**Illustration**

* + - 1. Graze Ltd normally offer 30 days’ credit, but if Mr. Grass settles his account within 14 days, Graze Ltd allows him a further 5% discount. In order to receive this discount, Mr. Grass has to meet the condition of paying early.
      2. The invoice is shown below:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| INVOICE  **GRAZE LTD**  53 Cannon Way Worthing BN14 2JU   |  |  |  |  | | --- | --- | --- | --- | | **To:** | Mr Grass  72 Green Way Southampton SO19 3BD | **Invoice Number:** | 303 | | **Customer Reference:** | GG01 | | **Invoice Date:**  **VAT Registration Number:** | 5 June  891 2362 88 |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Product code | Description | Quantity | Unit £ | Tax Rate % | Total £ | | 2234 | Gardening tools | 1 | 500.00 | 20 | 500.00 |  |  |  | | --- | --- | | **Net total** | **£500.00** | | **Trade discount 10%** | **£50.00** | | **Net Total** | **£450.00** | | **VAT @ 20%** | **£90.00** | | **Gross Total** | **£540.00** |   Payment is due within 30 days of the invoice date.  A discount of 5% applies if payment is made within 14 days of the invoice date. |

* + - 1. Mr. Grass did pay in time to receive the discount.
      2. The credit note below shows the discount he receives.
      3. The net amount of the discount is £450.00 x 5% = £22.50.
      4. The VAT amount is £22.50 x 20% = £4.50.
      5. Therefore, the gross amount is £27.00.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **CREDIT NOTE**  **GRAZE LTD**  53 Cannon Way Worthing BN14 2JU   |  |  |  |  | | --- | --- | --- | --- | | **To:** | Mr Grass  72 Green Way Southampton SO19 3BD | **Credit Note Number:** | CR204 | | **Customer Reference:** | GG01 | | **Date:**  **VAT Registration Number:** | 11 June  891 2362 88 |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Product code** | **Description** | **Quantity** | **Unit £** | **Tax Rate %** | **Total £** | | 2234 | Gardening tools – prompt payment discount | 1 | 22.50 | 20 | 22.50 |  |  |  | | --- | --- | | **Net Total (£450.00 x 5%)** | **£22.50** | | **VAT @ 20%** | **£4.50** | | **Gross Total** | **£27.00** | |