

How Do You Track Expenses for Samples?

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Because of the many ways of handling samples, ProfitMaker does not have a set procedure. Using the following procedures, developed and used by our Customers, you can track sample expense per Salesperson.

Setting Beginning Guidelines:

1. Will each Salesperson have an allowance for Samples or not?
2. If yes, determine the formula to set amount for one year. Many companies use a formula based on Sales of the previous year.
3. Will freight-in on Samples and freight-out on returned Samples be charged to the Salesperson?
4. How will overnite freight on samples be handled?
5. If using an allowance, when it is reached will Sales Rep pay full cost of samples or will this be split with the Company?
6. If using an allowance, determine if this will be for the calendar year or for your fiscal year. Since Sales Reports are based on a calendar year, this is what we recommend.
7. Determine G/L Account Numbers to use for Sample Expense for each Salesperson. Add these G/L Accounts and sequence them into the Profit & Loss Statement. We recommend a series of Accounts in the Direct Selling Expense Section, such as 830, 832, 834, 836, etc. Name these: Sample Expense - Fred Jones, etc.
8. Set a new Office Policy: When ordering a sample, each Salesperson must fill out a short "Sample Order Form" and give this to the Accounts Payable Clerk.
9. Set a new Office Policy: All orders for samples MUST have the Salesperson name as the order Number. When the Vendor's Invoice comes in, this will usually be on the invoice in the Customer P.O. space. Your Accounts Payable

Clerk will be able to tell immediately which Salesperson ordered each sample.

10. Add a Customer Master for each Salesperson. These should be set up using the Taxable Sales Tax Codes for your State, County & City, etc.

Sample Allowance Procedure

1. Early in January, determine the allowance for each Salesperson. Make a General Ledger Journal Entry for the total allowances.

Debit 808 Sample Total for all salespersons samples. Credit 830 Sample Expense - Fred Jones His Allowance. Do this for each salesperson each allowance.

2. When the Salesperson orders a sample, he/she will give the completed form to the Accounts Payable Clerk. This will be held until the Vendor's Invoice comes.

3. When the Vendor's Invoice comes, match it to the Sample Form and Vouch, using the Sample Expense G/L for this Salesperson. Maintain a file for each Salesperson with a copy of each Sample Invoice.

4. House and Showroom Samples will still be vouched to 808 Sample Expense, including the freight.

5. If the sample is returned to the vendor, enter an A/P adjustment to the same G/L Account used during the original Vouching.

6. At the end of each month, print the G/L Detail for each Salesperson's Account. A Credit Balance indicates the amount remaining and available to use.

7. When the G/L Account has a Debit Balance, the Salesperson will be billed. Bill the Salesperson's Customer Account using G/L### as the Item Number. THE ### will be the G/L Account Number for this Salesperson's Sample Expense. This will credit the expense account and bring the balance to 0 (zero). Sales Tax will be calculated.

Commission Track Expenses for Samples

YES, Sales Tax will be charged. Because this is an expense to be claimed by the Salesperson and is not being resold, it should be taxed. It is the same as your Company buying Office Supplies or Furniture, you pay Sales Tax. Talk to your Accountant about this.

8. To clear these invoices and take this amount out of their next commission check, follow these steps:

- A. In Cash Receipts, adjust off the invoice using the Clearing account.
- B. In Vouching, vouch to the Salesperson, using a negative Amount. Be sure the "Commission" field is zero. Use non-order distribution and expense to the Clearing Account. These negative amounts will be in the Open Commission and can be selected on the next commission check. These amounts will not (and should not) affect the 1099 Total when the "Commission" field is zero during vouching

Sample Expense Split Procedure

Basic Criteria:

1. Company pays for all samples (including freight) up to a given amount.
2. Over this Amount, the Company and Salesperson Split the Sample Expense (including freight) 50/50.
3. Optional exception to both of these statements: Salesperson is charged for ALL overnight freight on samples.
 - When the Salesperson orders a sample, he/she will give the completed form to the Accounts Payable clerk. This will be held until the Vendor's Invoice Comes.
 - When the Vendor's invoice comes, match it to the Sample order form. If the total is over the set amount, vouch, using the GL Sample Expense Account for this Salesperson. All overnight freight on samples will be vouched to this account also. Maintain a file for each Salesperson with a copy of each Sample and Overnight Freight Invoice.
 - House and Showroom Samples will still be vouched to 808 Sample including Freight.
 - If the Sample is returned, enter an A/P Adjustment to the same G/L Account used during the original vouching.
 - At the end of each month, the total of the individual Sample Expense Account will be charged to the Salesperson. The balance of this account would then be zero. Bill the Salesperson's Customer Account using G/L### as the item number. The ### will be the G/L Account number for this Salesperson. This will credit the expense account and bring the balance to 0 (zero). Sales Tax will be calculated. Yes, Sales Tax will be charged. Because this is an expense to be claimed by the Salesperson and is not being resold, it should be taxed. It is the same as your Company buying Office Supplies or Furniture, you pay Sales Tax. Talk to your Accountant about this.
 - To clear these invoices and take this amount out of their next commission check, follow these steps:

1. In Cash Receipts, adjust off the invoice using the Clearing Account.
2. In Vouching, vouch to the Salesperson, using a negative amount. Be sure the Commission field is zero. Use non-order distribution and expense the amount to the Clearing Account. These negative amounts will be in the Open Commission and can be selected on the next commission check. These amounts will not (and should not) affect the 1099 total when the Commission field is zero during vouching.