be recoverable.

Reply

6 years ago



(Guest)

Hear Prachi mentioned stock and stock is the finished goods which is kept on premises/warehouse, and available for sale and distribution,

so why purchase will be debited?

the entry is.

Employee A/c Dr. 10,000 (Debit the receiver) (Personal A/c)

Sales A/c Cr. 7500 (Cr. What goes Out) (Real a/c)

P&L A/c Cr. 2500 (Credit all income and gains) (Nominal A/c)

on the accrual of salary

Salary A/c Dr XXXX (whatever will be the salary)

salary payable a/c Cr. XXXX (recovery)

To employee a/c Cr. XXXX (balance after recovery)

thanks

↩ Reply

6 years ago



Amjum
Accountant

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According to AS 9 " Revenue Recognition " revenue shall be recognized when transfer of property in goods and significant risks and rewards happened and measurability and collectability is certain, hence the same shall be treated as sales. However In the given case certain goods have been taken by employee at cost and this might be the company policy that such items with limited number can be taken by employees at cost price without adding any profit on the same, moreover in the economic reality as per the substance of transaction the entity allows the employee to take this item at cost price does not come in the ambit of normal sale and treated at par with owners withdrawal. Hence the journal entry will be .

1. Goods taken by employee

Employee account Dr. 7500

Purchases Cr 7500(to reduce the cost to the extent of goods taken by employee)

2. Salary booking

Salary Expenses Dr.7500 (part of cost of stock)

Employee Account Cr7500

3. Final entry (Employee account Debit and credit offset)

Salary Expenses A/c Dr.7500

Purchases Cr.7500

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salary a/c dr. 7500

sales a/c cr7500

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Originally posted by : Prachi Srivastava

“

I was not able to understand what reasoning from Golden Rules was used to reach this Journal entry.

- Employees had taken stock worth 10,000(Cost price-7500) and the same was deducted from their salary in the subsequent month.

Journal entry-

Salaries A/C
7,500

To Purchase

A/C
7,500

Question-

1.Explanation for Debit and Credit using Golden Rules

2.Why 7,500 is being debited and Credited,why not 10,000.

”

Answer 1.

3 Golden rules are here under:-

(A) "Debit the receiver, credit the giver"

(B) "Debit what comes in, credit what goes out"

(C) "Debit all losses and expenses, credit all gains and incomes"

According to rule "C" part 1st - Debit the salary A/c

According to rule "B" part 2nd - credit the purchase A/c

Answer 2.

7500 is being debited and credited because its not sales. its like drawings of stock by owner and payment as salary. Employees are not purchasing from Business but receiving salary from business hence profit does not arise here.

"- Employees had taken stock worth 10,000(Cost price-7500)"

You mentioned wrong information above. how you calculated stock at Rs.10000 when cost price is Rs. 7500 (stock valued at lower of cost or selling price) So stock is worth Rs. 7500 and not of Rs. 10000.

Hope you are satisfied

↩ Reply

🕒 6 years ago



CA Lokesh Pokharna ▾

CA

(Ahmedabad

Bhilwara

Chittorgarh)

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explanation 1- its a sales , salary a/c dr

to sales a/c cr

exp. 2 - 7500 OR 10000 its not a big issue . it depend on employee & employer agreement

355

4123

Reply

6 years ago



Jatin Singh
Negi
Country
Analyst

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What is feel is that the company must have given away its stock at cost in that case the Journal entry that u have passed is correct.

Salary A/c Dr
To Purchase A/c

But if the company sells the stock at a profit i.e higher than the cost price in that case the sale should have come in place of purchase along with a corresponding profit in credit side.

Salary A/c Dr
To Sales A/c
To Profit on sale of goods A/c

The above entries are perfectly in consonance with the accounting practice prevalent in India.

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