

Entering a Purchase of Resale Livestock

Enter the purchase as you would enter any asset purchase. Just be sure to include plenty of detail in the transaction so if you later look it up to determine the animals' purchase cost you can be certain you are looking at the right transaction. Here's an example check written for two different groups of feeder calves, with extra lines added to store pertinent details with the transaction:

Write Checks - Checking 1st National

Bank Account: Ending Balance: 137,707.67 To be printed

No. To Print: _____ Date: 10/15/1998

Pay to the Order of: \$ 31,708.16

Thirty-one thousand seven hundred eight and 16/100***** Dollars

Address:

Memo: _____

Expenses: **\$31,708.16** Items: **\$0.00**

Account	Amount	Memo	Customer:Job	Class
Resale Livestock Inventory	17,705.60	44 Blk str@503 lbs Blk steers/yellow tags		
Resale Livestock Inventory	14,002.56	33 BWF str@544 lbs BWF steers/red tags		

This entry increases the balance in the Resale Livestock Inventory account by \$31,708.16.

Entering a Sale of Resale Livestock

There are several things to accomplish when you enter a sale of livestock purchased for resale. As an example, let's assume 20 of the BWF steers are sold—they're the second group listed in the check entry, above. The following two sections show how to (1) look up their purchase cost, then (2) enter income from the sale and transfer the steers' purchase cost to a resale livestock expense account (so it will be included as an expense in income tax reports).

First, look up the purchase cost:

The first thing to do is determine the steers' average per-head purchase cost, which you can do by looking back at the purchase transaction in the Resale Livestock Inventory account:

1. **Open the Chart of Accounts window.**

Choosing Lists|Chart of Accounts is one way to do this.

2. **Click on the Resale Livestock Inventory account, to highlight it.**

3. **With the account highlighted, open the account's Register window.**

Either type Ctrl-R, or click on the Account button at the bottom of the Chart of Accounts window and then click on Use Register in the pop-up menu.

Here is a partial view of the Register window, showing the two transaction lines entered when the cattle were purchased (the check entry shown earlier). The purchase figures for the 33 BWF steers can be used to calculate their average cost: $\$14,002.56 / 33 \text{ head} = \424.32 per head .

Resale Livestock Inventory							How Do I?	-	□	X
Date	Ref	Payee		Decrease	Increase	Balance				
	Type	Account	Memo							
10/15/1998		Central Livestock Auction			17,705.60	17,705.60				
	CHK	Checking 1st National [split]	44 Blk str@503 lbs							
10/15/1998		Central Livestock Auction			14,002.56	31,708.16				
	CHK	Checking 1st National [split]	33 BWF str@544 lbs							

4. **(Optional) Close the Register window.**

You may want to leave it open, to allow referring back to the animals' purchase cost, as you make the other entries.

Second, enter the income and transfer the purchase cost:

Next, enter the income from selling the steers and transfer the purchase cost to an expense account. You may either (1) enter the income first as a cash sale or deposit, then make a General Journal entry to transfer the purchase cost to the expense account, or (2) accomplish both within one deposit entry, as shown here:

Chapter 8 - Special Income, Expense, and Miscellaneous Examples

Received From	From Account	Memo	Chk No.	Pmt Meth.	Class	Amount
Davis Cattle Co.	Sales:Resale Livest	20 BWF strsb bot 10,	8906	Check	Cattle:B	10,080.00
	Resale Livestock In	Transfer to expense				8,486.40
	Cost of Resale Live	Expense purch cost				-8,486.40

Deposit Subtotal 10,080.00

The first line in the detail area of the deposit records the income from selling the 20 steers. The second and third lines accomplish a transfer of the steers' purchase cost (20 head x \$424.32 per head = \$8486.40) from Resale Livestock Inventory to Cost of Resale Livestock. (The steers' inventory value is transferred to an expense account.) Notice that the third line is *negative*, so the second and third lines cancel each other out, and their net effect on the deposit is zero.



Why is the Cost of Resale Livestock amount entered as a negative number?

A positive number in a deposit entry normally records income. To properly record expense in a deposit, a number must be negative.

What if some animals from *both* purchase groups had been sold? The deposit entry would be similar, except that the amount to transfer from Resale Livestock Inventory to the Cost of Resale Livestock account would be based on the number of animals sold from each group, since their purchase costs were different.

What About Death Losses?

When deaths occur in livestock that were purchased for resale, the purchase cost of the dead animals is deductible from income. You need to transfer the appropriate amount of the purchase cost from the Resale Livestock Inventory account to the Cost of Resale Livestock expense account.

The General Journal is one place where you could enter the transfer. But if you are confused by debits and credits a better choice would be to enter death loss in the Register window of the Resale Livestock Inventory account, as the following steps describe: