

Recording Purchases, Freight In, Returns, and Payments

CASE 1- VAT is not yet included in the purchase price (VAT Exclusive)

May 1 - Bought merchandise for P 15,000 terms: C.O.D.

May 1	Purchases	P 15,000	
	VAT Input (P 15,000 x .12)	1,800	
	Cash		P 16,800

May 2 - Paid freight of P 200 on the above purchases

May 2	Freight in	P 200	
	VAT Input (P 200 x .12)	24	
	Cash		P 224

May 3 - Bought merchandise for P 30,000 from Ace Trading. Terms: 2/10, n/20

May 3	Purchases	P 30,000	
	VAT Input (P 30,000 x .12)	3,600	
	Accounts Payable		P 33,600

May 4 - Bought merchandise for P 30,000 terms C.O.D. with a trade discount of 5%

May 4 -	Purchases (95% x P 30,000)	P 28,500	
	VAT Input (P 28,500 x .12)	3,420	
	Cash		P 31,920

May 5 - Returned defective merchandise to Ace Trading P 1,000

May 5 -	Accounts Payable (P 1,000 x 1.12)	P 1,120	
	Purchase Returns & Allowances		P 1,000
	VAT Input		120

May 6 - Made a partial payment to Ace Trading, P 5,000

May 6 -	Accounts Payable	P 5,000	
	Cash		P 5,000

May 12 – Paid the account due to Ace Trading in full

May 5 -	Accounts Payable	P 27,480	
	Purchase discount		P 580
	Cash		26,900

Note: Purchases was P 30,000 less returned merchandise of P 1,000 therefore P 29,000 is the Net purchases. In order to get the amount of discount $P 29,000 \times .02 = P 580$. To compute for the total amount of VAT input $P 29,000 \times 12 = P 3,480$. From the journal entry the Vat input was debited for P 3,600 then it was credited by 120 which is equal to P 3,480 too.

CASE 2 VAT is not yet included in the purchases price

May 1 - Bought merchandise for P 15,000 terms: C.O.D

May 1	Purchases (P 15,000/1.12)	P 13,392.85	
	VAT Input (P 13,392.85 x .12)	1,607.15	
	Cash		P 15,000

May 2 - Paid freight of P 200 on the above purchases

May 2	Freight in (P 200/1 .12)	P 178.57	
	VAT Input (P 178.57x .12)	21.43	
	Cash		P 200

May 3 - Bought merchandise for P 33,600 from Ace Trading. Terms: 2/10, n/20

May 3	Purchases (P 33,600/ 1.12)	P 30,000	
	VAT Input (P 30,000 x.12)	3,600	
	Accounts Payable		P 33,600

May 4 - Bought merchandise for P 30,000 terms C.O.D. with a trade discount of 5%

May 4 -	Purchases (95% x P 30,000= P 28,500)/1.12	P 25,446.43	
	VAT Input (P 25,446.43 x .12)	3,053.57	
	Cash		P 28,500

May 5 - Returned defective merchandise to Ace Trading P 1,120

May 5 -	Accounts Payable (P 1,120 / 1.12)	P 1,120	
	VAT Input (1,000x .12)		120
	Purchase Returns & Allowances		1,000

May 6 - Made a partial payment to Ace Trading, P 5,000

May 6 -	Accounts Payable	P 5,000	
	Cash		P 5,000

May 12 – Paid the account due to Ace Trading in full

May 5 -	Accounts Payable	P 27,480	
	Purchase discount		P 1,450
	Cash		26,030

ACTIVITY

Directions: The following selected transactions were completed by Michaela Store during July, 20B. VAT is not included. Write your answers on one whole sheet of yellow pad paper.

July 20B

- 1 - Bought merchandise from Ricafort Trading P 65,000. Terms 2/10, n/20, F.O.B. shipping point, freight cost P 1,200
- 10 - Paid Ricafort Trading in full
- 13 - Purchased merchandise from Delmar Trading 15,000. C.O.D.
- 15 - Purchased merchandise from Viray Wholesaler P, 25,000. Terms 2/10, n/30.
- 15 - Returned defective merchandise worth P 700 to Viray Wholesaler F.O.B.
- 18 - Purchased merchandise P 42,000 with a trade discount of 3%. Terms C.O.D
- 25 - Paid Viray wholesaler in full
- 30 - Bought merchandise P 70,000 from Nestor Wholesaler. Terms P 5000 down balance on the account

Required: Give the journal entries to record the transactions.