



May 4 –May 8, 2020

SUPPLEMENTARY LESSON

**TOPIC: RECORDING SALES. FREIGHT, RETURNS, AND COLLECTIONS**

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

May 3 - Sold merchandise for P 50,000 terms: C.O.D.

May 3	Cash	P 50,000	
	Sales		P 50,000
	VAT Output (50,000 x .12)		6,000

May 3 - Paid freight of P 200 on the above sales

May 3	Freight out	P 200	
	VAT Input (P 200 x .12)	24	
	Cash		P 224

May 4 - Sold merchandise for P 40,000 from Roxas Store. Terms: 2/10, n/20

May 4	Accounts Receivable	P 44,800	
	VAT Output (P 40,000 x.12)		P 4,800
	Sales		40,000

May 7 - Sold merchandise for P 70,000 terms C.O.D. with a trade discount of 5%

May 7	Accounts Receivable	P 74,480	
	VAT Output (66,500 x .12)		7,980
	Sales (70,000 x.95)		P 66,500

May 10 - Returned defective merchandise to Roxas Store P 1,000

May 5	VAT Output (P 1,000 x.12)	P 120	
	Sales Returns & Allowances	1,000	
	Accounts receivable		P 1,120

May 11 - Collected the account due from Roxas Store, P 5,000

May 6	Cash	P 5,000	
	Accounts Receivable		P 5,000

May 14- Collected the account due from Roxas Store in full

May 5	Cash	P 36,730	
	Sales Discount	1,950	
	Accounts Receivable		38,680

**CASE 2 VAT is included in the Sales Price**

May 1 - Sold merchandise for P 16,800 terms: C.O.D

May 1	Cash	P 16,800	
		Sales	15,000
		VAT Output	1,800

May 2 - Paid freight of P 336 on the above sales

May 2	Freight Out (P 336/1 .12)	P 300	
	VAT Input (P 300 x .12)	36	
	Cash		P 336

May 3 - Sold merchandise for P 33,600 from Amber Store. Terms: 2/10, n/20

May 3	Accounts Receivable (P 33,600/ 1.12)	P 33,600	
	VAT Output (P 30,000 x.12)		P 3,600
	Sales		P 30,000

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

May 4 -	Cash (95% x 50,000 x1.12)	P 53,200	
	VAT Output (47,500 x .12)		P 5,700
	Sales		P 47,500

May 5 - Received defective merchandise from Amber Store P 1,120

May 5 -	VAT Output (P 1,120 / 1.12)	P 120	
	Sales Returns and Allowances	1,000	
	Accounts receivable		P 1,120

May 6 - Partial collection from Amber Store P 5,000

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

May 12 – Collected the account due from Amber Store in full

May 12 -	Cash	P 26,900	
	Sales discount	580	
	Accounts Receivable		P 27,480

**Topic: RECORDING PURCHASES OF FIXED ASSETS, RETURNS, AND PAYMENT**

**CASE1- VAT EXCLUSIVE**

Aug. 1- Bought tables and chairs from Zeus Company, P 15,000 terms 2/10, n/30 and paid freight P10,000

August 1 -	Furniture &Fixtures (P 15,000+ 1000)	16,000	
	VAT Input (12% x 16,000)	1,920	
	Accounts Payable (112% x 15,000)		16,800
	Cash (112% x 1,000)		1,120

August 2- Returned defective tables to Zeus Company, P 2,000.

August 2 - Accounts Payable (112% x 2,000)	2,240	
Furniture & Fixtures		2,000
VAT Input (12% x 2,000)		240

August 10 - Paid Zeus Company in full (with a discount).

August 10 - Accounts Payable	14,540	
Furniture & Fixture (2% x 13,000)		260
Cash		14,300

## CASE2- VAT INCLUSIVE

August 1- Bought office tables and chairs from Vera Company, P 13,440 terms 2/10, n/30, and paid freight of P 1,120.

August 1 - Furniture & Fixtures (14,560/ 112%)	13,000	
VAT Input (12% x 13,000)	1,560	
Cash		1,120
Accounts Payable		13,440

August 2- Returned defective tables to Vera Company, P 2,240.

August 2 - Accounts Payable	2,240	
Furniture & Fixtures (2,240/ 112%)		2,000
VAT Input (12% x 2,000)		240

August 8- Paid in full Vera Company (with a discount)

August 8 - Accounts Payable (13,440-2,240)	11,200	
Furniture & Fixtures (2% x 11,000)		220
Cash		10,980

**NOTE:** The cost of freight is added to the cost of the furniture. The return and discount are treated as deductions from the cost of the furniture.

## ACTIVITY

The following are selected transactions VAT inclusive of Blas Company

May 1 - Bought goods from Leon Corporation P 16,800 terms n/30 as per invoice no. 108

5 - Sold goods to Rowie P 40,320 as per invoice no. 801 terms n/30

8 - Bought goods from:

    Sanchez Trading P 11,200 terms n/60 invoice no. 835

    Tuazon Traders P 6,720 terms 2/ 10, n/20 invoice no 659

    Hermosa Trading P 18,480 terms n/20 invoice 625

9 - Bought equipment for 50,400 on account

10 - Paid freight on the above purchased, P 896

14- Sold merchandise to Farmville P 106, 400 Terms 2/10, n/20.

15 - Received defective merchandise from Farmville P 3,920

25 - Paid Tuazon Traders in full