

UNIT 02 / 06 · LEARN & TRY

Journals, documents and discounts

Name: _____ Date: _____

Learn

A journal records transactions chronologically with dates, account names, amounts and a short narration. Evidence such as invoices, receipts and credit notes supports the entries. In a periodic inventory system, purchases of merchandise enter Purchases, while furniture or machinery enters the relevant asset account. Returns outward reduce purchases; returns inward reduce sales. A trade discount reduces the invoice price and is not recorded separately in the books. A cash discount arises on settlement and is recorded as discount allowed or discount received. Differentiate an expense paid from an expense accrued: an unpaid rent liability can belong to the current accounting period. For these exercises, GST is excluded unless the question explicitly introduces it. This avoids silently mixing tax treatment into basic entries. The total debits and credits must agree, but balanced entries can still be wrong if the chosen accounts misrepresent the transaction.

Worked example

Goods have list price ₹10,000 with 10% trade discount. Invoice price = ₹9,000. On a credit purchase: Purchases Dr ₹9,000; Supplier Cr ₹9,000. Paying within the discount period earns 2% cash discount on ₹9,000: Supplier Dr ₹9,000; Bank Cr ₹8,820; Discount received Cr ₹180.