

CONTINUATION OF SALES OF GOODS

4. SALES DISCOUNT GRANTED

4.1. COMMERCIAL DISCOUNT

- a) **REBATE GRANTED:** It is exceptionally allowed on a previous agreed selling price of goods on purpose that goods sent are not in conformity with the order or when defective goods are sent.
- b) **TRADE DISCOUNT GRANTED:** It is granted by the supplier to the customer for bulk purchases or to encourage bulk buying. It is express in percentage (%) and calculated successively.
- c) **BONUS GRANTED:** The seller grants this deduction to the customer to maintain good relationship ;it is calculated on the number of transactions realized with the same customer within a given period. It can be in cash or in kind.

The above deductions are never recorded when found in an invoice.

COMMERCIAL NET: It is an amount or balance obtained after subtracting the commercial deductions.

4.2. FINANCIAL REDUCTION

- a) **CASH DISCOUNT GRANTED:** This is a reduction granted by the seller the to the buyer for prompt payment or when the customer pays within the stipulated date.

NB: Whenever cash discount is mention in a transaction, the mode of payment should be cash, cheque.

FINANCIAL NET: This is a balance obtained after deducting the cash discount from the commercial net.

EXAMPLE: On the 15/10/2019, Henry sold goods for 900,000frs, sales condition, trade discount 10%,and 5%,cash discount 3%.

Work to do: present the sales invoice and do the accounting recordings, mode of payment by cash.

Solution;

- I. Presentation of sales invoice

DESCRIPTION	AMOUNT
Gross Amount	900,000
1 st trade discount: 10% x 900,000	(90,000)
1st commercial net	810,000
2 nd trade discount: 5% x 810,000	(40,500)
2 nd commercial net	769,500
Cash discount: 3% x 769,500	(23,085)
Net payable	746,415

II. Accounting Recording

Dr -571-Head office cash	746,415	
Dr -673-Cash discount granted	23,085	
Cr -701-Sales of goods		769,500
Being cash sales of goods		

5. SALES INVOICES WITH ADDITIONS.

5.1. STATE VAT INVOICED IN SALES: (account 4431): It is 19.25% on sales value collected by the seller from customer during sales, to recover the paid to the supplier during purchases and the difference between the amount of VAT collected during sales and the amount of VAT paid during purchases will be paid to the state.

EXAMPLE:

SALES INVOICE WITH DEDUCTION AND VAT.

On the 15/10/2019, NGONG DOG sold goods for 6,000,000frs by bank cheque and granted the following discount, trade discount 4% and 3% , cash discount 2% , VAT 19.25%.

Work Required: prepare the sales invoice and do the accounting recording using periodic method.

Solution :

DESCRIPTION	AMOUNT
Gross Amount	6,000,000
1 st trade discount: 4% x 6,000,000	(240,000)
1 st commercial net	5,760,000
2 nd trade discount: 3% x 5,760,000	(172,800)
2nd commercial net	5,587,200
Cash discount: 2% x 5,587,200	(111,744)
Financial net	5,475,456
VAT: 19.25% x 5,475,456	+1054025.28
Net payable	6,529,481.28

b) Accounting Recording

Dr -521-local bank 6,529,481.28

Dr -673-discount granted 111,744

Cr -701-sales of goods 5,587,200

Cr -4431-State VAT invoice on sales 1,054,025.28

Being sales of goods by bank cheque

END....