

Selling and Acquiring Shares in Stock Items

Artlook enables both the sale and acquisition of shares in an individual stock item. This guide describes the following transaction types:

(a) Where you are the original acquirer of the item:

- Sale of percentage shares in the original purchase cost of an item acquired by you, to one or more third parties
- The return (for refund or crediting) of a share acquired from you by a third party
- Sale of percentage shares in additional expenditure on a shared stock item as incurred by you
- Generation of share statements on disposal of an item
- Procedures for handling the sale by a third party sharer of a stock item originally acquired by you

(b) Where you are acquiring a share from a third party

- Purchasing a share in a stock item acquired by a third party
- Returning a previously purchased share in a stock item acquired by a third party
- Selling a shared stock item where you were not the original acquirer

In all cases the Artlook functionality has been designed to follow the rules set out in the Customs and Excise notes relating to margin scheme sales where ownership is shared.

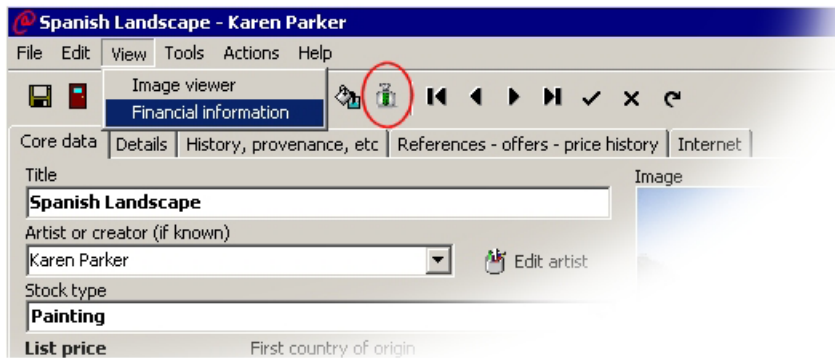
1. Where you are the original acquirer of the item:

Artlook will enable you to sell shares in any item which you have previously purchased, the date of the original acquisition being irrelevant to any subsequent share sales. Since any share sale will be expressed as a percentage of the original acquisition cost it is, not surprisingly, impossible to sell shares in items which are on your system as consigned in or noted. The list price of the item in which you wish to sell shares is also irrelevant and can be set to zero or any other value if necessary.

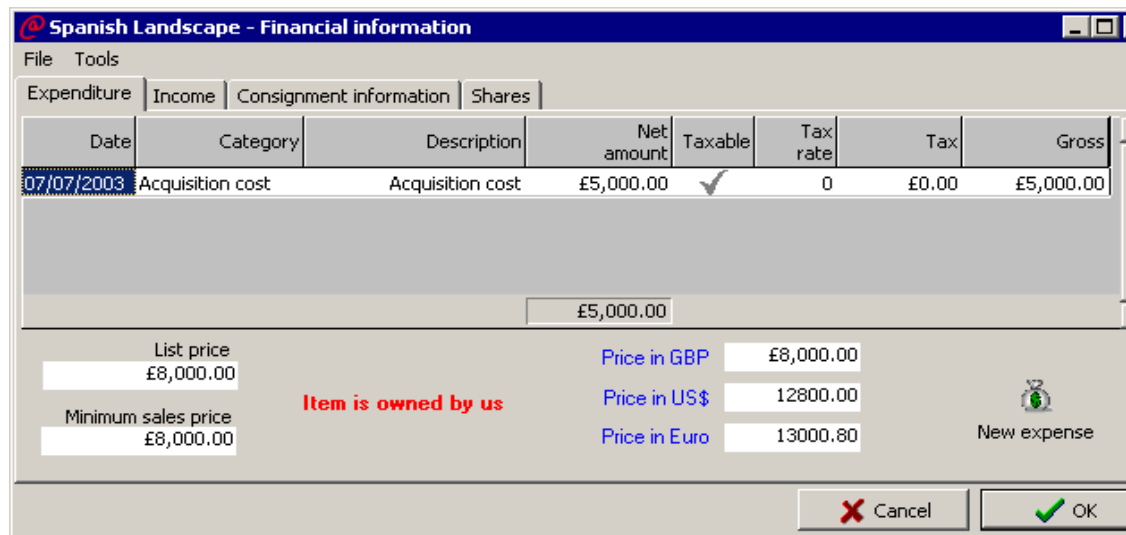
The following steps are based on the sale of a 25% share in an item which was previously purchased by you and has been set up on Artlook accordingly.

a) Locate the stock item in question and double click to open the details

All work relating to shares is done in the Financial Information section. Choose View | Financial Information or click the shortcut icon



The screen should look like this:



In this case the item shows an acquisition cost of £5,000 and a (proposed) sales price of £8,000. You may of course have already recorded additional expenses (restoration, framing etc.) against the item and these would also be displayed on this Financial Information (Expenditure) screen. Please be aware that these additional costs are taken into account for the initial calculation of a sharer's expenses.

Click on the Shares tab to start the process of selling a share in this item and then click



This brings up the relevant fields which must now be completed.

Start by selecting the party to whom you are selling the share. Click on the drop down and start typing the name – the more you type the nearer you will get to the required entry. Please note that it is critical that the party you choose has a primary address – if they do not, Artlook will reject the

transaction when you come to click Sell.

Now enter the **percentage** of the share either manually or using the up/down arrows. When it comes to displaying this percentage on invoices and share statements Artlook will replace percentages with fractions where appropriate. Thus 25% will be displayed as “one quarter”, 50% as “one half” and so on. Please note that any decimal points used with percentages will calculate the automated charge correctly but will display the nearest appropriate fraction wording. This is only of relevance when calculating a one third share. In this circumstance you should enter the percentage as 33.33.

The **charge** is automatically calculated for you based on the original purchase cost and any extra expenses you have entered prior to the sale of the share. You can accept this calculation or enter any other value as relevant. If you want to show your sharer distinct transactions for both the principal acquisition and any extra costs but have already entered those costs as expenses against the item you should adjust the “charge” to represent the desired charge against the principal only and then do a second share sale to cover the share of the extra item. This is described in more detail later in this document.

The **date** represents the tax point date of the invoice you will be raising in respect of this share sale.

The **note** can be used to record additional information regarding the share sale. However, Artlook invoices and share statements are formatted so as to make any additional information regarding the original share sale (as opposed to the subsequent sale of shares in extra expenses incurred) unnecessary and you are advised to leave the notes section blank in the majority of circumstances.

The red “Sell” button will be enabled once you have completed the Sell To, Percentage, Charge and Date boxes. Click Cancel at this stage if you do not want to proceed, otherwise click Sell. Artlook will ask you whether you wish to raise an invoice at this stage. If you choose Yes an invoice will automatically be generated. If you choose No, no paperwork is generated. You can however issue (or reprint) the invoice at any time from the Accounts | Invoices and Receipts section.

The invoice as issued will be based on the following. (This is a basic format - invoices can of course be customised to suit your current layouts).

As will be seen Artlook has expressed the 25% share as “one quarter”. The invoice also contains the required Customs and Excise wording for share invoices issued under the scheme.

Invoice No. 17654

Sales/Tax Point Date: July 7, 2003

Our transaction no: 584

**Thamside Pictures
1 Embankment Road
Summerstown
Cornwall
TR1 4EW**

To supply of the following items:

Gross

Karen PARKER

Spanish Landscape 1998
Oil on canvas
23 x 26½ ins (58.42 x 67.31 cms)
Signed and dated "K Parker"

Stock No. 316

Your one quarter share of original purchase

£1,250.00

Amount now due

£1,250.00

Please make cheques payable to: The Artlook Gallery

This payment is your contribution towards the purchase of the above article. I shall be accounting for the full amount of VAT due under the scheme when it is sold.

Signed:

On behalf of: The Artlook Gallery

Once an item has been shared a message to this effect is displayed on the Details tab of the stock record. Additionally a new menu option is enabled when you right click the item. Choosing "Sharing" from the list will give a number of options. Processing a share and selling a shared item to a partner are covered elsewhere in this document, but of immediate relevance is the "Sharing List" option which will display all items on the system which are, or have been, shared and their current status.



Tip

Although not a pre-requisite for working with shares it is very useful to be able to see at a glance all items in which others own a share.

This can easily be achieved by creating an Inventory view as follows.

Whilst viewing your inventory click on View | Create View from the menu. Complete the new view creation form entering the selection line as follows – use the drop down lists to make your choice and click “Add” to transfer your choice to the criteria list below:

| | Category | Item | Condition | Value |
|---|---------------------|----------------|-----------|-------|
| 1 | Item details – more | Special Status | equals | 1 |

When you have done this the screen should be as below:

Inventory views

Criteria

ADD SELECTION CRITERIA AND THEN HIT RUN TO CREATE THE VIEW

Category: Item details - more Item: Special Status + Add Click ADD to add the criteria to the list below

Condition: equals Value: 1

Condition type: And Or

View name: none Date last modified: none

Information: Run query when making:

Criteria list

| Category | Data item | Condition | Operator |
|---------------------|----------------|-----------|----------|
| Item details - more | Special Status | = 1 | AND |

Buttons: Delete, Clear, Make, Save, Close

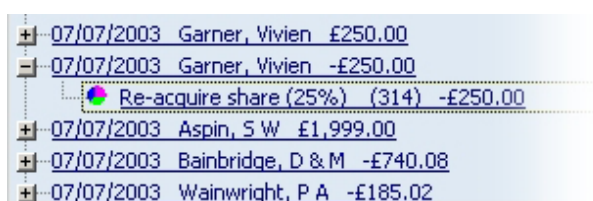
Click MAKE to make the new view

Click the green “Make” button and then click “Save” and give your new view a name such as “Shared Stock Items”. Clicking on this view at any time will display only those stock items which are shared and you can use the main filter at the top of screen (Available, Sold etc.) to show shared items according to status.

(b) Returning/Crediting a share previously sold

If circumstances arise where it is necessary to return a share previously issued to a third party, go into the Financial Information | Shares section of the stock item as described previously. Locate the sharer in question, right click and choose “Re-acquire share from shareholder”. The sharer is removed from the list. Click the green OK button.

It is important to note that no paperwork is generated automatically for you at this point. It will of course be necessary to raise a credit note against the original share sale. To do this go to Accounts section of Artlook and choose “Invoices and receipts”. The credit transaction for the sharer will be in the “Unissued” invoice list (the last entry if you are sorted by date of transaction) and will appear as a minus value. Always click the plus sign to the left of the name to reveal the details of the transaction. The entry you should see will be similar to this:



| | | | |
|---|------------|------------------------------|-----------|
| + | 07/07/2003 | Garner, Vivien | £250.00 |
| - | 07/07/2003 | Garner, Vivien | -£250.00 |
| | | Re-acquire share (25%) (314) | -£250.00 |
| + | 07/07/2003 | Aspin, S W | £1,999.00 |
| + | 07/07/2003 | Bainbridge, D & M | -£740.08 |
| + | 07/07/2003 | Wainwright, P A | -£185.02 |

Right click on the transaction and choose Issue | Credit Note. The standard Artlook credit note will detect that this is the return of a share and issue a credit note based on the following format (this can of course be customised to suit your own layout):

CREDIT NOTE/INVOICE REVERSAL

Ref: C156434

July 7, 2003

Mrs Vivien Garner
1 Meadow Way
Ambridge
GU6 1BR

Gross

Credit/reversal against our original invoice:

Invoice number: 156434
Invoice date: **07/07/2003**

Item details:

David TAYLOR
Still Life

Stock No. 314

Re-acquire share (25%) to the value of: £250.00

Total credit £250.00

(c) Charging sharers for additional costs incurred

As well as the original purchase cost of a stock item you may well incur additional charges against that item before it is sold. Parties who have previously bought into the original purchase cost will be expected to contribute to these additional expenses in proportion to their share.

To make such an additional charge go to the Financial Information | Shares section of the stock item. Each sharer is displayed together with their percentage. Right click on a sharer and choose "Make additional charge for share". The following box is displayed:

Enter the amount of the charge (based on their percentage share or not as required). You can optionally also enter details in the “Reason for charge” box. Unlike the similar Notes option available when you first sell the share we strongly recommend that you enter details here since they will be surfaced on both the invoice which will be raised

for the additional charge and on the ultimate share statement. The details you enter will be incorporated within the wording of invoices and statements. Artlook will automatically preface any entry with the words “Your x% share of original purchase cost of”. Bear this in mind when entering details. For instance, if you entered (case is important) “Cost of framing” this would appear on the paperwork as “Your x% share of original purchase cost of Cost of framing”. In this case “framing” or “framing of the above item” would be more correct. You may enter up to 50 characters.

Once completed, click OK and Artlook will adopt the same procedure as described above with regard to the issuing of the invoice.

(d) Settling with partners once you have sold the item

In circumstances where you are the original acquirer of the item and you make the eventual sale you must generate a share statement for each of your partners.

To do this, sell the item in the normal way. Although no paperwork is automatically generated in respect of the sharers the system will calculate and store the details of their proceeds based on the ultimate sales value – net of your margin scheme VAT liability.

To generate the statements open the details of the sold stock item and go to the Financial Information | Shares section. Right click on a sharer. The only option now available is “Share statement”. Choose this and Artlook will generate a statement based on the following format:

Share Statement

July 7, 2003

To:

Thameside Pictures
1 Embankment Road
Summerstown
Cornwall
TR1 4EW

Karen PARKER

Spanish Landscape 1998

Oil on canvas
23 x 26 1/4 ins (58.42 x 67.31 cms)
Signed and dated "K Parker"
Stock No. 316

The above item in which you own a share was sold by us on **July 7, 2003** and realised a net sales value of **£7,127.66**. Your transactions relating to the above item are as follows:

| Transaction Date | Details | Value |
|------------------|---|------------------|
| May 3, 2003 | One quarter share of original purchase | £1,250.00 |
| May 20, 2003 | One quarter share of original purchase cost of framing of the above item | £75.00 |
| July 7, 2003 | One quarter share of sale proceeds * | £1,781.92 |

*This payment is your share of the proceeds of the sale. I am accounting for the full amount of VAT due on the sale under the scheme.

Signed:

On behalf of: The Artlook Gallery

Once the share statement has been issued you will also see a corresponding entry in the Accounts | Invoices section under the name of the sharer. The detail of the transaction will appear thus:

| | | |
|------------|----------------------|------------|
| 07/07/2003 | Thameside Pictures | -£1,781.92 |
| | Share proceeds (316) | -£1,781.92 |

(e) Seeing more detailed information about shares

All financial transactions for an item are recorded within the Financial Transactions area of the stock details. On the Income tab you will see all transactions relating to shares (you may have to use the slider to see all entries) as well as the income derived from the sale of the item itself.

Within the Income list you will see various Ownership Descriptions. These are as follows:

| | |
|---------------------|--|
| Stock share x% | - income derived from the original sale of a percentage share in the item |
| Stock share charge | - income derived from an additional charge (such as framing) made to a sharer |
| Share proceeds | - (always shown as a negative amount) the proceeds owing to a sharer once the item is sold |
| Re-acquire share x% | - (always shown as a negative amount) the proceeds owing to a sharer when their share has been returned to them. |

The screenshot shows a software window titled "Spanish Landscape - Financial information". It has a menu bar with "File" and "Tools". Below the menu bar are tabs for "Expenditure", "Income", "Consignment information", and "Shares". The "Income" tab is selected, displaying a table with the following data:

| Date | Category | Description | Net | Taxable | Tax | Gross |
|------------|-----------|--------------------|------------|---------|---------|------------|
| 07/07/2003 | Ownership | Stock share charge | £75.00 | | £0.00 | £75.00 |
| 07/07/2003 | Item sale | Spanish Landscape | £7,127.66 | ✓ | £372.34 | £7,500.00 |
| 07/07/2003 | Ownership | Share proceeds | -£1,781.92 | | £0.00 | -£1,781.92 |
| | | | £6,213.83 | | | |

Below the table, there is a summary section:

| | | | | | |
|------------|------------|------------------|-----------|---------------|-----------|
| Sold by: | charlie | Net (item only): | £7,127.66 | Margin (all): | £1,213.83 |
| Sale date: | 07/07/2003 | Tax: | £372.34 | | (51.65%) |
| | | Gross: | £7,500.00 | Discount: | £500.00 |

At the bottom left, it says "Customer: Adams, V_P". At the bottom right, there is a "New charge" button with a coin icon. At the very bottom, there are "Cancel" and "OK" buttons.

As well as information contained within the stock record you can also view all transactions within the Stock Ledger.

Select Accounts from the shortcut menu on the left of the screen and then Ledgers. Click on the drop down arrow and start typing the title of the item in question (the more you type the nearer you get to your selection).

The following screen shot is the Chart of Accounts for a stock item called Spanish Landscape. The item was:

- supplied by Artlook Fine Art Dealers for £5,000;

- jointly owned with Thameside Pictures and The Old House Gallery both of whom purchased a 25% share in the piece for £1,250 and who subsequently were each charged £75 as their contribution towards extra expenses;
- sold to Adams, V & P for £7,500 (gross)
- Proceeds were issued to Thameside Pictures and The Old House Gallery based on 25% of the net value of the sale.
- A margin tax charge (for which the original acquirer/seller is solely liable) of £372.34 resulted.

| Stock item | | 316 Painting Parker, Karen | |
|---|---|----------------------------------|------------------|
| Account | Activity | CR | DR |
| Stock: 316 - Spanish Landscape | | | |
| | 07/07/2003 Purchased | | £5,000.00 |
| | 07/07/2003 Partnership share - Thameside Pictures (25%) | £1,250.00 | |
| | 07/07/2003 Partnership share - The Old House Gallery (25%) | £1,250.00 | |
| | 07/07/2003 Partnership share - The Old House Gallery (25%) | £75.00 | |
| | 07/07/2003 Partnership share - Thameside Pictures (25%) | £75.00 | |
| | 07/07/2003 Sold | £7,127.66 | |
| | 07/07/2003 Share proceeds due to partner - The Old House Gallery | | £1,781.92 |
| | 07/07/2003 Share proceeds due to partner - Thameside Pictures | | £1,781.92 |
| | | £1,213.82 | |
| | 07/07/2003 Partnership share - The Old House Gallery (25%) | £75.00 | |
| | 07/07/2003 Partnership share - Thameside Pictures (25%) | £75.00 | |
| | 07/07/2003 Sold | £7,127.66 | |
| | 07/07/2003 Share proceeds due to partner - The Old House Gallery | | £1,781.92 |
| | 07/07/2003 Share proceeds due to partner - Thameside Pictures | | £1,781.92 |
| | | £1,213.82 | |
| Supplier: Artlook Fine Art Dealers | | | |
| | 07/07/2003 Supplied "Spanish Landscape" | £5,000.00 | |
| | | £5,000.00 | |
| Customer: Adams, V & P | | | |
| | 07/07/2003 Purchased "Spanish Landscape" | | £7,500.00 |
| | | | £7,500.00 |
| Partner: The Old House Gallery | | | |
| | 07/07/2003 Purchased SHARE (25%) | | £1,250.00 |
| | 07/07/2003 Purchased SHARE (25%) | | £75.00 |
| | 07/07/2003 Share proceeds TO partner | £1,781.92 | |
| | | £456.92 | |
| Partner: Thameside Pictures | | | |
| | 07/07/2003 Purchased SHARE (25%) | | £1,250.00 |
| | 07/07/2003 Purchased SHARE (25%) | | £75.00 |
| | 07/07/2003 Share proceeds TO partner | £1,781.92 | |
| | | £456.92 | |
| Ledger: Tax | | | |
| | 07/07/2003 Tax on acquisition - "Spanish Landscape" (Margin scheme) | | £0.00 |
| | 07/07/2003 Tax on sale - "Spanish Landscape" (Margin scheme) | £372.34 | |
| | | £372.34 | |

This same information can, of course, also be viewed through the Income and Expenditure tab and the Audit Trail tab.

Finally a “Joint Ownership Report” is available which will show all sharers and their detailed transactions for a stock item prior to its sale.

2. Transferring the stock item when one of your partners makes the sale

The details of this guide so far assume that you are the original acquirer of the item and you undertake the eventual sale to the customer.

In circumstances where one of your sharing partners make the sale Artlook requires that you “sell” the item to the sharer in question for the agreed sales price which that sharer has achieved.

To do this, right click on the stock item and choose Sharing | Sell to partner. If there is more than one partner they will be listed – click to place a check mark against the partner who is making the sale. You will now be taken to a standard sales transaction screen with your partner’s details already filled in as the acquirer. You must remember to enter the correct agreed price at which your partner is selling the item.

From this point onwards the process is entirely as before. Share Statements must be raised by you for the original sharers (including the one who made the sale). You retain all margin tax liability and it is critical that the partner making the sale enters the item in their stock book clearly showing that it is a VAT exempt transaction (Artlook automates this process as will be seen below). In this way the partner making the sale has no VAT liability and can pass all proceeds back to you enabling you to settle the margin liability arising from the acquisition.

3. Acquiring a share in an item from a third party

The process of buying a share in an item must be entered through Artlook. The result will be a “Noted” item but one with special features specifically relating to the sharing process. The amount of information you record about the item is up to you but it should be remembered that if you become the seller of an item in which you own a share and were not the original acquirer you may wish to have detailed information in support of the sales invoice to the customer. An item so created cannot simply be deleted once set up – if it is to be removed for whatever reason you must use the Right Click | Sharing options.

To acquire a share from a third party you should proceed as follows:

- a. Choose “Inventory or Stock Wizard” or “New Item” from the right click menu on any stock item.
- b. Choose “Acquiring an item in an another way” and then choose “Acquiring a share” from the menu which appears below. Click next.
- c. Complete the basic item details in the first half of the next page, being sure to enter as “Supplier” the organisation from which you are acquiring the share.
- d. Enter a value in the field labelled “Price pad by owner”. If you know how much the owner of the item paid for it you can enter the actual value here, but because you often will not know this information any value greater than 1 can be entered here. In the “Published List Price” enter the price for which the item is being offered by the original acquirer. Again, if you do not know what the price will be you can leave this field set to any value greater than or equal to 0.
- e. When you have entered the basic details the Next button will be enabled. Click it to proceed to the next screen. With one exception, all of the information on this screen can be added to the stock record now or at any time in the future. The only elements which must be completed now are the Share Details.

Start by entering the percentage value of your share (remember to enter 33.33 if your share is a third). The “Price being paid” value will automatically change based on the original purchase price you entered on the previous screen. Do not worry if this is a wrong – once you have recorded the Percentage simply overwrite the value in the “Price being paid” field to reflect the price you are being charged.

Click Finish to complete the setting up of the item.

Artlook will mark the new shared item as “Not for Sale” and as such you will only be able to see it you have a “blank” filter on your Inventory view or you have chosen to display “Not for sale” items by default. If you wish the item to be normally visibly edit the stock details and remove the check mark against “Not for sale” on the Details screen



Once entered the stock item will appear thus. Note the multi-coloured share symbol.

Under Accounts | Purchase Orders Artlook will create a Purchase Order for the share which can be used if required. Locate the entry for the partner from which you are acquiring the share, right click and choose Standard Purchase Order.

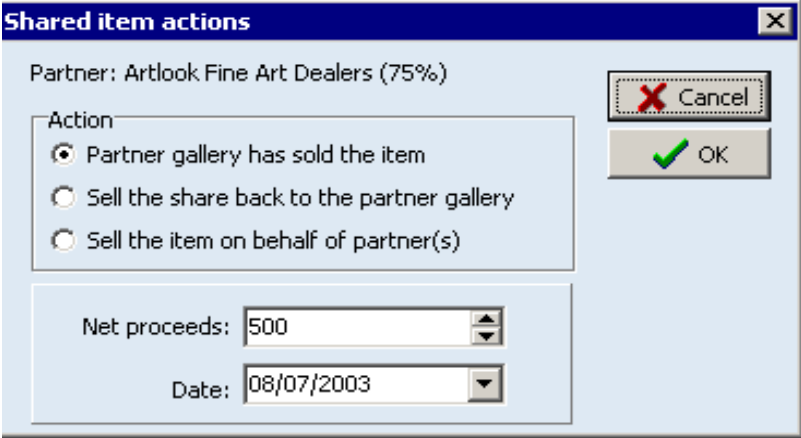
4. Processing an item in which you own a share but were not the original acquirer

Once you have created the item in which you own a share there are three options available to you all accessed by right clicking on the item and choosing Sharing | Process Share

You can:

- close the stock item on your system once a partner gallery has completed the sale
- return your share to the gallery from which it was acquired
- sell the item yourself

The options are available from the following menu:



(a) Partner gallery has sold the item

Choose this item and click OK if the partner gallery (in this case Artlook Fine Art Dealers) has informed you that they have sold the item and proceeds are now due to you. The net proceeds as shown are calculated on your percentage share of the piece and the list price which you entered when setting up the share. This list price may well not be the final selling price achieved by the selling partner and it should be adjusted to match the exact figure on the statement you have received from your partner.

Click OK and Artlook will display the message "Sharing Accounts Updated".

The stock item in question is now marked as “Sold” on your system. Locate the item and double click to view the details. On the Details tab you will see:

*** Ownership was shared *** SHARE REALISED

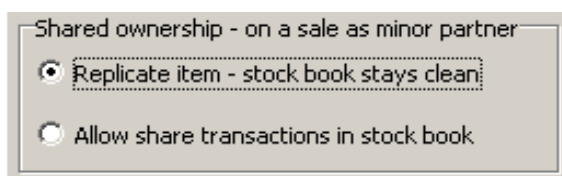
On the Financial Information screens you will see under Income your proceeds arising from the sale. Under

Expenditure you will see the price you originally paid for the share, and under Shares you will see the organisation from whom you purchased the share.

Artlook does not automatically generate an invoice to your partner covering your proceeds from the sale but this can be printed by going to the Accounts | Invoices | Unissued section. You will find an entry for your partner – click the plus sign to expand the record and you will see “Share Proceeds”. Right click this and choose Issue Invoice to generate the paperwork.

Important note:

Artlook offers a further option for how the proceeds from sales of items in which you own a share are expressed on your system. Go to Tools | Preferences | Tax & Payments and make your selection from the box thus:



Shared ownership - on a sale as minor partner

Replicate item - stock book stays clean

Allow share transactions in stock book

The default is to “Replicate” the stock item maintaining a “clean” stock book.

(b) Selling back your share

Circumstances may arise where you wish to return your share in an item to the partner from which it was acquired. Choose this option and the following screen is displayed:



Click Yes to confirm your action. Artlook displays a message telling that the shareholding has been cancelled. The item itself remains on your system but is now Noted. The Financial Information screens display the payment and subsequent credit for the share under Expenditure and the refunded share value under Income.

Artlook creates a share disposal invoice which can be accessed under Accounts | Invoices and the name of your partner.

(c) Selling a shared item

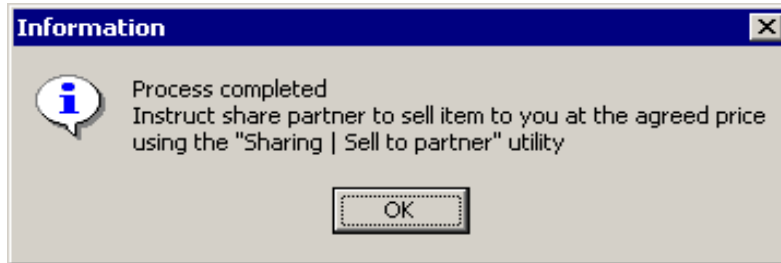
The final option for an item in which you own a share covers the circumstances where you sell the item on behalf of your partner(s).

To process this transaction Artlook assumes that you will be purchasing the item from the party from whom you have purchased a share originally at the full price which you will be realising from the sale to your customer.

Select this option and on the first screen enter the price you are selling the item at together with the relevant transaction date.

Artlook will now take you into a standard sales processing screen where the actual sales price is as you entered it in the previous step. Enter your customer's details in the normal way.

Once the process is complete Artlook will display the following message:



Your sharing partner should now be instructed to invoice you for the item at the final sales price. Your margin on the sale will be zero therefore attracting no VAT liability. Your sharing partner retains a margin liability on the sale and is solely responsible for this. Your sharing partner will use the proceeds from the sale to settle with all partners (including yourself).