**Prompt payment discounts allowed (PDD)**

It is uncertain at the point when a sales invoice is raised whether a prompt payment discount (PPD) will be taken by the customer.

Therefore, the most appropriate approach to take is to raise the sales invoice for the full amount, assuming that the PPD will not be taken.

The **full invoice amount**is recorded in the sales day book.

The next steps depend on whether the customer pays early and takes the prompt payment discount.

|  |  |
| --- | --- |
| **If PPD NOT taken** | **If PPD is taken** |
| The correct amounts are included in the accounting records, so no adjustment is needed. | Incorrect full invoice amounts are included in the accounting records, so a **credit note** is raised for the discount allowed **and** VAT.  The credit note is recorded in the **discounts allowed day book**, which is entered in the general ledger as:  Debit Discounts allowed **Net amount**  Debit VAT control account **VAT amount**  Credit Receivables ledger control account  (RLCA) **Total amount**    The receivables ledger will also be updated with a credit entry for the **total amount** of the credit note to replicate the entry in the general ledger. |
| Funds received are recorded in the cash receipts book. | Funds received are recorded in the cash receipts book. |