CONCEPT: PERPETUAL INVENTORY – PURCHASES

● A merchandising company generally buys goods in _________ and then sells them to customers __________________

☐ Companies "purchase" many things:

- Goods acquired for resale → __________________
- Pens, paper, staplers → __________________
- Copy machine → __________________

● When the company purchases goods, we debit the ___________________ account.

TOS Company purchased 500 units of Things on account at a price of $5 per Thing.

Journal Entry:

Assets	=	Liabilities	+	Equity

● If the company returns the goods to the supplier for a refund, the transaction is called a ***purchase return***.

TOS Company returned 100 units of Things to its supplier.

Journal Entry:

Assets	=	Liabilities	+	Equity

● An unsatisfied company may also keep the goods if the supplier lowers the price. This is a ***purchase allowance***.

TOS ordered 500 Things on account at $5 per Thing. When low quality Things arrived, the supplier agreed to lower the price of each Thing to $2 per thing for this order.

Journal Entry:

Assets	=	Liabilities	+	Equity