



Special Tickets Accounting Details

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The concept of Special Tickets is really quite simple, but the programming considerations are fairly complex. It is important to understand that Special Tickets involve two steps in real time... Obligation (order) and Pick-Up.

Obligation occurs when a customer makes a promise to purchase and that promise is recorded in the 'Ordered' quantity column of a Special Ticket. The second step is Pick-Up ... where the customer physically picks-up the merchandise or accepts delivery and takes possession

In this event, the cashier makes an entry in the Pick-Up quantity column of the screen and finalizes the ticket.

In addition to the two steps described above, there are two data functions that must be recorded sometime during the life of a Special Ticket ... Booking and Inventory Deduction. 'Booking a ticket' means that the revenue, sales tax payable, commissions, and salesman sales history are recorded to the various files. 'Inventory Deduction' involves changing the quantity on hand in the inventory system, and recording the Cost of Goods Sold and the Inventory Reduction in the accounting system.

All Special Tickets, therefore, can be defined by two questions with two possible answers to each.

Question 1: *When is the ticket a sale?* (when are revenues, taxes, commissions recorded?)

A: At time of obligation/order.

B: At time of pickup by customer

Question 2: *When is the quantity on hand deducted from the perpetual inventory count and the corresponding COGS posted?*

A: At time of order or obligation

B: At time of pickup by customer

That leaves us with four possible combinations to define our Special Tickets 1A-2A, 1A-2B, 1B-2A, 1B-2B.

Let's explore the most commonly used definitions behind each primary type of Special Ticket:

Special Order 1B-2B Revenue/Tax/Commission/Sale at Pick-Up by total ticket amount, Inventory Deduction/COGS/asset reduction at pickup. When the products are ordered, no booking or inventory deduction happens. A deposit is optionally accepted and the money is booked into CASH (via tendering) and into a special holding account for special order deposits. Details below.

Deposits are generally classified as liabilities because they are subject to refund if the product cannot eventually be brought in. The special order deposits are recorded in the “_DEPOSIT” SKU, and entered into the GL CODE for that SKU (defaults to 2499).

Layaway 1C-2B Revenue/Tax/Commission/Sale by payment. Inventory Deduction/COGS/asset reduction at time of order. Assumes the merchandise remains in the building held as collateral, but the quantity on hand is deducted at time of order to allow for the proper re-ordering of inventory for re-stocking the shelf.

The goods are committed and should be considered sold. The revenue and taxation is fully handled when the Order is placed. Most states insist that your sales tax be obligated to be paid when the sale is first entered (similar to an accounts receivable (charge) sale). At time of order, the full revenue is recorded in your Income Statement, even if the down payment is less than the taxable total. For accounting and management purposes

the difference between total amount and the down-payment (total still due on ticket) is placed in a user-definable 'Pending Layaway Revenue' account. The Layaway Pending Revenue is routed to sku "_PENDING" at its corresponding GL Code. (defaults to 4999 as a contra revenue)

Assembly/Repair 1B-2A Revenue/Tax/Commission/Sale at pickup by total ticket amount, Inventory Deduction/COGS/asset reduction at time of order to allow for proper re-ordering during the course of preparing the merchandise for delivery. Merchandise is in building but is no longer available for sale ... it is probably attached to or included in some other piece of finished goods for ultimate sale to the customer. Workers call up the ticket as they utilize a product during the assembly or repair process and register it in the ticket on an as-you-go basis. When the product is completed, the ticket is ready to be sold by the cashier.

EXAMPLES

Special Order Revenue/Tax/Commission/Sale at Pick-Up by total ticket amount
Inventory Deduction/COGS/asset reduction at pickup

{customer orders an item not in stock}

Special Order 100.00 (book value 50.00)
Tax 5.00 (5% tax)
Total Obligation 105.00
Deposit 20.00

1001 Cash 20.00 D (ticket balance is now 85.00)
2499 Special Order Deposits 20.00 C

PickUp Item
Final Payment 85.00

1001 Cash 85.00 D
2499 Special Order Deposit 20.00 D (net zeroes the GL account for this ticket)
4001 Revenue 100.00 C
2100 Sales Tax Payable 5.00 C
5001 COGS 50.00 D
1500 Inventory 50.00 C
sku quantity on hand reduced by 1

Layaway: Revenue/Tax/Commission/Sale by payment
Inventory Deduction/COGS/asset reduction at order

Purchase 100.00 (book value 70.00)
Total Oblig 105.00 (5% sales tax)
DownPayment 20.00

{initial order/purchase}

4001 Revenue 100.00 C (layaway ticket balance is 85.00)
4999 Pending Layaway Revenue 85.00 D (oblig 105.00, less downpayment =85)
1001 Cash 20.00 D
2200 Sales Tax Payable 5.00 C
5001 COGS 70.00 D
1500 Inventory 70.00 C
sku quantity on hand reduced by 1

{additional payment on the layaway ticket}

Additional Payment \$30.00

1001 Cash 30.00 D (lay balance is now 55.00)
4999 Pending 30.00C (reduces Pending balance to ticket amount still owed)

{pickup item – pay off}

Final Payment 55.00

1001 Cash 55.00 D (lay balance is zero)
4999 Pending 55.00 C (pending is now zero, net revenue is 100.00)

{net result of all layaway activity}

Net revenue is \$100.00
sales tax payable is \$5.00
Pending is \$0.00
cash increase is \$105.00
COGS \$70
Inventory live value: reduced by \$70.
layaway balance on ticket is \$0.00

By general consent the Layaway Pending Revenue account, default to 4999, is a contra account (a negative net amount in the revenues. It represents the total amount of anticipated receipts from Layaways as a negative figure to offset the collected layaways. HOWEVER, the Layaway pending revenue is often considered a short term asset == it is the amount of gross receipts you anticipate receiving from outstanding layaway tickets, so on system installation your accountant may have you set the SKU's GL code to be an asset account.

To change the defaults for special ticket GL code handling you may edit the SKUS:
Note that the first character is a underscore, not a space. There is space between DWN and PAY.

_DEPOSIT 2499
_DWN PAY 1499
_PENDING 4999
_RETAIN 4998

you must type them in at 1-1 to see them or access them (they are semi hidden SKUs). We strongly recommend that you do not change the GL code on these SKUs without consulting your CPA.
The _RETAIN sku and subsequent GL code is only used when the cashier cancels a special ticket and chooses to keep(Retain) the downpayments or deposits. This is a placeholder to keep the un-earned revenue.

Deposits are often considered liabilities under that assumption that you will owe the money if you can't acquire the product. That's why it's most common for Special Orders to use _DEPOSIT. Layaway payments are often _DWN PAY as an asset since it's likely to be paid (like accounts receivable).