

Chapter 9: Accounting for Purchases and Cash Payments

Vocabulary:

- merchandise
- merchandising business
- retail merchandising business
- wholesale merchandising business
- corporation
- capital
- share of stock
- stockholder
- capital stock
- articles of incorporation
- charter
- vendor
- subsidiary ledger
- accounts payable ledger
- controlling account
- inventory
- merchandise inventory
- perpetual inventory
- periodic inventory
- physical inventory
- cost of merchandise
- requisition
- purchase order
- special journal
- purchase on account
- purchases journal
- special amount column
- purchase invoice
- terms of sale
- due date
- cash payments journal
- list price
- trade discount
- net price
- cash discount
- general amount column
- discount period
- purchases discount
- contra account
- credit limit
- schedule of
- accounts payable

Objectives:

The students will be able to:

- ✓ L01 Distinguish among service, retail merchandising, and wholesale merchandising businesses.
- ✓ L02 Identify differences between a sole proprietorship and a corporation.
- ✓ L03 Explain the relationship between a subsidiary ledger and a controlling account.
- ✓ L04 Describe accounting procedures used in ordering merchandise.
- ✓ L05 Discuss the purpose of a special journal.
- ✓ L06 Journalize purchases of merchandise on account using a purchases journal.
- ✓ L07 Post merchandise purchases to an accounts payable ledger and a general ledger.
- ✓ L08 Record cash payments using a cash payments journal.
- ✓ L09 Record replenishment of a petty cash fund.
- ✓ L010 Post cash payments to an accounts payable ledger and a general ledger.



Competencies:

6320: Accounting

9-1 Subsidiary Ledgers and Controlling Accounts

Understanding the Accounting Cycle for a Merchandising Business

56: Differentiate between a service and a merchandising business.

61: Post from journals to general and subsidiary ledgers.

62: Prepare schedules for subsidiary ledgers.

71: Summarize the progression from source documents to journals to ledgers to financial reports for a merchandising business.

9-2 Accounting for Merchandise Purchases

Understanding the Accounting Cycle for a Merchandising Business

55: Compare the accounting procedures for different types of business ownership and business cycles.

57: Journalize purchase transactions.

64: Receive vendor invoices for a merchandising business.

72: Describe record-organization and retention-schedule procedures for a merchandising business.

9-3 Posting from a Purchasing Journal

61: Post from journals to general and subsidiary ledgers.

9-4 Accounting for Cash Payments

61: Post from journals to general and subsidiary ledgers.

9-5 Posting from Cash Payments Journal

Understanding the Accounting Cycle for a Service Business

Optional: 73: Maintain financial records for a merchandising business, using accounting software.

Optional: 74: Maintain financial records for a merchandising business, using spreadsheet software.