### **1. Purchase, Sales, Tax Adjustment (Without Valuation)**

#### **1: Vendor Bill (Purchase)**

You purchase 10 units of a product:

* Cost Price per unit: ₹55,000
* Total Purchase Value: ₹55,000 × 10 = ₹5,50,000
* GST @ 5%:
  + SGST: ₹13,750
  + CGST: ₹13,750
* Total Bill Amount (including GST): ₹5,77,500

You confirm and post a **Vendor Bill** for the goods purchased.

**Journal : Vendor Bill**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| Purchase Expense (210700) | Expense | 5,50,000 |  |
| SGST Receivable (100510) | Current Assets | 13,750 |  |
| CGST Receivable (100520) | Current Assets | 13,750 |  |
| Creditors(112110) | Payable |  | 5,77,500 |
| Total | | 5,77,500 | 5,77,500 |

**Balance Sheet After Purchase**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| SGST Receivable (100510) | Assets | 13,750 |
| CGST Receivable (100520) | Assets | 13,750 |
| LIABILITIES | | |
| Creditors (112110) | Payable | 5,77,500 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 5,50,000  (indirectly from P&L) |

Only **SGST**, **CGST**, and **Creditors** are directly recorded in the Balance Sheet.

Purchase Expense doesn’t show directly; it affects **Equity** indirectly through **Net Profit** in the Profit & Loss.

**Profit and Loss**

| **Account** | **Type** | **Net Profit**  **(Income - Expense)** |
| --- | --- | --- |
| **Income** | | |
|  |  | 0 |
| **Expense** | | |
| Purchase Expense (210700) | Expense | 5,50,000 |
| **Net Profit** | | - 5,50,000 |

GST (SGST & CGST) is not treated as an expense, so it’s not recorded in the P&L.

Only the purchase value of ₹5,50,000 appears as an expense, which reduces the net profit.

#### **2: Vendor Bill (Payment)**

Now, you make a full payment to the vendor for the bill amount of ₹5,77,500.

**Journal : Bank**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| Bank (100201) | Bank and Cash |  | 5,77,500 |
| Creditors(112110) | Payable | 5,77,500 |  |
| Total | | 5,77,500 | 5,77,500 |

This entry clears the outstanding liability by paying the vendor from your bank account.

**Balance Sheet**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | - 5,77,500 |
| SGST Receivable (100510) | Assets | 13,750 |
| CGST Receivable (100520) | Assets | 13,750 |
| LIABILITIES | | |
| Creditors (112110) | Payable | 0 |
| Equity | | |
| Unallocated Earnings | Equity | - 5,50,000  (indirectly from P&L) |

The payment reduces your bank balance and clears the vendor liability.

The P&L is not affected by the payment—only the original bill did that.

#### **3: Customer Invoice (Sales)**

You sell 2 qty of products worth ₹1,40,000 + GST @ 5%

* Sales Price per unit: ₹70,000
* SGST: ₹3,500
* CGST: ₹3,500
* Total Invoice Amount: ₹1,47,000

**Journal : Customer Invoice**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| Local Sales (200110) | Income |  | 1,40,000 |
| SGST Payable (220510) | Current Liabilities |  | 3,500 |
| CGST Payable (220520) | Current Liabilities |  | 3,500 |
| Debtors (110200) | Receivable | 1,47,000 |  |
| Total | | 1,47,000 | 1,47,000 |

This entry records the income and tax payable from the sale, and the receivable from the customer.

**Balance Sheet**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Debtors (110200) | Receivable | 1,47,000 |
| Bank (100201) | Bank and Cash | - 5,77,500 |
| SGST Receivable (100510) | Assets | 13,750 |
| CGST Receivable (100520) | Assets | 13,750 |
| LIABILITIES | | |
| SGST Payable (220510) | Liabilities | 3,500 |
| CGST Payable (220520) | Liabilities | 3,500 |
| Equity | | |
| Unallocated Earnings | Equity (via P&L) | - 4,10,000  (5,50,000 - 1,40,000) |

Unallocated Earnings = (Calculated as: -5,50,000 Purchase Expense + 1,40,000 Sales Income)

**Profit and Loss**

| **Account** | **Type** | **Net Profit**  **(Income - Expense)** |
| --- | --- | --- |
| **Income** | | |
| Local Sales (200110) |  | 1,40,000 |
| **Expense** | | |
| Purchase Expense (210700) | Expense | 5,50,000 |
| **Net Profit** | | - 4,10,000 |

GST collected on sales is not treated as income, so it's not shown in P&L.

Only the sales value (₹1,40,000) is recorded as income, which reduces the net loss.

#### **4: Customer Invoice (Payment)**

You receive full payment from the customer for the invoice amount of **₹1,47,000**.

**Journal : Bank**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| Bank (100201) | Bank and Cash | 1,47,000 |  |
| Debtors (110200) | Receivable |  | 1,47,000 |
| Total | | 1,47,000 | 1,47,000 |

This entry records that the customer has paid the full amount of the invoice, moving the receivable into your bank account.

**Balance Sheet After Payment**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | - 4,30,500  (5,77,500 - 1,47,000) |
| Debtors (110200) | Receivable | 0 |
| SGST Receivable (100510) | Assets | 13,750 |
| CGST Receivable (100520) | Assets | 13,750 |
| LIABILITIES | | |
| SGST Payable (220510) | Liabilities | 3,500 |
| CGST Payable (220520) | Liabilities | 3,500 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 4,10,000  (5,50,000 - 1,40,000) |

Bank (Previous balance -5,77,500 + 1,47,000 received = - 4,30,500)

Unallocated Earnings (5,50,000 purchase - 1,40,000 sales = - 4,10,000)

#### **5: Tax Adjustment**

Once sales and purchases are done, it’s time to handle **GST** through a **Tax Return**.

| **Case** | **Action in Odoo** |
| --- | --- |
| Receivable Tax < Payable Tax | Create Tax Return → Pay tax (liability) |
| Receivable Tax > Payable Tax | Tax Refund or Carry Forward Credit |
| Receivable Tax = Payable Tax | No action needed (balanced) |

In This Case: Receivable Tax > Payable Tax

* Input Tax Credit (ITC):
  + SGST Receivable = ₹13,750
  + CGST Receivable = ₹13,750
* Tax Payable on Sales:
  + SGST Payable = ₹3,500
  + CGST Payable = ₹3,500
* Excess Receivable = Refund or Carry Forward
  + (13,750 - 3,500) + (13,750 - 3,500) = ₹20,500

So, this excess amount will be moved to a Tax Current Account - Receivable.

**Journal Entry – Tax Adjustment (ITC Refund or Carry Forward)**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| SGST Receivable (100510) | Current Assets |  | 13,750 |
| CGST Receivable (100520) | Current Assets |  | 13,750 |
| SGST Payable (220510) | Current Liabilities | 3,500 |  |
| CGST Payable (220520) | Current Liabilities | 3,500 |  |
| Tax Current Account - Receivable (100590) | Current Assets | 20,500 |  |
| Total |  | 27,500 | 27,500 |

This journal entry clears the tax receivables and payables, and records the eligible credit/refund in a new asset account.

**Balance Sheet After Tax Adjustment**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | - 4,30,500 |
| SGST Receivable (100510) | Current Assets | 0 |
| CGST Receivable (100520) | Current Assets | 0 |
| Tax Current Account - Receivable (100590) | Current Assets | 20,500 |
| LIABILITIES | | |
| SGST Payable (220510) | Current Liabilities | 0 |
| CGST Payable (220520) | Current Liabilities | 0 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 4,10,000 |

After this adjustment:

* All GST Payables and Receivables are cleared
* ₹20,500 of Input Tax Credit is now available as credit/refund

### 

### **2. Purchase, Sales, Tax Adjustment (With Valuation)**

**Enable Automatic Accounting**

To automatically record inventory-related accounting entries, Odoo enables **automated stock valuation**. This ensures real-time updates of accounting based on stock movements.

**Set Required Accounts**

| **Name** | **Account Code** | **Type** | **Purpose** |
| --- | --- | --- | --- |
| Stock Valuation | 140000 | Current Assets | Tracks the current value of all products in stock |
| Stock Interim (Received) | 220000 | Current Liabilities | Temporary account for goods received but not yet billed (GRNI) |
| Stock Interim (Delivered) | 221000 | Current Assets | Temporary account for goods delivered but not yet invoiced (GDN) |

**Set Stock Journal**

| **Field** | **Value** |
| --- | --- |
| Name | Stock Journal |
| Type | Miscellaneous |
| Default Account | Stock Valuation (140000) |

The Stock Journal records stock valuation transactions during stock movements.

**Configure Product Category**

Make these changes under the Product Category settings in Odoo:

| **Field** | **Value** |
| --- | --- |
| Inventory Valuation | Automated |
| Costing Method | FIFO/AVCO |
| Stock Valuation Account | Stock Valuation (140000) |
| Stock Journal | Stock Journal |
| Stock Input Account | Stock Interim (Received) (220000) |
| Stock Output Account | Stock Interim (Delivered) (221000) |

What Happens After Enabling?

With this setup:

* When you **receive goods**, Odoo will debit Stock Valuation and credit Stock Interim (Received)
* When you **deliver goods**, Odoo will credit Stock Valuation and debit Stock Interim (Delivered)
* These entries are posted **automatically** with inventory moves

No need for manual stock entries in the accounting journal — everything is tracked in real-time and accurately reflects your inventory value.

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#### **1: Validate Receipt**

You receive the products into inventory. Odoo automatically creates accounting entries based on the configured stock accounts and journal.

* Product Cost Price: ₹55,000
* Sales Price: ₹70,000
* Quantity Received: 10
* Total Inventory Value: ₹55,000 × 10 = ₹5,50,000

**Journal : Inventory Valuation**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| 220000 Stock Interim (Received) | Current Liabilities |  | 5,50,000 |
| 140000 Stock Valuation | Current Assets | 5,50,000 |  |
| Total |  | 5,50,000 | 5,50,000 |

This entry reflects that goods have been received and are now part of your inventory.

**Balance Sheet After Receipt**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| 140000 Stock Valuation | Current Assets | 5,50,000 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |

This transaction does not affect the Profit and Loss statement, because inventory is considered an asset until it is sold.

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#### **2: Vendor Bill (Purchase)**

Once goods are received and stock is updated, the Vendor Bill is recorded in Odoo. This confirms the cost of purchase and captures applicable taxes.

* Product Cost Price: ₹55,000
* Quantity Purchased: 10
* Total Purchase Value: ₹5,50,000
* GST @ 5% (2.5% SGST + 2.5% CGST) = ₹27,500 (₹13,750 each)
* Total Bill Amount = ₹5,77,500

**Journal : Vendor Bill**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| Purchase Expense (210700) | Expense | 5,50,000 |  |
| SGST Receivable (100510) | Current Assets | 13,750 |  |
| CGST Receivable (100520) | Current Assets | 13,750 |  |
| Creditors(112110) | Payable |  | 5,77,500 |
| Total |  | 5,77,500 | 5,77,500 |

This entry records the purchase expense and the tax credits you can claim (ITC).

The liability to pay the vendor is also recognized.

**Balance Sheet After Vendor Bill**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| 140000 Stock Valuation | Current Assets | 5,50,000 |
| SGST Receivable (100510) | Assets | 13,750 |
| CGST Receivable (100520) | Assets | 13,750 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |
| Creditors (112110) | Payable | 5,77,500 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 5,50,000  (indirectly from P&L) |

The vendor bill increases liabilities and records tax credits in assets.

The expense hits the Profit and Loss indirectly by reducing Equity.

**Profit and Loss**

| **Account** | **Type** | **Net Profit**  **(Income - Expense)** |
| --- | --- | --- |
| Income | | |
|  |  | 0 |
| Expense | | |
| Purchase Expense (210700) | Expense | 5,50,000 |
|  |  | - 5,50,000 |

GST is not an expense, so only the product value affects the P&L.

This reduces your net profit by ₹5,50,000.

#### **3: Vendor Bill (Payment)**

Once the vendor bill is posted, you proceed to pay the amount due to the vendor. This transaction records the actual cash outflow from your bank account.

* Total Payable Amount: ₹5,77,500 (including ₹5,50,000 goods + ₹27,500 GST)

**Journal : Bank**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| Bank (100201) | Bank and Cash |  | 5,77,500 |
| Creditors(112110) | Payable | 5,77,500 |  |
| Total |  | 5,77,500 | 5,77,500 |

This entry clears the outstanding liability to the vendor by reducing the bank balance.

**Balance Sheet After Payment**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | -5,77,500 |
| 140000 Stock Valuation | Current Assets | 5,50,000 |
| SGST Receivable (100510) | Assets | 13,750 |
| CGST Receivable (100520) | Assets | 13,750 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |
| Creditors (112110) | Payable | 0 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 5,50,000  (indirectly from P&L) |

The creditors account is cleared, and the bank balance decreases as payment is made.

The stock remains in your assets and taxes in receivables.

There is no direct impact on the Profit and Loss statement from this payment.  
Because paying a bill is a cash movement, not an income or expense.  
The expense was already recorded earlier when the vendor bill was posted.

#### **4: Validate Delivery**

Once the customer order is confirmed, you deliver 2 laptops to the customer.

* Sales Price (per unit): ₹70,000
* Total Sales Value: ₹1,40,000
* Cost Price (per unit): ₹55,000
* Total Cost: ₹1,10,000
* GST @ 5%: ₹3,500 SGST + ₹3,500 CGST

This step only affects the inventory value, not the sales or income yet. The delivery reduces your stock balance.

**Journal : Inventory Valuation**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| 221000 Stock Interim (Delivered) | Current Assets | 1,10,000 |  |
| 140000 Stock Valuation | Current Assets |  | 1,10,000 |
| Total |  | 5,50,000 | 5,50,000 |

This entry moves the inventory out of the warehouse and into "delivered" stock, indicating goods have been shipped to the customer.

**Balance Sheet After Delivery**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | -5,77,500 |
| 140000 Stock Valuation | Current Assets | 4,40,000  (5,50,000 - 1,10,000) |
| SGST Receivable (100510) | Assets | 13,750 |
| CGST Receivable (100520) | Assets | 13,750 |
| 221000 Stock Interim (Delivered) | Current Assets | 1,10,000 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 5,50,000  (indirectly from P&L) |

The value of inventory reduces by the cost of delivered items, and is transferred to the "Delivered" interim account.

There is no direct impact on the Profit and Loss statement at this stage.  
Because the delivery only moves inventory internally in accounts.  
The actual income and cost of goods sold (COGS) will be recorded when the customer invoice is posted, not during delivery.

#### **5: Customer Invoice (Sales)**

After delivery, you create and confirm the Customer Invoice for the sale of 2 laptops.

* Selling Price (per unit): ₹70,000
* Total Sales: ₹1,40,000
* GST @ 5%: ₹3,500 SGST + ₹3,500 CGST
* Total Invoice Amount: ₹1,47,000

This step records the revenue from the sale and creates a receivable from the customer.

**Journal : Customer Invoices**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| 200110 Local Sales | Income |  | 1,40,000 |
| 112320 SGST Payable | Current Liabilities |  | 3,500 |
| 112330 CGST Payable | Current Liabilities |  | 3,500 |
| 100400 Debtors | Receivable | 1,47,000 |  |
| Total |  | 1,47,000 | 1,47,000 |

This journal entry shows:

* ₹1,40,000 as sales revenue.
* ₹7,000 as tax liability to be paid to the government.
* ₹1,47,000 as the amount owed by the customer (Debtor).

**Balance Sheet**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | -5,77,500 |
| 100400 Debtors | Receivable | 1,47,000 |
| 140000 Stock Valuation | Current Assets | 4,40,000 |
| SGST Receivable (100510) | Assets | 13,750 |
| CGST Receivable (100520) | Assets | 13,750 |
| 221000 Stock Interim (Delivered) | Current Assets | 1,10,000 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |
| 112320 SGST Payable | Current Liabilities | 3,500 |
| 112330 CGST Payable | Current Liabilities | 3,500 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 4,10,000  (5,50,000 - 1,10,000) |

The invoice increases your assets (Debtors) and records GST liability to the government.

**Profit and Loss**

| **Account** | **Type** | **Net Profit**  **(Income - Expense)** |
| --- | --- | --- |
| Income | | |
| 200110 Local Sales | Income | 1,40,000 |
| Expense | | |
| Purchase Expense (210700) | Expense | 5,50,000 |
|  |  | - 4,10,000 |

Only the net sales amount (₹1,40,000) is recorded as income.

GST is not considered an expense in P&L.

Net loss of ₹4,10,000 reflects the cost of stock being more than income at this stage.

#### **6: Customer Invoice (Payment)**

The customer pays the full invoice amount of ₹1,47,000.

This transaction clears the receivable (Debtors) and increases the company's bank balance. There's no impact on the Profit & Loss, as the revenue was already recorded during the invoice stage.

**Journal : Bank**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| Bank (100201) | Bank and Cash | 1,47,000 |  |
| 100400 Debtors | Receivables |  | 1,47,000 |
| Total |  | 1,47,000 | 1,47,000 |

This entry shows that the customer paid their dues in full, moving funds from Accounts Receivable to Bank.

**Balance Sheet**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | - 4,30,500  (5,77,500 - 1,47,000) |
| 100400 Debtors | Receivable | 0 |
| 140000 Stock Valuation | Current Assets | 4,40,000 |
| SGST Receivable (100510) | Assets | 13,750 |
| CGST Receivable (100520) | Assets | 13,750 |
| 221000 Stock Interim (Delivered) | Current Assets | 1,10,000 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |
| 112320 SGST Payable | Current Liabilities | 3,500 |
| 112330 CGST Payable | Current Liabilities | 3,500 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 4,10,000 |

Debtors are now cleared, and the bank balance is increased by the invoice amount.

#### **7: Tax Adjustment**

| Tax Type | Receivable (Input GST) | Payable (Output GST) |
| --- | --- | --- |
| SGST | ₹13,750 | ₹3,500 |
| CGST | ₹13,750 | ₹3,500 |

**Receivable Tax > Payable Tax**

→ You have excess input tax credit (ITC), which can be **carried forward** or **claimed as a refund**.

**Journal Entry – Tax Adjustment (ITC Refund or Carry Forward)**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| SGST Receivable (100510) | Current Assets |  | 13,750 |
| CGST Receivable (100520) | Current Assets |  | 13,750 |
| SGST Payable (220510) | Current Liabilities | 3,500 |  |
| CGST Payable (220520) | Current Liabilities | 3,500 |  |
| Tax Current Account - Receivable (100590) | Current Assets | 20,500 |  |
| Total |  | 27,500 | 27,500 |

This clears the GST receivables and payables and moves the balance ITC to a new account called Tax Current Account – Receivable.

**Balance Sheet After GST Adjustment**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | - 4,30,500 |
| 140000 Stock Valuation | Current Assets | 4,40,000 |
| 221000 Stock Interim (Delivered) | Current Assets | 1,10,000 |
| SGST Receivable (100510) | Current Assets | 0 |
| CGST Receivable (100520) | Current Assets | 0 |
| Tax Current Account - Receivable (100590) | Current Assets | 20,500 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |
| SGST Payable (220510) | Current Liabilities | 0 |
| CGST Payable (220520) | Current Liabilities | 0 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 4,10,000 |

After this adjustment:

All GST Payables and Receivables are cleared

₹20,500 of Input Tax Credit is now available as credit/refund

Now, the tax liability is adjusted, and excess GST credit is recorded as an asset.

### **3. Returns / Refunds (Customer or Vendor)**

#### **1: Vendor Refund (before tax adjustment)**

Product Cost Price: ₹55,000

GST @ 5% → SGST ₹1,375 + CGST ₹1,375

Return Qty: 1

Returned Value: ₹57,750

Accounting Treatment: Reverse of purchase

**Journal: Vendor Refund**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| 210700 Purchase Expense | Expense |  | 55,000 |
| 100510 SGST Receivable | Current Assets |  | 1,375 |
| 100520 CGST Receivable | Current Assets |  | 1,375 |
| 112110 Creditors | Payable | 57,750 |  |
| Total | | 57,750 | 57,750 |

**Balance Sheet**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | - 4,30,500 |
| 100400 Debtors | Receivable | 0 |
| 140000 Stock Valuation | Current Assets | 4,40,000 |
| SGST Receivable (100510) | Assets | 12,375  (13,750 - 1,375) |
| CGST Receivable (100520) | Assets | 12,375  (13,750 - 1,375) |
| 221000 Stock Interim (Delivered) | Current Assets | 1,10,000 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |
| 112320 SGST Payable | Current Liabilities | 3,500 |
| 112330 CGST Payable | Current Liabilities | 3,500 |
| Creditors (112110) | Payable | - 57,750 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 3,55,000  (4,10,000 - 55,000) |

**Profit and Loss**

| **Account** | **Type** | **Net Profit**  **(Income - Expense)** |
| --- | --- | --- |
| Income | | |
| 200110 Local Sales | Income | 1,40,000 |
| Expense | | |
| Purchase Expense (210700) | Expense | 4,95,000  (5,50,000 - 55,000) |
|  |  | - 3,55,000 |

This return reduces the expense in P&L.

#### 

#### **2: Vendor Refund Payment**

Refund Amount: ₹57,750

This is the reverse of a vendor bill payment.

It affects Bank and Creditors accounts.

**Journal : Bank**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| Bank (100201) | Bank and Cash | 57,750 |  |
| Creditors(112110) | Payable |  | 57,750 |
| Total |  | 57,750 | 57,750 |

**Balance Sheet**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | - 3,72,750  (4,30,500 - 57,750) |
| 100400 Debtors | Receivable | 0 |
| 140000 Stock Valuation | Current Assets | 4,40,000 |
| SGST Receivable (100510) | Assets | 12,375 |
| CGST Receivable (100520) | Assets | 12,375 |
| 221000 Stock Interim (Delivered) | Current Assets | 1,10,000 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |
| 112320 SGST Payable | Current Liabilities | 3,500 |
| 112330 CGST Payable | Current Liabilities | 3,500 |
| Creditors (112110) | Payable | 0 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 3,55,000 |

#### **3: Customer Returns (before tax adjustment)**

Original Sale Price per Unit: ₹70,000

Returned Qty: 1

GST on Return (5%): ₹1,750 SGST + ₹1,750 CGST

Total Credit Note: ₹73,500

Cost Price per Unit (for reversal in inventory): ₹55,000

**Journal: Customer Returns**

| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| 200110 Local Sales | Income | 70,000 |  |
| 112320 SGST Payable | Current Liabilities | 1,750 |  |
| 112330 CGST Payable | Current Liabilities | 1,750 |  |
| 100400 Debtors | Receivable |  | 73,500 |
| Total | | 73,500 | 73,500 |

**Balance Sheet**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | - 3,72,750 |
| 100400 Debtors | Receivable | - 73,500 |
| 140000 Stock Valuation | Current Assets | 4,40,000 |
| SGST Receivable (100510) | Assets | 12,375 |
| CGST Receivable (100520) | Assets | 12,375 |
| 221000 Stock Interim (Delivered) | Current Assets | 1,10,000 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |
| 112320 SGST Payable | Current Liabilities | 1750  (3,500 - 1750) |
| 112330 CGST Payable | Current Liabilities | 1750  (3,500 - 1750) |
| Creditors (112110) | Payable | 0 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 4,25,000  (3,55,000 + 70,000) |

**Profit and Loss**

| **Account** | **Type** | **Net Profit**  **(Income - Expense)** |
| --- | --- | --- |
| Income | | |
| 200110 Local Sales | Income | 70,000  (1,40,000 - 70,000) |
| Expense | | |
| Purchase Expense (210700) | Expense | 4,95,000 |
|  |  | - 3,55,000 |

#### 

#### **4: Customer Returns Payment**

**Journal : Bank**

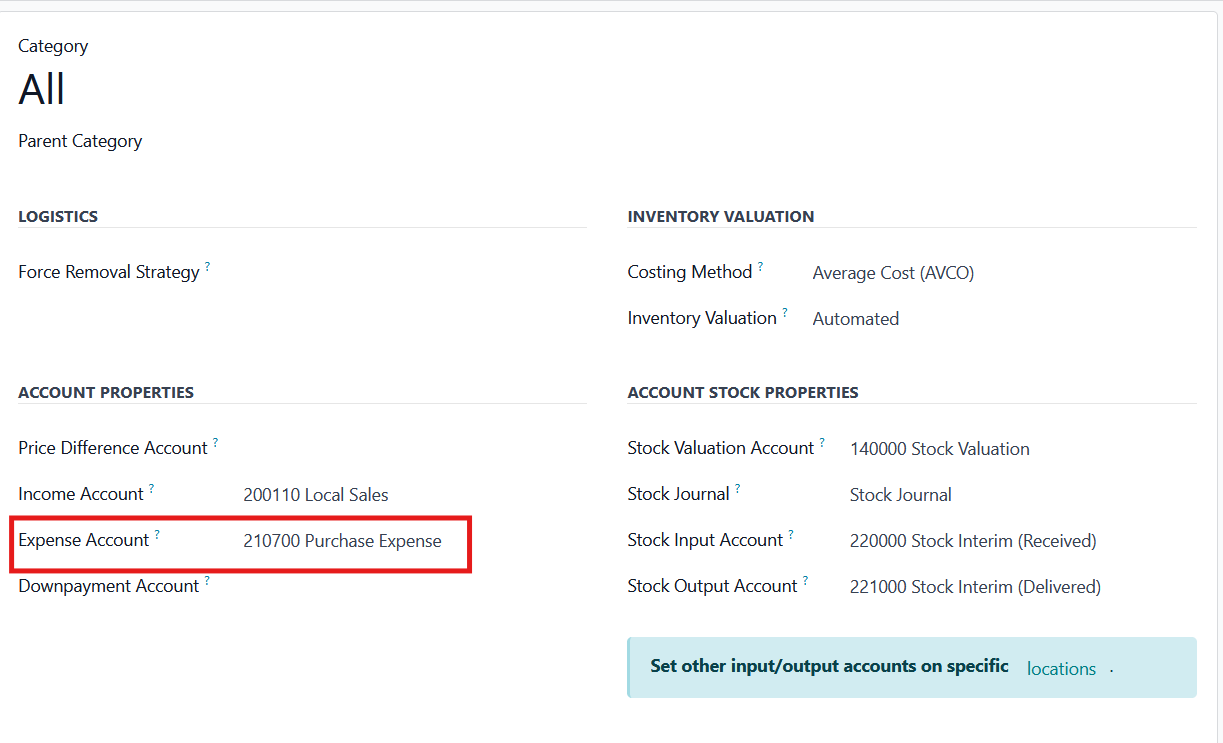
| **Account** | **Type** | **Debit (₹)** | **Credit (₹)** |
| --- | --- | --- | --- |
| Bank (100201) | Bank and Cash |  | 73,500 |
| 100400 Debtors | Receivable | 73,500 |  |
| Total |  | 73,500 | 73,500 |

**Balance Sheet**

| Account | **Type** | **Balance** |
| --- | --- | --- |
| ASSETS = LIABILITIES + EQUITY | | |
| Bank (100201) | Bank and Cash | - 4,46,250  (3,72,750 + 73,500) |
| 100400 Debtors | Receivable | 0 |
| 140000 Stock Valuation | Current Assets | 4,40,000 |
| SGST Receivable (100510) | Assets | 12,375 |
| CGST Receivable (100520) | Assets | 12,375 |
| 221000 Stock Interim (Delivered) | Current Assets | 1,10,000 |
| LIABILITIES | | |
| 220000 Stock Interim (Received) | Current Liabilities | 5,50,000 |
| 112320 SGST Payable | Current Liabilities | 1750 |
| 112330 CGST Payable | Current Liabilities | 1750 |
| Creditors (112110) | Payable | 0 |
| EQUITY | | |
| Unallocated Earnings | Equity | - 4,25,000 |

Use **automated inventory valuation** (real-time valuation)

Set **Expense account = Stock Valuation Account** for the product category



**Expenses:**

Expenses are costs incurred by a business or individual to generate revenue or maintain operations during a specific accounting period.

**Examples:**

* Rent
* Utilities
* Salaries and wages
* Cost of goods sold (COGS)
* Depreciation
* Insurance

**Accounting:** Expenses are typically reported on a company's income statement (or profit and loss statement).

**Assets:**

Assets are resources owned by a business or individual that have economic value and are expected to provide future benefits, such as generating income, reducing costs, or improving operations.

**Examples:**

* Cash
* Inventory
* Property, plant, and equipment (PP&E)
* Investments
* Intellectual property
* Accounts receivable

**Accounting:** Assets are typically reported on a company's balance sheet.