

Accounting (National 5)

Additional course resource: treatment of Cash Discount

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Section 1 — Invoices

When a business sells goods and services on credit (buy now — pay later), they issue a bill known as an invoice. The invoice will show:

- Net Goods Value
- VAT
- ♦ Total Amount Due

A Cash Discount may be offered to the customer. This is an offer by a supplier to the customer of a reduction in the price of goods/services supplied if the customer pays promptly; that is, after an invoice has been issued and before full payment is due. For example, a business may offer a discount of 5% of the full price if payment is made within 28 days of the date of the invoice.

Recent tax legislation states that any invoice sent to the customer must not take account of the Cash Discount for prompt payment and figures omitting Cash Discount should initially be recorded in ledger accounts (see section 2). However, the legislation also states that for illustrative purposes, amounts due if the Cash Discount was taken up, may be shown in addition to the Main Invoice.

In SQA questions, **you will be asked to prepare an Illustrative Invoice** showing amounts due if the Cash Discount is taken up.

Worked example

A business is to send an invoice after goods costing £800 have been purchased. There is 25% Trade Discount on the goods and VAT is at 20%. If the invoice is paid within 28 days, there is a Cash Discount of 10%.

Main Invoice	
Goods Value	£800
Less Trade Discount (25%)	£200
Net Goods Value	£600
VAT (20%)	£120
Final Total	£720

Illustrative Invoice	
Goods Value	£800
Less Trade Discount (25%)	£200
	£600
Less Cash Discount (10%)	£60
Net Goods Value	£540
VAT (20%)	£108
Final Total	£648

On 19 June Year 3, KSA furniture sold 4 executive desks and 7 premium chairs to a customer. To comply with tax laws, they will send the customer an invoice assuming the Cash Discount will not be taken up. However, they will also enclose an Illustrative Invoice showing the amount due if the Cash Discount is taken up.

Prepare the Illustrative Invoice to be sent to the customer showing the amount due **if the Cash Discount is taken up.**

KSA OFFICE FURNITURE PRICE LIST					
CHAIRS		DESKS			
Standard	£50	Standard	£120		
Premium	£100	Premium	£200		
Executive	£150	Executive	£350		
TABLES		FILING CABIN	ETS		
Standard	£90	Standard	£75		
Premium	£160	Premium	£125		
Executive	£220	Executive	£175		

TERMS:

Trade Discount — 5%

Cash Discount — 2% one month

VAT — 20%

DELIVERY:

£40 on all orders of 12 items or less

Jack Short owns 24–7 Bike Repairs. He purchased the following goods from Universal Cycle Supplies:

- ♦ 24 Standard Size Bicycle Chains @ £4.50 each
- ♦ 16 Large Saddles @ £5.75 each

The terms were as follows:

Trade Discount: 12% if goods value £250.00 or over

6% if goods value under £250.00

Cash Discount: 5% one month

VAT: 20%

To comply with tax laws, Universal Cycle Supplies will send 24–7 Bike Repairs an invoice assuming the Cash Discount will not be taken up. However, they will also enclose an Illustrative Invoice showing the amount due if the Cash Discount is taken up.

Prepare the Illustrative Invoice to be sent to 24–7 Bike Repairs that shows the amount due if the Cash Discount is taken up.

The following is the price list for Kildare Farm Shop:

Kildare Farm Shop — Price List

eggs — £4 per box (of 48)
cream — £0.80 per litre
butter — £2.60 per 500 g pack
milk — £0.50 per litre
ice cream — £2.20 per litre tub
potatoes — £3 per 10 kg sack

On 12 April, they supplied 960 eggs, 48 litres of milk and 120 kg of potatoes to the Beechwood Restaurant. The terms were as follows:

Trade Discount — 12.5%

Cash Discount — 10% one month
VAT is charged at 20%

Delivery — £8 on order value under £135, FREE on order value of £135 or more (order value is total before application of discounts and VAT)

To comply with tax laws, Kildare Farm Shop will send Beechwood Restaurant an invoice assuming the Cash Discount will not be taken up. However, they will also enclose an Illustrative Invoice showing the amount due if the Cash Discount is taken up.

Prepare the Illustrative Invoice to be sent to Beechwood Restaurant that shows the amount due if the Cash Discount is taken up.

Section 2 — ledger accounts

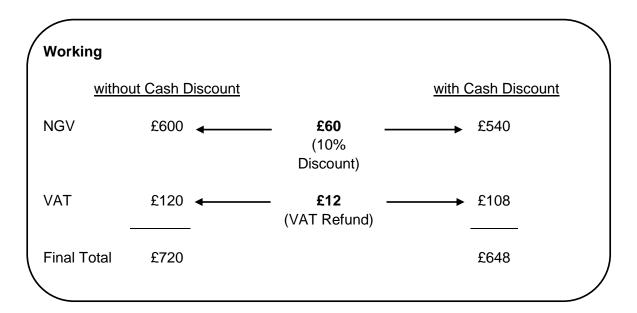
When recording an invoice in the ledger accounts, the VAT on the full price (without Cash Discount) will be recorded initially. This is because at the time of the transaction, it is not known whether the Cash Discount will be taken up.

If the Cash Discount is taken up, then an adjustment will need to be made in the VAT Account. Looking at the example below (previously shown on page 3), it can be seen that the VAT figure is £12 lower when the Cash Discount is taken up. This will be adjusted in the VAT ledger and a credit note will be issued to reflect this.

Main Invoice	
Goods Value Less Trade Discount (25%)	£800 £200
Net Goods Value VAT (20%) Final Total	£600 £120 £720

Illustrative Invoice	
Goods Value Less Trade Discount (25%)	£800 £200 £600
Less Cash Discount (10%)	£600
Net Goods Value VAT (20%) Final Total	£540 £108 £648

When tackling questions, it may be easier to do a little working before undertaking ledger entries to help understand the figures that need to be entered:



NGV - Net Goods Value

In the seller's ledger accounts, the entries for when the Main Invoice is issued and the Cash Discount is taken up would be as follows:

	Sales Revenue Account	Dr	Cr	Bal	
1	A Person — Trade Receivable		£600·00	£600-00	Cr
	VAT Account	Dr	Cr	Bal	
1	A Person — Trade Receivable		£120-00	£120-00	Cr
3	A Person — Trade Receivable	£12·00		£108-00	Cr
	A Person — Trade Receivable Account	Dr	Cr	Bal	
1	Sales Revenue & VAT	£720-00		£720-00	Dr
2	Cash & Cash Equivalents		£648-00	£72-00	Dr
3	VAT		£12·00	£60-00	Dr
4	Discount Allowed		£60.00	0	
	Cash & Cash Equivalents Account	Dr	Cr	Bal	
2	A Person — Trade Receivable	£648-00		£648-00	Dr
	Discount Allowed Account	Dr	Cr	Bal	
4	A Person — Trade Receivable	£60.00		£60-00	Dr

- Entry ① Figures from the Main Invoice are entered without taking account of the Cash Discount.
- Entry 2 The payment by the customer of £648-00 indicates that they have taken up the Cash Discount as per the Illustrative Invoice.
- Entry 3 The difference in the VAT figures of £12.00 (£120.00 £108.00) is recorded in the ledger accounts. The VAT Account is adjusted to ensure the actual amount of VAT paid is recorded.
- Entry 4 The Discount Allowed as shown on the Illustrative Invoice is recorded in the ledger accounts. As there are no other transactions, the Trade Receivables is cleared to 0. However, this may not always be the case and a balance may remain.

In some SQA questions, entries into ledgers will be made via a narrative rather than using documents. Using the same example, we can see the entry steps as follows:

Example: using a narrative

A Person — Trade Receivable, owes £720 from a transaction where they bought goods (Net Goods Value of £600 and VAT of £120). We received a cheque from them for £648, in full settlement of their account after they took up a 10% Cash Discount.

A credit note was issued to account for the amount of VAT that was included on the original invoice that now no longer needs to be paid.

					1
	VAT Account	Dr	Cr	Bal	
1	Opening Balance		£120-00	£120-00	Cr
3	A Person — Trade Receivable	£12·00		£108-00	Cr
	A Person — Trade Receivable Account	Dr	Cr	Bal	
1	Opening Balance	£720-00		£720-00	Dr
2	Cash & Cash Equivalents		£648-00	£72·00	Dr
3	VAT		£12·00	£60.00	Dr
4	Discount Allowed		£60-00	0	
	Cash & Cash Equivalents Account	Dr	Cr	Bal	
2	A Person — Trade Receivable	£648-00		£648-00	Dr
	Discount Allowed Account	Dr	Cr	Bal	
4	A Person — Trade Receivable	£60-00		£60-00	Dr

- Entry ① When undertaking ledger entries via narrative, opening balances may be provided. In this instance balance entries of £720·00 Dr in the A Person Trade Receivable Account and £120·00 Cr in the VAT Account need to be entered. The Sales Account does not need to be shown in this instance, although in some questions the opening balance may be given.
- Entry ② The payment by the customer of £648-00 remains the same.
- Entry ③ The VAT refund of £12·00 is calculated by applying the Cash Discount to the original VAT amount (10% × £120·00).
- Entry 4 The Discount Allowed of £60.00 is calculated by applying the Cash Discount to the original Net Goods Value amount (10% × £600.00). As there are no other transactions, the Trade Receivables is cleared to 0. However, this may not always be the case and a balance may remain.

Using the information given below, make the necessary entries in the ledger accounts of Carmen Summers:

Ledger Balances at 1 October:

Cash & Cash Equivalents £98 Dr VAT £184 Dr

8 October Sold goods on credit to BRM Ltd — £500 plus VAT.

27 October Received a payment from BRM Ltd for £540, in full settlement of their

account after they took up a 10% Cash Discount.

Issued a credit note to BRM Ltd to account for the amount of VAT

recorded on 8 October, that now no longer needs to be paid.

Using the information given below, make the necessary entries in the ledger accounts of Jacob Malting:

Ledger Balances at 1 May:

Cash & Cash Equivalents £417 Cr VAT £51 Dr

6 May Bought goods on credit from Ace Supplies — £1,800 plus VAT.

19 May Made a payment to Ace Supplies for £2,052, in full settlement of the

amount owing, after taking up a 5% Cash Discount.

An adjustment for the amount of VAT recorded on 6 May that now no

longer needs to be paid, should be made.

Using the information given below, make the necessary entries in the ledger accounts of Flora's Flowers:

Ledger Balances at 1 April:

Cash & Cash Equivalents £629 Dr VAT £204 Cr J Pollock — Trade Receivable £587 Dr

14 April Received a payment from J Pollock for £306, in full settlement of a

transaction after they took up a 15% Cash Discount. The original invoice

showed Net Goods Value of £300 and VAT of £60.

A credit note was issued to J Pollock to account for the amount of VAT recorded on the original transaction, that now no longer needs to be paid.

Using the information given below, make the necessary entries in the ledger accounts of William Wang:

Ledger Balances at 1 July:

Cash & Cash Equivalents £947 Dr VAT £466 Cr Gannon Ltd — Trade Payable £840 Cr

Made a payment to Gannon Ltd for £756, in full settlement of the amount owing on 1 July, after taking up a 10% Cash Discount.

The full amount of VAT owing to Gannon Ltd that was originally entered into the ledger was £140. An adjustment for the amount of VAT which now no longer needs to be paid, should be made.

Using the following documents, make the necessary entries in the ledger accounts of Dan's Healthy Drinks:

Dan's Healthy Drinks Invoice (Copy)

To: Kate's Cafe
Date: 5 December

Net Goods Value£125.00VAT (20%)£25.00Final Total£150.00

10% Cash Discount if paid within

30 days

Dan's Healthy Drinks Receipt (Copy)

To: Kate's Cafe
Date: 22 December

We have received your payment of £135.00 in full settlement of the invoice sent on 5 December.

Using the following documents, make the necessary entries in the ledger accounts of Lucy's Juice Bar:

A–Z Supplies Invoice

To: Lucy's Juice Bar Date: 9 August

 $\begin{array}{ccc} \text{Net Goods Value} & £320 \cdot 00 \\ \text{VAT (20\%)} & \underline{£64 \cdot 00} \\ \text{Final Total} & £384 \cdot 00 \end{array}$

7.5% Cash Discount if paid within 1 month

e-Receipt

To: Lucy's Juice Bar From: A–Z Supplies Date: 24 August

Thank you for your payment of £355-20 in full settlement of the invoice sent on 9 August.

Using the following documents and opening ledger balances, make the necessary entries in the ledger accounts of Wood Supplies:

Ledger Balances at 1 September:

Cash & Cash Equivalents £491.00 Dr VAT £110.00 Cr Joe's Joiners — Trade Receivable £198.00 Dr

Wood Supplies Receipt (Copy)

To: Joe's Joiners
Date: 7 September

We have received £178-20 in full settlement of the balance on

1 September.

Wood Supplies Credit Note (Copy)

To: Joe's Joiners Date: 7 September

VAT Refund £3-30

Using the following documents and opening ledger balances, make the necessary entries in the ledger accounts of Scotty Tour Guides:

Ledger Balances at 1 June:

Cash & Cash Equivalents £134.00 Dr VAT £535.00 Dr DCD Publishers – Trade Payable £877.00 Cr

DCD Publishers Invoice

To: Scotty Tour Guides

Date: 4 June

Net Goods Value £92.00 VAT (20%) £18.40 Final Total £110.40

15% Cash Discount if paid within

28 days.

e-Receipt

To: Scotty Tour Guides From: DCD Publishers

Date: 10 June

Thank you for your payment of £443.70 in full settlement of the

invoice sent on 25 May.

Note: the invoice of 25 May had Net Goods Value of £435.00 and VAT of £87.00. Cash Discount was 15%.

Section 3 — Statement of Account

Just as in ledger accounts, the VAT refund when a Cash Discount is taken up must also be shown in a Statement of Account. This document shows the transactions that have taken place between the buyer and seller in a calendar month.

Worked example

At the end of May, Lowe's Supplies sends a Statement of Account to Mark Jackson. Transactions for the month are as follows:

1 May Balance due £552.00 (for items bought on 21 April).

7 May Mark Jackson bought goods costing £170.00 (before the terms below

were applied).

16 May Mark Jackson paid £496.80 by cheque, in full settlement of the balance

outstanding on 1 May. A credit note was issued to Mark Jackson for a VAT refund for the amount of VAT, which was included on the original invoice that now no longer needs to be paid. The VAT on the original

invoice amounted to £92.00.

<u>Lowe's Supplies — Terms of Sale:</u>

Trade Discount 5% VAT 20% Cash Discount 10% one month

Solution

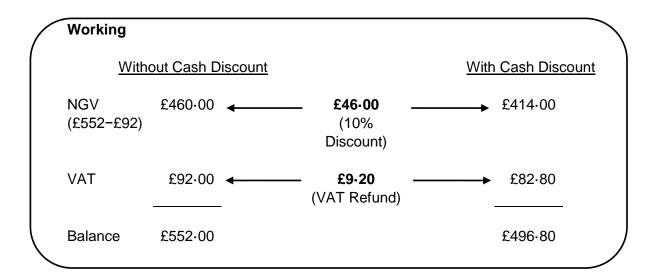
	Lowe's Supplies Statement of Account				
	To: Mark Jackson For the month of May				
					Bal
	1 May	Opening Balance	£552.00		£552·00
1	7 May	Sales & VAT	£193-80		£745-80
2	16 May	Cash & Cash Equivalents		£496-80	£249-00
3	16 May	VAT Refund		£9·20	£239-80
3	16 May	Discount Allowed		£46-00	£193-80

Entry 1 — This is calculated by applying the Trade Discount and VAT as follows:

Goods Value	£170-00
Trade Discount (5%)	£8.50
Net Goods Value	£161·50
VAT	£32·30
Final Total	£193-80

Note: the Cash Discount has not been applied. This is because at this point in time, it is unknown whether the Cash Discount will be taken up.

- Entry 2 The payment of £496·80 'in full settlement' of an outstanding amount of £552·00 indicates that Mark Jackson has taken up the Cash Discount as per the terms of sale.
- Entry ③ Again, it may be easier to do working to calculate the correct figures for the VAT refund and Discount Allowed before entering them in the statement.



At the end of July, Layla Patel sends a Statement of Account to Falkland College. Transactions for the month are as follows:

1 July Balance due £618.00 (for items bought on 25 June).

6 July Layla Patel sold goods to Falkland College costing £230.00 (before the

terms below were applied).

20 July Falkland College paid £599.46 by cheque, in full settlement of the

balance outstanding on 1 July. A credit note was issued to Falkland College for a VAT refund for the amount of VAT that was included on the original invoice, that now no longer needs to be paid. The VAT on the

original invoice amounted to £103.00.

<u>Layla Patel — Terms of Sale:</u>

Trade Discount 8%
VAT 20%
Cash Discount 3% one month

Prepare the Statement of Account to be sent to Falkland College at 31 July.

At the end of March, Dance Supplies sends a Statement of Account to Ballet Tots. Transactions for the month are as follows:

1 March Balance due £282.00 (for items bought on 19 February).

11 March Ballet Tots took advantage of a 10% Cash Discount and paid £253-80 in

full settlement of the balance outstanding on 1 March. A credit note was issued by Dance Supplies for a VAT refund for the amount of VAT which was included on the original invoice, that now no longer needs to be paid.

The VAT on the original invoice amounted to £47.00.

Prepare the Statement of Account to be sent to Ballet Tots at the end of March.

Roberta Rinaldi owns a food importing business. Credit customers are offered the following terms:

Trade Discount: 10%

Cash Discount: 5% if paid within one month

VAT: 20%

The following information is available for the month of May for the account of The Night Garden Bistro:

1 May Balance due £1,200.00 (for items bought on 24 and 30 April).

9 May The Night Garden bought produce costing £350.00 (before the above

terms were applied).

10 May The Night Garden returned some of the produce bought on 9 May, as the

quality was not good enough. The value (after the above terms were

applied) was £46.00.

19 May The Night Garden paid £1,140.00 into Roberta Rinaldi's bank account, in

full settlement of the balance outstanding on 1 May.

Roberta Rinaldi then issued a credit note to The Night Garden for a VAT refund for the amount of VAT which was included on the original invoices, that now no longer needs to be paid. The VAT on the original invoices

amounted to £200.00.

Prepare the Statement of Account to be sent to The Night Garden at 31 May.

Solutions

Solution — exercise 1

4 Executive Desks @ £350	£1,400·00
7 Premium Chairs & £100	£700.00
Goods Value	£2,100·00
Less Trade Discount (5%)	£105·00
	£1,995.00
Less Cash Discount (2%)	39.90
Net Goods Value	£1,955·10
VAT (20%)	£391·02
	£2,346·10
Delivery	£40.00
Final Total	£2,386·12

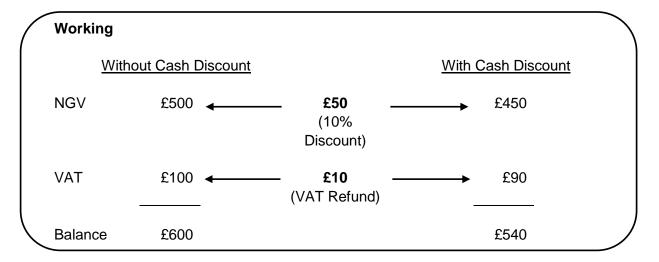
Solution — exercise 2

24 Bicycle Chains @ £4.50	£108-00
16 Large Saddles @ £5.75	£92·00
Goods Value	£200-00
Less Trade Discount (6%)	£12-00
	£188-00
Less Cash Discount (5%)	£9-40
Net Goods Value	£178-60
VAT (20%)	£35.72
	£214·32

Solution — exercise 3

20 boxes of eggs @ £4	£80.00
48 litres of milk @ £0.50	£24·00
12 sacks of potatoes @ £3	£36-00
Goods Value	£140-00
Less Trade Discount (12.5%)	£17·50
	£122-50
Less Cash Discount (10%)	£12·25
Net Goods Value	£110-25
VAT (20%)	£22·05
	£132-30
Delivery	
Final Total	£132-30

Although the final total £132·30 is lower than the £135·00 threshold, delivery charges are calculated based on the goods value before discounts and VAT, which is £140·00.



Cash & C	Cash Equivalents Account	Dr	Cr	Bal]
1 Oct	Opening Balance	£98		£98	Dr
27 Oct	BRM Ltd — Trade Receivable	£540		£638	Dr
					_
VAT Acc	<u>ount</u>	Dr	Cr	Bal	
1 Oct	Opening Balance	£184		£184	Dr
8 Oct	BRM Ltd — Trade Receivable		£100	£84	Dr
27 Oct	BRM Ltd — Trade Receivable	£10		£94	Dr
					-
BRM Ltd	— Trade Receivable Account	Dr	Cr	Bal	
8 Oct	Sales Revenue & VAT	£600		£600	Dr
27 Oct	Cash & Cash Equivalents		£540	£60	Dr
27 Oct	VAT		£10	£50	Dr
27 Oct	Discount Allowed		£50	-	
					_
Sales Re	venue Account	Dr	Cr	Bal	
8 Oct	BRM Ltd — Trade Receivable		£500	£500	Cr
					-
Discount	t Allowed Account	Dr	Cr	Bal	
27 Oct	BRM Ltd — Trade Receivable	£50		£50	Dr

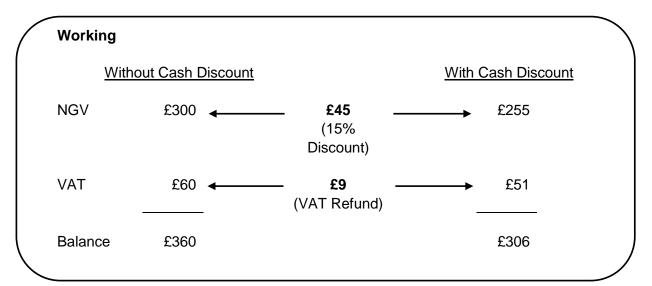
Working			
Wit	hout Cash Discount	With Cas	sh Discount
NGV	£1,800 ←	£90 £1, (5% Discount)	,710
VAT	£360 ←	— £18 — £ (VAT Refund)	2342
Balance	£2,160	£2,	,052

					_
Cash & C	Cash Equivalents Account	Dr	Cr	Bal	
1 May	Opening Balance		£417	£417	Cr
19 May	Ace Supplies — Trade Payable		£2,052	£2,469	Cr
					-
VAT Acc	VAT Account		Cr	Bal	
1 May	Opening Balance	£51		£51	Dr
6 May	Ace Supplies — Trade Payable	£360		£411	Dr
19 May	Ace Supplies — Trade Payable		£18	£393	Dr

Ace Supp	lies — Trade Payable Account	Dr	Cr	Bal	
6 May	Purchases & VAT		£2,160	£2,160	Cr
19 May	Cash & Cash Equivalents	£2,052		£108	Cr
19 May	VAT	£18		£90	Cr
19 May	Discount Received	£90		-	

Purchases Account		Dr	Cr	Bal	
6 May	Ace Supplies — Trade Payable	£1,800		£1,800	Dr

Discount Received Account		Dr	Cr	Bal	
19 May	Ace Supplies — Trade Payable		£90	£90	Cr

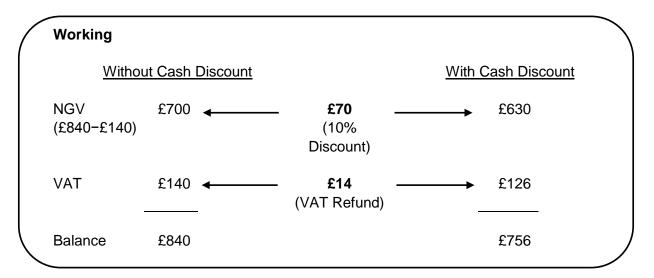


Cash & C	ash Equivalents Account	Dr	Cr	Bal	
1 April	Opening Balance	£629		£629	Dr
14 April	J Pollock — Trade Receivable	£306		£935	Dr
					5'
VAT Account		Dr	Cr	Bal	

VAT Account		Dr	Cr	Bal	
1 April	Opening Balance		£204	£204	Cr
14 April	J Pollock — Trade Receivable	£9		£195	Cr

J Pollock	— Trade Receivable Account	Dr	Cr	Bal	
1 April	Opening Balance	£587		£587	Dr
14 April	Cash & Cash Equivalents		£306	£281	Dr
14 April	VAT		£9	£272	Dr
14 April	Discount Allowed		£45	£227	Dr

Discount Allowed Account		Dr	Cr	Bal	
14 April	J Pollock — Trade Receivable	£45		£45	Dr



Cash & C	ash Equivalents Account	Dr	Cr	Bal	
1 July	Opening Balance	£947		£947	Dr
10 July	Gannon Ltd — Trade Payable		£756	£191	Dr

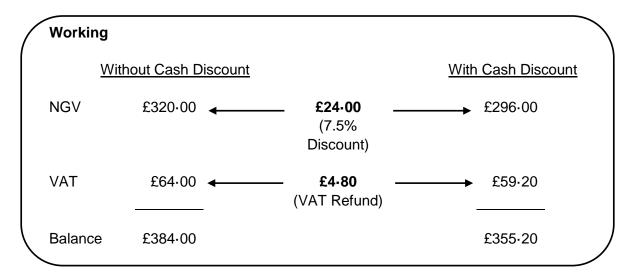
VAT Acco	<u>ount</u>	Dr	Cr	Bal	
1 July Opening Balance			£466	£466	Cr
10 July	Gannon Ltd — Trade Payable		£14	£480	Cr

Gannon	<u>td — Trade Payable Account</u>	Dr	Cr	Bal	
1 July	Opening Balance		£840	£840	Cr
10 July	Cash & Cash Equivalents	£756		£84	Cr
10 July	VAT	£14		£70	Cr
10 July	Discount Received	£70		-	

Discount	Discount Received Account		Cr	Bal	
10 July	Gannon Ltd — Trade Payable		£70	£70	Cr

Working	J					
<u>7</u>	Without Cash Dis	scount .		With	Cash Discount	
NGV	£125·00	•	£12.50 (10% Discount)		£112·50	
VAT	£25·00	•	£2.50 (VAT Refund)		£22·50	
Balance	£150·00				£135-00	

Sales Re	venue Account	Dr	Cr	Bal]
5 Dec	Kate's Cafe — Trade Receivable		£125-00	£125-00	Cr
					_
VAT Acc	<u>ount</u>	Dr	Cr	Bal	
5 Dec	Kate's Cafe — Trade Receivable		£25-00	£25-00	Cr
22 Dec	Kate's Cafe — Trade Receivable	£2.50		£22·50	Cr
Kate's C	afe — Trade Receivable Account	Dr	Cr	Bal	
5 Dec	Sales Revenue & VAT	£150-00		£150-00	Dr
22 Dec	Cash & Cash Equivalents		£135-00	£15-00	Dr
22 Dec	VAT		£2·50	£12·50	Dr
22 Dec	Discount Allowed		£12·50	-	
					-
Cash & C	Cash Equivalents Account	Dr	Cr	Bal	
22 Dec	Kate's Cafe — Trade Receivable	£135-00		£135-00	Dr
					-
Discoun	t Allowed Account	Dr	Cr	Bal	
22 Dec	Kate's Cafe — Trade Receivable	£12-50		£12·50	Dr



Purchase	es Account	Dr	Cr	Bal	
9 Aug	A-Z Supplies — Trade Payable	£320-00		£320-00	Dr
					_
VAT Acc	<u>ount</u>	Dr	Cr	Bal	
9 Aug	A-Z Supplies — Trade Payable	£64·00		£64·00	Dr
24 Aug	A-Z Supplies — Trade Payable		£4.80	£59·20	Dr
					•
A-Z Supp	olies — Trade Payable Account	Dr	Cr	Bal	
9 Aug	Purchases & VAT		£384·00	£384-00	Cr
24 Aug	Cash & Cash Equivalents	£355-20		£28-80	Cr
24 Aug	VAT	£4-80		£24·00	Cr
24 Aug	Discount Received	£24·00		-	
					•
Cash & C	Cash Equivalents Account	Dr	Cr	Bal	
24 Aug	A-Z Supplies — Trade Payable		£355-20	£355-20	Cr
	Ţ.				•
Discount	Received Account	Dr	Cr	Bal	

A-Z Supplies — Trade Payable

24 Aug

£24.00 Cr

£24.00

Working

In this question, there is insufficient information to complete the usual working table. However, as the payment on 7 September is 'in full settlement' of the balance on Joe's Joiners account at 1 September, the remaining balance of £16.50 on 7 September MUST be cleared; this MUST be the Discount Allowed.

Cash & Cash Equivalents Account		Dr	Cr	Bal	
1 Sep	Opening Balance	£491.00		£491.00	Dr
7 Sep	Joe's Joiners — Trade Receivable	£178-20		£669·20	Dr

VAT Acc	<u>ount</u>	Dr	Cr	Bal	
1 Sep	Opening Balance		£110-00	£110-00	Cr
7 Sep	Joe's Joiners — Trade Receivable	£3-30		£106.70	Cr

Joe's Joi	ners — Trade Receivable Account	Dr	Cr	Bal	
1 Sep	Opening Balance	£198-00		£198-00	Dr
7 Sep	Cash & Cash Equivalents		£178-20	£19·80	Dr
7 Sep	VAT		£3-30	£16·50	Dr
7 Sep	Discount Allowed		£16·50	-	

Discount	Discount Allowed Account		Cr	Bal	
7 Sep	Joe's Joiners — Trade Receivable	£16-50		£16·50	Dr

Working			
<u>\</u>	Vithout Cash Discount		With Cash Discount
NGV	£435·00 ←	£65-25 (15% Discount)	£369·75
VAT	£87·00 	— £13-05 — (VAT Refund)	£73.95
Balance	£522-00		£443·70

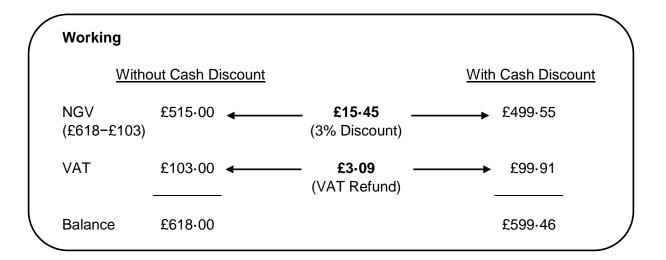
Cash & Cash Equivalents Account		Dr	Cr	Bal	
1 June	Opening Balance	£134-00		£134·00	
10 June	DCD Publishers — Trade Payable		£443.70	£309·70	Cr

VAT Account		Dr	Cr	Bal	
1 June	Opening Balance	£535-00		£535-00	Dr
4 June	DCD Publishers — Trade Payable	£18-40		£553·40	Dr
10 June	DCD Publishers — Trade Payable		£13·05	£540·35	Dr

DCD Publishers — Trade Payable Account		Dr	Cr	Bal	
1 June	Opening Balance		£877-00	£877-00	Cr
4 June	Purchases & VAT		£110-40	£987·40	Cr
10 June	Cash & Cash Equivalents	£443.70		£543·70	Cr
10 June	VAT	£13-05		£530-65	Cr
10 June	Discount Received	£65·25		£465-40	Cr

Purchases Account		Dr	Cr	Bal	
4 June	DCD Publishers — Trade Payable	£92·00		£92·00	Dr

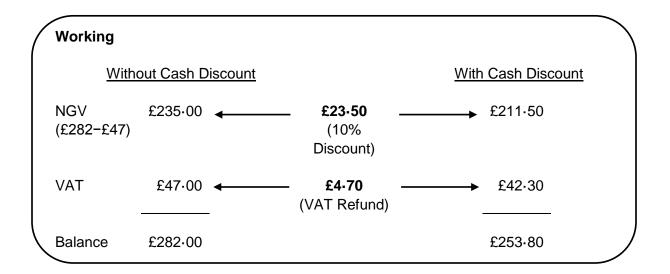
Discount	Received Account	Dr	Cr	Bal	
10 June	DCD Publishers — Trade Payable		£65·25	£65·25	Cr



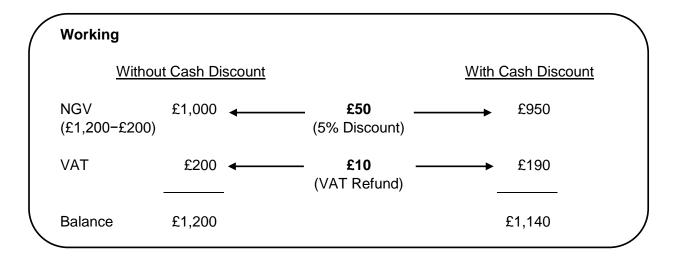
Layla Patel Statement of Account					
To: Falkland College For the month of July					
7 07 1110 1110	man or oary	Dr	Cr	Bal	
1 July	Opening Balance	£618-00		£618-00	
6 July*	Sales & VAT*	£253-92		£871-92	
20 July	Cash & Cash Equivalents		£599·46	£272-46	
20 July	VAT Refund		£3.09	£269-37	
20 July	Discount Allowed		£15·45	£253-92	

* Working for 6 July

Goods Value	£230.00
Trade Discount (5%)	£18·40
Net Goods Value	£211.60
VAT	£43.32
Final Total	£253.92



Dance Supplies Statement of Account						
	To: Ballet Tots					
For the me	For the month of March					
		Dr	Cr	Bal		
1 Mar	Opening Balance	£282·00		£618·00		
11 Mar	Cash & Cash Equivalents		£253-80	£28·20		
11 Mar	VAT Refund		£4.70	£23·50		
11 Mar	Discount Allowed		£23.50	_		



Roberta Rinaldi Statement of Account					
To: The Night Garden For the month of May					
		Dr	Cr	Bal	
1 May	Opening Balance	£1,200		£1,200	
9 May*	Sales & VAT*	£378		£1,578	
10 May	Sales Returns & VAT		£46	£1,532	
19 May	Cash & Cash Equivalents		£1,140	£392	
19 May	VAT Refund		£10	£382	
19 May	Discount Allowed		£50	£332	

* Working for 9 May

Goods Value	£350.00
Trade Discount (10%)	£35.00
Net Goods Value	£315.00
VAT	£63.00
Final Total	£378.00