Sale of Goods on Approval or Return Basis

Such goods are treated as sale in the following cases:

1. When the party gives his approval.
2. When he does some act adopting the transaction such as resale of goods.

3When he does not give his approval but holds the goods even after specified time is over.

Journal Entries

A. When goods are casually sent on sale or return basis:

1. When goods are sent

Debtors A\C Dr.
To Sales A\C

2. When goods are rejected or returned

Sales Return A\C Dr.
To Debtors A\C

3. When goods are accepted at invoice price

No Entry

4. When goods are accepted at higher price

Debtors A\C Dr.
To Sales A\C (Difference In Price)

5. When goods are accepted at lower price

Sales A\C Dr.
To Debtors A\C

6. Time is yet to expire but goods are still lying with the costumers at the year-end

i. Sales A\C Dr.
To Debtors A\C

ii. Stock with Customers on Sale or Return A\C Dr.
To Trading A\C (Cost Price)

Note- No entry is passed for the goods returned on a subsequent date.

B. When goods are frequently sent on sale or return basis

In this case no entry for sale is passed at the time when goods are sent. But a sale or return book is maintained in which goods are recorded. *Entry for sale is passed only when goods are accepted and no entry is passed for goods returned.*

Space for important notes: