

5.3 A drill to practise understanding analyzed transactions on credit

Describe in words each of the transactions below, which have already been analyzed in terms of the double entry system as an exchange of equal value.

1. (a)	IN	promise from A	£80	
	OUT	sales		£80

firm sells goods for £80 on credit

(b)	IN	cash	£80	
	OUT	promise to A		£80

firm receives £80 cash payment from A

2. (a)	IN	purchases	£60	
	OUT	promise to S		£60

firm buys goods for £60 on credit from S

(b)	IN	promise from S	£60	
	OUT	cash		£60

firm pays £60 cash to S

3. (a)	IN	purchases	£145	
	OUT	promise to X		£145

firm buys goods for £145 on credit from X

(b)	IN	promise from X	£45	
	OUT	purchases		£45

firm returns goods to X, value £45

(c)	IN	promise from X	£100	
	OUT	cash		£100

firm pays £100 cash to X

4. (a)

IN	promise from customer	£105	
OUT	sales		£105

firm sells goods on credit to customer, value £105

(b)

IN	sales	£65	
OUT	promise to customer		£65

firm receives goods back from customer, value £65

(c)

IN	cash	£40	
OUT	promise to customer		£40

firm receives £40 cash payment from customer

5. (a)

IN	purchases	£115	
OUT	promise to supplier		£115

firm buys goods on credit for £115

(b)

IN	promise from supplier	£125	
OUT	cash		£125

firm pays supplier £125 cash

(note that this appears to be an overpayment of £10)

(c)

IN	cash	£10	
OUT	promise to supplier		£10

firm receives repayment of £10 cash from supplier

6. (a)	IN	promise from customer	£57	
	OUT	sales		£57

firm sells goods on credit for £57

(b)	IN	cash	£77	
	OUT	promise to customer		£77

firm receives £77 cash payment from customer

(note the apparent overpayment)

(c)	IN	promise from customer	£20	
	OUT	cash		£20

firm returns the £20 cash overpayment to the customer