CONCEPT: NET SALES – SALES DISCOUNTS

- There is a special system used to denote ***discounts*** whether for purchases or for sales.

Typical discount notation:
"2/10 n/30" or "2/10 net 30"

2 = percentage amount of discount (2%)	10 = days allowed to receive discount	30 = total days allowed to defer payment

EXAMPLE: ABC Company sold 100 units of Product X for $2,000 on January 14. ABC offered terms of 3/10 net 45. ABC Company received payment on **January 19**. Record the sale and receipt of cash in ABC Company's books.

Gross Method	Net Method
Sale Journal Entry: Receipt Journal Entry:	Sale Journal Entry: Receipt Journal Entry:

EXAMPLE: ABC Company sold 100 units of Product X for $2,000 on January 14. ABC offered terms of 3/10 net 45. ABC Company received payment on **February 1**. Record the sale and receipt of cash in ABC Company's books.

Gross Method	Net Method
Sale Journal Entry: Receipt Journal Entry:	Sale Journal Entry: Receipt Journal Entry:

CONCEPT: NET SALES – SALES RETURNS AND ALLOWANCES

- When the company sells good, we credit the ____________________ account.

TOS Company sold 500 units of Things on account at a price of $12 per Thing. Journal Entry:				
Assets	=	Liabilities	+	Equity

- If the customer returns the goods to the company for a refund, the transaction is called a ***sales return***.

The customer returned 100 units of Things to TOS using the money-back guarantee policy. Journal Entry:				
Assets	=	Liabilities	+	Equity

- An unsatisfied customer may also keep the goods if the company lowers the price. This is a ***sales allowance***.

TOS sold 500 Things on account at $12 per Thing. When low quality Things arrived, the customer agreed to keep each Thing at a price of $9 for this order. Journal Entry:				
Assets	=	Liabilities	+	Equity

$$\boldsymbol{Net\ Sales} = Sales\ Revenue - Sales\ Discounts - Sales\ Returns\ and\ Allowances$$