


Accounting II - Simplified for You

Merchandise Accounting
Freight - Free on Board (FOB)
FOB Destination / FOB Shipping Point



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Freight

Free on Board (FOB)

FOB Shipping Point – buyer pays for freight

FOB Destination – seller pays for freight




Buyer – FOB Shipping Point

Buyer purchases inventory for \$1,000. FOB Shipping point. Freight cost is \$75.

Freight cost is added to merchandise inventory

Journal

Date	Account Description	Debit	Credit
15-Aug	Merchandise Inventory	1,075	
	Cash		1,075
	record purchase FOB Shipping point		

Buyer – FOB Destination

Seller is responsible for freight. Freight costs are expensed by the seller.

Journal

Date	Account Description	Debit	Credit
15-Aug	Merchandise Inventory	1,000	
	Cash		1,000
	record purchase FOB destination		

Seller – FOB Shipping Point

Sold merchandise for \$1,500, cost \$1,000. Freight to deliver \$150. Terms – FOB Shipping point. Shipping cost added to buyer's invoice.

Journal			
Date	Account Description	Debit	Credit
15-Aug	Accounts Receivable, XYZ, Inc.	1,650	
	Cash		150
	Sales Revenues		1,500
	Record sales on account, terms 3/10, n/30		
15-Aug	Cost of Goods Sold	1,000	
	Merchandise Inventory		1,000
	Record inventory reduction using perpetual inventory		

Seller – FOB Destination

Sold merchandise for \$1,500, cost \$1,000. Freight to deliver \$150. Terms – FOB Destination. Seller is responsible for shipping cost.

Journal			
Date	Account Description	Debit	Credit
15-Aug	Accounts Receivable, XYZ, Inc.	1,500	
	Sales Revenues		1,500
	Record sales on account, terms 3/10, n/30		
15-Aug	Cost of Goods Sold	1,000	
	Merchandise Inventory		1,000
	Record inventory reduction using perpetual inventory		
15-Aug	Delivery Expense	150	
	Accounts Payable		150

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K Keep
E Educating
Y Yourself



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