

### 47.1 A drill to practise accounting for discounts

REQUIRED: from each set of data below, prepare:

- a debtors account and/or a creditors account, and
- a P&L Account extract concerning discounts allowed and/or discounts received.

#### BUSINESS 1

	£		£
opening debtors	11 000	opening creditors	7 000
sales on credit	48 000	purchases on credit	26 000
cash received from debtors	50 960	cash paid to creditors	26 325
discount allowed	1 040	discount received	675

  

Debtors			
b/f	11 000	cash received	50 960
sales	48 000	discount allowed	1 040
		c/f	7 000
	<u>59 000</u>		<u>59 000</u>
b/f	7 000		

  

Creditors			
cash paid	26 325	b/f	7 000
discount received	675	purchases	26 000
c/f	6 000		
	<u>33 000</u>		<u>33 000</u>
		b/f	6 000

  

P&L			
discount allowed	1 040	discount received	675

**BUSINESS 2**

	£		£
opening debtors	13 000	opening creditors	8 000
sales on credit	57 000	purchases on credit	32 000
cash received from debtors	56 550	cash paid to creditors	28 275
discount allowed	1 450	discount received	725

Debtors				Creditors			
<i>b/f</i>	13 000	<i>cash received</i>	56 550	<i>cash paid</i>	28 275	<i>b/f</i>	8 000
<i>sales</i>	57 000	<b>discount allowed</b>	<b>1 450</b>	<b>discount received</b>	<b>725</b>	<i>purchases</i>	32 000
		<i>c/f</i>	12 000	<i>c/f</i>	11 000		
	<u>70 000</u>		<u>70 000</u>		<u>40 000</u>		<u>40 000</u>
<i>b/f</i>	12 000					<i>b/f</i>	11 000

P&L			
<b>discount allowed</b>	<b>1 450</b>	<b>discount received</b>	<b>725</b>

**BUSINESS 3**

A firm sells only on credit, and offers a discount of 2% to customers who pay within four weeks of invoice. Debtors at the start of the year are £20 000, and sales for the year are £250 000. Customers originally owing £100 000 pay within the relevant period, taking the discount allowed. £140 000 is received from other customers.

<i>Debtors</i>				<i>P&amp;L</i>	
<i>b/f</i>	20 000	<i>full payments received</i>	140 000		
<i>sales</i>	250 000	<i>discounted payments rec'd</i>	98 000		
		<i>discount allowed</i>	2 000	<i>discount allowed</i>	2 000
		<i>c/f</i>	30 000		
	<u>270 000</u>		<u>270 000</u>		
<i>b/f</i>	30 000				

**BUSINESS 4**

A firm buys exclusively on credit. One major supplier offers a discount of 2.5% for payment within 30 days of invoice. The firm always takes advantage of this discount. Creditors at the start of the year are £25 000. Purchases during the year are £300 000. The firm pays a total of £275 000 to creditors during the year, including a payment in respect of an original £200 000 owed to the supplier who offers the discount.

Creditors				P&L	
<i>full payments made</i>	80 000	<i>b/f</i>	25 000		
<i>discounted payments made</i>	195 000	<i>purchases</i>	300 000		
<i>discount received</i>	5 000				<i>discount received</i> 5 000
<i>c/f</i>	45 000				
	<u>325 000</u>		<u>325 000</u>		
		<i>b/f</i>	45 000		