

1,000 Sale

ORIG TRANSACTION
ASSUME PWD CASH

Net Sales on INCOME STATEMENT

	CASH	A/R
Sales	1,000	1,000

	Sales	Sales Returns & Allow
	1,000	

COST

	Merchandise Inventory	CGS
	300	300

Item Defective - Buyer Keeps Item
& Seller give Buyer a \$10.
Price Reduction

Sale SIDE
No impact on cost
Buyer kept item

	A/R
	NOTE: IF A/R STILL O/S, THEN CREDIT W/B TO A/R, NOT CASH

	Sales	Sales Return & Allow
		10

COST - NO SIDE IMPACT

	Merchandise Inventory
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	CGS
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Plus if item Defective & Returned to Seller

if Item Defective & Returned
COST SIDE

	Merchandise Inventory
	2

	CGS
	9

	LOSS from Defective Merchandise
	7

Each is for its own cost
N/A