

Merchandising Company: Buyer/Seller Entries Example #1

Net Perpetual Method

Journalize the entries below for the buyer, Benson Pharmaceuticals, and the seller, Saiger Company. Assume that both companies use the net perpetual method to account for merchandising transactions.

November 8. Benson purchases \$4,000 of merchandise from Saiger with the terms 2/10 n/30, FOB Destination. The cost of the merchandise sold was \$3,000.

Buyer			
Date		Debit	Credit
11/8	Merchandise inventory	3920	
	Accounts payable		3920
Seller			
Date		Debit	Credit
11/8	Accounts receivable	3920	
	Sales		3920
11/8	Cost of merchandise sold	3000	
	Merchandise inventory		3000

November 9. Saiger Company pays \$150 to ship the goods to Benson.

Buyer			
Date		Debit	Credit
	NO ENTRY		
Seller			
Date		Debit	Credit
11/9	Delivery expense	150	
	Cash		150

November 11. Benson returns \$1,000 of the merchandise that was purchased on November 8th. The cost of the merchandise returned was \$800.

Buyer			
Date		Debit	Credit
11/11	Accounts payable	980	
	Merchandise inventory		980
Seller			
Date		Debit	Credit
11/11	Customer refunds payable	980	
	Accounts receivable		980
11/11	Merchandise inventory	800	
	Estimated returns inventory		800

November 18. Benson pays for the merchandise.

Buyer			
Date		Debit	Credit
11/18	Accounts payable	2940	
	Cash		2940
Seller			
Date		Debit	Credit
11/18	Cash	2940	
	Accounts receivable		2940