## Merchandising

| Accounts used in journal entries differ depending on the System used by a retailer: |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Asset Expense | Perpetual System | vs. | Periodic System |  |
|  | Merchandise Inventory Cost of Merchandise Sold |  | Purchases <br> Purchase Returns and Allowances <br> Purchase Discounts <br> Freight In | Expense <br> Contra-Expense <br> Contra-Expense <br> Expense |
|  | Whereas both systems use: |  |  |  |
|  | Sales |  |  | Revenue |
|  | Sales Returns and Allowances |  |  | Contra-Revenue |
|  | Sales Discounts |  |  | Contra-Revenue |
|  | Freight Out (Also known as Delivery Expense) |  |  | Expense |

FOB (Free on Board):

| Where | Who Pays <br> Freight |
| :--- | :--- |
| buyer gains | Buyer <br> FOB Shipping Point <br> FOB Destination |

Payment Terms: 2/10, n30 Interpreted: 2 percent discount if paid within 10 days of invoice date, or net amount in 30 days Ex: Date of the Invoice is 15 June $\longrightarrow$ Last day to get discount is 25 June

2/10 EOM Interpreted: 2 percent discount if paid within 10 days AFTER the end of the month
Ex: Date of the Invoice is 15 June


Last day to get discount is 10 July

## Perpetual System: Retail Journal Entries

See Pages: 284-285 (Pearson Textbook)
278 and 291 (Cengage Texbook)
Calculate the dollar values for the journal entries


## Chapter 6: Merchandising (Income Statement Differences)



