

Name:

Trade discount

If a business makes large purchases at regular intervals from the same suppliers on credit, the suppliers often provide the merchandise at lower prices. This reduction is called trade discount. On the invoice, the articles are indicated at the normal price and the total credit purchase is calculated. A percentage discount is calculated on the total purchases. The trade discount is not entered in the business's books, but only the net purchases.

$$\text{Net purchases} = \text{Total purchases} - \text{trade discount}$$

Example

Buy goods to the value of R6 800 from Tom Suppliers and receive 20% trade discount.

$$\text{Trade discount} = 20/100 \times R6\,800 = R1\,360$$

$$\text{Net purchase} = 6\,800 - 1\,360 = 5\,440$$

The net purchases of R5 440 will be entered in the CJ.

Activity 9 (Creditors Journal)

Required

Use the following information from Lonely Traders to prepare the Creditors Journal for June 2010.

Note: Re-number invoices received from 87.

Transactions: June 2010

- 4 Receive an invoice from RN Wholesalers for trading stock purchased for R12 400 less 20% trade discount.
- 7 Buy the following on credit from Sam Distributers and receive their invoice:
Three filing cabinets, at R2 000 each.
R300 files at R2 each.
- 11 Buy packing material from Davido Traders and receive their invoice for R840.
- 17 Buy trading stock from RN Wholesalers and receive their invoice for R14 000.
- 23 Receive an invoice from MN Motors for R3 900. The owner took his private vehicle for a service.
- 28 Buy stationery on credit from Sam Distributers and receive an invoice for R780.

Answer sheet

Creditors Journal of Lonely Traders – May 2010

CJ

Doc	Day	Creditor	Fol	Creditors control	Trading stock	Statio- nery	Sundry account (10)		
							Amount	Fol	Details