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INTRODUCTION

1. This chapter outlines the procedures for processing layaways and special orders of merchandise for CANEX customers.

LAYAWAYS

2. The purpose of the CANEX Layaway plan is to provide eligible authorized CANEX patrons with an alternative customer friendly purchase plan that will generate additional sales and profit. At this time, the only CANEX outlet that utilizes the CANEX Layaway plan is located at 5 Wing Goose Bay Merchandise can be placed on layaway for a maximum period of 90 days with an initial minimum down payment of 10% of the merchandise selling price (net of tax). Subsequent to the initial minimum 10% down payment, instalments are permitted at any time during the layaway period.
3. When a customer requests an item for layaway, the layaway particulars, and down payment details shall be recorded in duplicate on a CANEX Layaway Contract locally produced at the CANEX Retail outlet in 5 Wing Goose Bay. The original copy of the Layaway Contract is attached to the Daily Sales Report (DSR) and submitted to the NPPAM as per Chapters 6 (Control of Accountable Documents) and 18 (Cash and other Receipts) and the duplicate copy of the Layaway Contract shall be held in a store layaway file.
4. The layaway item shall be clearly marked with the customer's name and address and placed in a designated layaway section of the outlet until either:
 - a. full payment has been received;
 - b. the transaction has been cancelled by the customer; or
 - c. the merchandise has not been fully paid for within the maximum 90 day period and the transaction is cancelled by the Outlet Manager.
5. The customer shall be given a receipt (Store Management Suite (SMS) Point of Sale (POS) System transaction slip) for the original and subsequent deposits which in turn shall be recorded on the duplicate copy of the Layaway Contract held in the store. The NPPAM shall record subsequent deposits (as reported on DSR's) on the original copy of the Layaway Contract held in the Layaway Deposit file as detailed in para 8 below.
6. Legal ownership of layaway merchandise remains with the store until fully paid for - thus the layaway merchandise shall be included in stocktakings as a normal component of outlet stock (see Chapter 26 Stocktaking).
7. When the final payment is made, the customer shall be given a receipt as noted in para 5 above. A duplicate copy of the POS final payment transaction and the duplicate copy of the Layaway Contract shall be delivered to the cashier and the full amount of the sale plus applicable tax shall be rung into the cash register. (A layaway only becomes a sale when the final payment is made). The duplicate copy of the Layaway Contract shall then be placed in the cash register in support of sales and forwarded to the NPPAM with the DSR.

ACCOUNTING ACTION

8. On receipt of the DSR indicating initial or interim payment on layaways, the NPPAM shall record the transaction in the books of account as a credit to "Unearned Revenue – Layaway Deposits". In addition, the NPPAM shall maintain a subsidiary ledger; recording the initial and/or interim deposits on the original copy of the Layaway Contracts. The original copies of the Layaway Contracts provide the particulars of individual layaways and the total running balances of all outstanding Layaway Contracts' deposits comprise the subsidiary ledger which in turn, balances with the control account "Unearned Revenue – Layaway Deposits".
9. On receipt of the DSR/duplicate copy of the Layaway Contract reflecting the final payment, the NPPAM shall, as part of posting the DSR, debit "Unearned Revenue – Layaway Deposits" account for the balance applicable to that order, credit "sales" for the full amount of the sale, credit applicable taxes payable and debit cash for the difference. For example (assuming a final payment of \$50 on a layaway of \$600 + 13% HST Nfld.) the DSR would reflect the following:

| | |
|---------------------------------|--------------|
| Sales as per cash register | \$ 600 |
| HST payable (13% Nfld.) | 78 |
| Less: Non-Cash items (Layaways) | <u>(678)</u> |
| Plus: Layaway Deposits | <u>50</u> |
| Cash to be accounted for | \$ 50 |

The CRJ (CASREG) would be posted to reflect; credit Sales \$600, credit HST payable \$78, debit cash \$50 and debit Unearned Revenue – Layaway Deposits \$628 (\$ 678 - \$ 50).

NOTE: The final payment shall also be recorded on the original copy of the Layaway Contract/subsidiary ledger to reflect the nil balance outstanding.

CANCELLATION OF AGREEMENT

NO FAULT CUSTOMER - REFUND OF DOWN PAYMENT

10. In circumstances where the Layaway Contract must be cancelled through no fault of the customer (for due cause), such as non-availability of merchandise or other mitigating circumstances deemed acceptable by the outlet manager, including but not limited to: relocation, or job loss, the down payment and any subsequent payments shall be refunded to the customer.
11. The outlet manager shall:
 - a. Remove the duplicate copy of the Layaway Contract from the store Layaway file;
 - b. process the cancellation through the POS, circling the deposit refund amount on the transaction receipt;
 - c. attach the POS transaction receipt to the duplicate copy of the Layaway Contract and forward it to the NPPAM with the DSR; and
 - d. place a photocopy of the POS transaction receipt and the Layaway Contract, along with the deposit refund amount, in an envelope and give them to the Outlet Manager who will hold it in the store safe pending pick-up by the customer;
 - e. return the merchandise to the selling floor; and
 - f. upon refund to the customer, obtain a signature from the customer on the layaway contract for the refund amount received.
12. The offsetting entry reflected on the DSR for the credit to cash for the returned layaway deposit is a debit to Unearned Revenue – Layaway Deposits.

NOTE: The refund(s) shall also be recorded on the original copy of the Layaway Contract/subsidiary ledger to reflect the nil balance outstanding.

CUSTOMER DEFAULT - FORFEITURE OF DOWN PAYMENT

13. The outlet manager shall review the layaway files at a minimum on a monthly basis and make every reasonable effort to encourage customers to finalize the purchase of layaway items. If after 90 days, every reasonable effort has been made and a customer has clearly broken the agreement without due cause, the outlet manager shall:
 - a. remove the duplicate copy of the Layaway Contract from the store Layaway file and annotate it "Forfeited Layaway";
 - b. process the cancellation through the POS, circling the deposit refund amount on the transaction receipt;
 - c. attach the POS transaction receipt to the duplicate copy of the Forfeited Layaway Contract and forward it to the NPPAM with the DSR; and
 - d. return the merchandise to the selling floor.
14. On receipt of the DSR/duplicate copy of the Forfeited Layaway, the NPPAM shall, as part of posting the DSR, debit "Unearned Revenue – Layaway Deposits" (balance in account) and credit miscellaneous revenue

NOTE: The forfeiture(s) shall also be recorded on the original copy of the Layaway Contract/subsidiary ledger to reflect the nil balance outstanding.

BALANCING OF LAYAWAY CONTRACTS TO THE GENERAL LEDGER

15. The NPPAM shall ensure that the General Ledger account; "Unearned Revenue – Layaway Deposits" and the subsidiary ledger (i.e. the running balance of the original copies of the outstanding Layaway Contracts) are in balance at each month-end. Additionally, these records are to be compared on a regular basis (minimum semi-annually) to the duplicate copies of Layaway Contracts maintained by the Outlet Manager.

CANEX SPECIAL ORDERS

16. The purpose of the CANEX Special Order plan is to provide eligible authorized CANEX patrons with an alternative purchase plan to meet their unique merchandise needs and generate additional sales and profit. A Special Order denotes an order for an item that is not normally carried at the CANEX Outlet - it does not apply to a basic item that is out of stock.
17. CANEX Special Orders are processed as a normal sale. The customer should pay the full retail price of the product being ordered using cash, cheque, debit or credit card, CANEX Gift Certificate, Club Xtra Gift certificate or CANEX Credit Plan or any combination thereof. The sale is processed in Store Management Suite (SMS) as per normal and recorded as a department sale in the DSR.
18. If an invoice for the product ordered is not received by month end, the product's cost value must be reported on a Purchased Not Invoiced (PNI) form as detailed in Chapter 7 of the CANEX Cost Accounting and Perpetual Inventory Reference Manual and submitted to the NPPAM at month-end.

ACCOUNTING ACTION

19. A special order sale will be recorded in the DSR in the same manner as any normal sale - there is no requirement for any special accounting treatment.