

## 5.2 A drill to practise further transactions involving promises

Note: this drill includes purchase returns and sales returns, where the original transaction was on credit, and the treatment of possible overpayments on account. Analyze each of the following transactions as movements of equal value IN to and OUT of the business.

1. (a) a firm buys goods on credit from a supplier for £15.

IN	purchases	£15	
OUT	promise to supplier		£15

- (b) the firm sends the entire consignment of goods back to the supplier.

IN	promise back from supplier	£15	
OUT	purchases		£15

2. (a) a firm sells goods on credit for £10.

IN	promise from customer	£10	
OUT	sales		£10

- (b) all of the goods involved in the sale above are returned by the customer.

IN	sales (or 'sales returns')	£10	
OUT	promise (back) to customer		£10

3. (a) a firm buys goods on credit for £65.

IN	purchases	£65	
OUT	promise to supplier		£65

- (b) the firm sends goods, which originally cost £45, back to the supplier.

IN	promise (back) from supplier	£45	
OUT	purchases		£45

4. (a) a firm sells goods on credit for £80.

IN	promise from customer	£80	
OUT	sales		£80

(b) half of the goods involved in the sale above are returned by the customer.

IN	sales (or 'sales returns')	£40	
OUT	promise back to customer		£40

5. (a) a firm buys goods on credit from a supplier for £95.

IN	purchases	£95	
OUT	promise to supplier		£95

(b) the firm pays the supplier £100 cash.

IN	promise from supplier	£100	
OUT	cash		£100

(c) the supplier repays £5 cash to the firm.

IN	cash	£5	
OUT	promise to supplier		£5

6. (a) a firm sells goods on credit to a customer for £40.

IN	promise from customer	£40	
OUT	sales		£40

(b) the firm receives a payment of £50 cash from the customer.

IN	cash	£50	
OUT	promise to customer		£50

(c) the firm repays £10 cash to the customer.

IN	promise from customer	£10	
OUT	cash		£10

7. (a) a firm buys goods on credit for £100.

IN	purchases	£100	
OUT	promise to supplier		£100

(b) the firm returns goods value £40 to the supplier.

IN	promise from supplier	£40	
OUT	purchases (or 'purchase returns')		£40

(c) the firm pays the supplier £50 cash.

IN	promise from supplier	£50	
OUT	cash		£50

8. (a) a firm sells goods on credit for £160.

IN	promise from customer	£160	
OUT	sales		£160

(b) £60 of the goods above are returned by the customer.

IN	sales (or 'sales returns')	£60	
OUT	promise to customer		£60

(c) the firm receives payment of £100 cash from the customer.

IN	cash	£100	
OUT	promise to customer		£100

9. (a) a firm buys goods on credit for £56.

IN	purchases	£56	
OUT	promise to supplier		£56

(b) the firm returns goods value £16 to the supplier.

IN	promise from supplier	£16	
OUT	purchases (or 'purchase returns')		£16

(c) the firm pays the supplier £56 cash.

IN	promise from supplier	£56	
OUT	cash		£56

(d) the firm receives £16 cash repayment from the supplier.

IN	cash	£16	
OUT	promise to supplier		£16

10. (a) a firm sells goods on credit for £227.

IN	promise from customer	£227	
OUT	sales		£227

(b) £27 of the goods above are returned by the customer.

IN	sales (or 'sales returns')	£27	
OUT	promise to customer		£27

(c) the firm receives payment of £100 cash from the customer.

IN	cash	£100	
OUT	promise to customer		£100