

CONCEPT: PERPETUAL INVENTORY – PURCHASES

- A merchandising company generally buys goods in _____ and then sells them to customers _____
 - Companies “purchase” many things:
 - Goods acquired for resale → _____
 - Pens, paper, staplers → _____
 - Copy machine → _____
- When the company purchases goods, we debit the _____ account.

TOS Company purchased 500 units of Things on account at a price of \$5 per Thing.

Journal Entry:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>
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- If the company returns the goods to the supplier for a refund, the transaction is called a ***purchase return***.

TOS Company returned 100 units of Things to its supplier.

Journal Entry:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>
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- An unsatisfied company may also keep the goods if the supplier lowers the price. This is a ***purchase allowance***.

TOS ordered 500 Things on account at \$5 per Thing. When low quality Things arrived, the supplier agreed to lower the price of each Thing to \$2 per thing for this order.

Journal Entry:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>
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