

I purchased (3) items as follows for a total amount of P6,720 inclusive of 12% tax

com-crackring- 1,680
com-crankarm- 2,800
com-crankpedal- 2,240

I traced the accounting entries as follows :

Upon Invoice

Dr ; Goods Received Suspense - 6,720
Cr Accounts Payable 6,720

Dr. GST Recoverable 720
Cr Sales/Discounts 720

Upon Delivery

Dr : Raw Materials 6,720
Cr: Good Received Suspense 6,720

Upon Payment

Dr : Accounts Payable 6,720
Cr: Check Account 6,720

Raw Materials was booked at full value of P6,720 to include tax. While The Value Added Tax of P720 (6,000 x .12) was booked to GST Recoverable contra Sales/Discounts. Are these the normal entries for Purchase transactions with taxes involve or have I set up webERP system wrong.

I was expecting the entries to be ..

Upon Delivery

Dr. Raw Materials 6,000
Dr. GST Recoverable 720
Cr. Check Account 6,720

The actual cost of Raw Materials is 6,000, as the 720 is only the 12% Tax which is an Input Tax correctly booked to GST Recoverable.