

Financing a Stocked Wholegood

Scenario 1

If a wholegood is already in stock and the dealer now wishes to finance the cost of it and treat it as an asset of the dealership (rather than an item of stock for resale), the following steps can be carried out.

Post supplier invoice against the wholegood as normal and set the final invoice flag to 'Yes', if this has not already been done.

Sell the Wholegood to the Finance company for the agreed finance value.

Create a new wholegood stock number (copy original) – supplier is the Finance company.

Set Group Code as ASST – this should be mapped as per Appendix A. This will leave the wholegood record – but the asset value will be as Plant/Machinery rather than stock for resale

Example Postings

- Post Supplier inv 72879.66 + 10931.95 VAT = 83811.61
- When finance house pays 58379.66 enter as sales receipt
- Inter Ledger Contra balance 25431.95 from Sales Ledger to Purchase Ledger
- Allocate as part payment against supplier invoice
- Pay Supplier 58379.66 (balance)
- Post Nominal Journal DR bank CR Loan a/c 58379.66 – this contras payment in Cash book/bank nominal as money has not changed hands. Alternatively post credit via P/L transactions to Loan a/c – VAT rate 9

Loan repayments are as follows:

3 payments on 5/12/09 5/12/10 5/12/11
There is a £75 admin fee payable now
And a £10 final fee payable on 5/12/11

Thus nominal journals to post are:

5//12/08	CR Bank	75.00	DR Finance Fee	75.00		
5/12/09	CR Bank	21020.00	DR Loan	19459.89	DR Interest	1560.11
5/12/10	CR Bank	21020.00	DR Loan	19459.89	DR Interest	1560.11
5/12/11	CR Bank	21020.00	DR Loan	19459.90	DR Interest	1560.10
5/12/11	CR Bank	10.00	DR Finance Fee	10.00		

Appendix A:

Sales Account:	3204111	NEW TRACTORS
Over Allowance discount:	3514111	NEW TRACTOR-DISCOUNT
Cost of Sales:	4204111	NEW TRACTOR-COSTS
Stock Account:	1030100	PLANT & MACHINERY
Auto Reversing Accrual Account:	2374101	TRACTOR-ACCRUED EXP

Scenario 2

If a wholegood is already in stock and the dealer now wishes to finance the cost of it but still hold it in stock for resale, the following steps can be carried out.

1. Sell a "non-stocked" Wholegood in Gold as normal but with the sales account mapped to a new nominal code for "stocking finance". This would create an invoice that would attract VAT in the normal sales manner and would be posted to a Sales Ledger Account (Finance Company).
2. When the funds are received (excluding VAT) this would be shown as a part payment against the invoice leaving the VAT as outstanding.
3. When the finance agreement is received - post the VAT amount as a Purchase Ledger transaction (VAT ONLY) to the Finance Company's account in the Purchase Ledger. In this way the VAT would be included on the input vat report for the appropriate month.
4. Then post an inter ledger journal for the VAT amount from the Purchase Ledger to the Sales Ledger to clear the outstanding balance as in 1) above.
5. The end result would be to have just the outstanding stocking facility amount in the Nominal Ledger ONLY.
6. When the Wholegood is finally sold to a "real customer" and the stocking loan is cleared with the Finance Company post a Nominal journal from the bank to the "stocking finance" nominal to clear any remaining balance.