


Accounting II - Simplified for You

Merchandise Accounting

Inventory System & Purchasing related transactions

Purchase & Cash Discounts, Debit Memo



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Inventory System

- Perpetual – purchases, sales, returns and all inventory count activities are updated continuously (preferred – REAL time count)
- Periodic – inventory on hand is updated through a physical count of inventory at the end of period.

Purchasing
for Business Owners




Merchandise Purchase

Journal			
Date	Account Description	Debit	Credit
1-Aug	Merchandise Inventory	3,500	
	Cash		3,500
Purchased merchandise and paid for it in cash			

Journal			
Date	Account Description	Debit	Credit
3-Aug	Merchandise Inventory	6,500	
	Accounts Payable, ABC Supplies Inc.		6,500
Purchased merchandise on account terms, 2/10, n/30			

Sample Buyer Invoice



SELLER
ABC Supplies, Inc.
567 First Street
Cherryville, WA 12345
(888) 555-0000
(888) 555-0000

BUYER/PURCHASER
Super Widgets
1000 Main Street
Columbus, OH 43210
(606) 555-0000
(606) 555-0000

SALESPERSON
Kim Abernethy
PO NUMBER
123
DATE
11/1/2012
PACKAGES
1
SHIPPED
USPS

TERMS
2/10, N/30
FOR/INCOTERM
Freight prepaid
DESCRIPTION
Destination

QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
10	Wall Drifters	\$100.00	\$1,000.00
20	Desk, floor mount	\$275.00	\$5,500.00
Subtotal			\$6,500.00
Grand Total			\$6,500.00

Credit Terms

Cash /purchase discounts are offered by suppliers to buyers to encourage early payment from customers
2/10 means 2% discount if paid within 10 days

Journal			
Date	Account Description	Debit	Credit
11-Aug	Accounts Payable	6,500	
	Cash		6,370
	Merchandise Inventory		130
When buyer pays at a discount			

Discount not taken

When payment is made past the discount date, see entry below.

Journal			
Date	Account Description	Debit	Credit
31-Aug	Accounts Payable	6,500	
	Cash		6,500

Purchase Returns

Debit Memo = buyer returns portion of merchandise purchased

Journal			
Date	Account Description	Debit	Credit
31-Aug	Accounts Payable	200	
	Merchandise Inventory		200
When buyer returns portion of purchase			

Accounts payable reduced by amount returned

