

5.1 A drill to practise the analysis of transactions on credit

Analyze each of the following transactions as movements of equal value IN to and OUT of the business, as shown in the first example below.

1. (a) a firm buys goods on credit from A for £35.

IN	purchases	£35	
OUT	promise to A		£35

- (b) the firm pays A £35 cash.

IN	promise back from A	£35	
OUT	cash		£35

2. (a) a firm sells goods on credit to B for £70.

IN	promise from B	£70	
OUT	sales		£70

- (b) the firm receives £70 cash payment from B.

IN	cash	£70	
OUT	promise back to B		£70

3. (a) a firm sells goods on credit to C for £150.

IN	promise from C	£150	
OUT	sales		£150

- (b) the firm receives a payment of £150 cash from C.

IN	cash	£150	
OUT	promise back to C		£150

4. (a) a firm buys goods on credit from S for £360.

IN	purchases	£360	
OUT	promise to S		£360

(b) the firm makes a payment of £360 cash to S.

IN	promise back from S	£360	
OUT	cash		£360

5. (a) a firm sells goods on credit to C for £55.

IN	promise from C	£55	
OUT	sales		£55

(b) the firm receives a payment of £55 cash from C.

IN	cash	£55	
OUT	promise back to C		£55

6. (a) a firm buys goods on credit from a supplier for £50.

IN	purchases	£50	
OUT	promise to supplier		£50

(b) the firm pays the supplier £40 cash.

IN	promise back from supplier	£40	
OUT	cash		£40

(c) the firm pays the supplier a further £10 cash.

IN	promise back from supplier	£10	
OUT	cash		£10

7. (a) a firm sells goods on credit to a customer for £75.

IN	promise from customer	£75	
OUT	sales		£75

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

IN	cash	£50	
OUT	promise back to customer		£50

(c) the firm receives a further payment of £25 cash from the customer.

IN	cash	£25	
OUT	promise back to customer		£25

8. a firm buys goods on credit for £250.

IN	purchases	£250	
OUT	promise to supplier		£250

9. a firm sells goods on credit for £375.

IN	promise from customer	£375	
OUT	sales		£375

10. a firm buys goods on account from a supplier for £85.

IN	purchases	£85	
OUT	promise to supplier		£85

11. a firm pays a supplier £45 on account.

IN	promise from supplier	£45	
OUT	cash		£45

12. a firm sells goods on account for £47.

IN	promise from customer	£47	
OUT	sales		£47

13. a firm receives a payment of £23 cash on account from a customer.

IN	cash	£23	
OUT	promise to customer		£23

14. a firm receives a payment of £17 cash from a debtor.

IN	cash	£17	
OUT	promise to debtor		£17

15. a firm pays £36 cash to a creditor.

IN	promise from creditor	£36	
OUT	cash		£36