



Accounting II - Simplified for You

Merchandise Accounting

Sales Related Transactions
Sales Discounts, Sales Returns & Allowances
Credit Memo




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Selling

for Business Owners
Perpetual Inventory





Recording Cash Sales

Quantity Description Unit Price Amount

10	ABC Store credit	\$150.00	\$1,500.00
Subtotal		\$1,500.00	
Grand Total		\$1,500.00	

Date	Account Description	Debit	Credit
15-Aug	Cash	1,500	
	Sales Revenues		1,500
	Record sales		
15-Aug	Cost of Goods Sold	1,000	
	Merchandise Inventory		1,000
	Record inventory reduction using perpetual inventory		

Sales on Account

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		

Sales Discount

Credit Terms: 3/15, n/30

Based on \$1,500 sale, customer discount =

$1,500 \times 3\% = \$45$

Sales Discount – appears in the Income Statement as an offset against Sales Revenues

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Payment receipt with discount

Journal

Date	Account Description	Debit	Credit
30-Aug	Cash	1,455	
	Sales Discount	45	
	Accounts Receivable, XYZ, Inc.		1,500
	Recording of payment receipt with discount		

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Sales Returns & Allowances

Journal

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

1 unit returned by customer (Credit Memo)

Journal

Date	Account Description	Debit	Credit
20-Aug	Sales Returns & Allowances	150	
	Accounts Receivable, XYZ, Inc.		150
	customer returned 1 unit previously purchased		
20-Aug	Merchandise Inventory	100	
	Cost of Goods Sold		100

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KEEP Educating Yourself

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