

2-PP CH4 SUPP 2 PURCHASE OF INVENTORY - DISCOUNTS.

PERPETUAL SYSTEM

Buyer

GROSS Method

NET Method

	CASH	Inventory	Accts Payable	CASH	Inventory	Accts Payable	PURCHASE DISCOUNTS LOST
<p>TERMS - 2/10 N/30 10-5-2021 Purchased 20,000</p> <p>10-5-2021 - PURCHASE DATE DR INVENTORY → CR ACCT PAY →</p> <p>In periodic system - We ASST "Purchases"</p>		DR 20,000	CR 20,000	DR 19,600 <i>(20,000 × .98 = 400 DISCOUNT)</i>		CR 19,600	
<p>10-14-2021 (PMT W/ 10 DAYS)</p> <p>DR ACCT PAYABLE (13,720) → CR INVENTORY (14,000 × .98 = 280) → CR CASH (13,720)</p> <p>NOTE: ACCT W/ "PURCHASE DISCOUNTS" of periodic system (viewed as PART OF INVENTORY)</p> <p>$[.98(x) = 13,720]$ $x = \frac{13,720}{.98}$ $x = 14,000$ (DRA/P)</p>		CR 280	DR 14,000	CR 13,720		DR 13,720	
<p>11-4-2021 (AFTER Discount period) Balances paid</p> <p>DR ACCT PAYABLE →</p> <p>DR PURCHASE DISCOUNTS LOST (viewed as Interest Exp.) → N/A</p> <p>CR CASH → 6,000</p> <p>World Debt Interest Exp of periodic system</p>			DR 6,000	CR 6,000		DR 5,880	DR 120

Reported for Income Stmt

We PAID because of Discounts Lost

Viewed as Interest Exp

20,000
- 14,000

6,000 × .02 = 120 DISCOUNT LOST

PAID ON DIS PERIOD