LO8  Record cash payments using a cash payments journal.

LO9  Record replenishment of a petty cash fund.
Cash Payments Journal

- A cash payments journal is a special journal used to record only cash payment transactions.
Trade Discount

● The retail price listed in a catalog or on an Internet site is called a list price.

● A trade discount is a reduction in the list price granted to a merchandising business.

● The price after the trade discount has been deducted from the list price is referred to as the net price.
Cash Discount

- A **cash discount** is a deduction that a vendor allows on an invoice amount to encourage prompt payment.

- A journal amount column that is not headed with an account title is called a **general amount column**.
Cash Payment of an Expense

November 3. Wrote a check to Kelser Promotions for advertising, $600.00. Check No. 689.

Advertising Expense  

\[ \frac{\text{Cash}}{600.00} \]

CASH PAYMENTS JOURNAL

<table>
<thead>
<tr>
<th>DATE</th>
<th>ACCOUNT TITLE</th>
<th>CK. NO.</th>
<th>POST. REF.</th>
<th>GENERAL DEBIT</th>
<th>CREDIT</th>
<th>ACCOUNTS PAYABLE DEBIT</th>
<th>PURCHASES DISCOUNT CREDIT</th>
<th>CASH CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 3</td>
<td>Advertising Expense</td>
<td>689</td>
<td></td>
<td>600.00</td>
<td></td>
<td></td>
<td></td>
<td>600.00</td>
</tr>
</tbody>
</table>

**Labels:**
1. Date
2. Account Title
3. Check Number
4. Debit
5. Credit
Buying Supplies for Cash


<table>
<thead>
<tr>
<th>DATE</th>
<th>ACCOUNT TITLE</th>
<th>CK. NO.</th>
<th>POST. REF.</th>
<th>GENERAL DEBIT</th>
<th>CASH CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 3</td>
<td>Advertising Expense</td>
<td>689</td>
<td></td>
<td>6 0 0 00</td>
<td>6 0 0 00</td>
</tr>
<tr>
<td>6</td>
<td>Supplies—Office</td>
<td>690</td>
<td></td>
<td>5 6 20</td>
<td>5 6 20</td>
</tr>
</tbody>
</table>
Cash Payments for Purchases

November 9. Purchased merchandise from Polar Refrigeration for cash, $480.00. Check No. 697.

<table>
<thead>
<tr>
<th>DATE</th>
<th>ACCOUNT TITLE</th>
<th>CK. NO.</th>
<th>POST. REF.</th>
<th>GENERAL</th>
<th>ACCOUNTS PAYABLE</th>
<th>PURCHASES DISCOUNT</th>
<th>CASH</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Purchases</td>
<td>697</td>
<td></td>
<td>480.00</td>
<td></td>
<td></td>
<td>480.00</td>
</tr>
</tbody>
</table>

**Debit**: Purchases 480.00

**Credit**: Cash 480.00

1. Date  2. Account Title  3. Check Number  4. Debit  5. Credit
Cash Payments on Account with Purchases Discounts

• The period of time during which a customer may take a cash discount is called the **discount period**.

• When a company that has purchased merchandise on account takes a cash discount, it is called a **purchases discount**.

• An account that reduces a related account on a financial statement is called a **contra account**.
Cash Payments on Account with Purchases Discounts

November 14. Paid cash on account to Galle Electric, $627.20, covering Purchase Invoice No. 489 for $640.00, less 2% discount, $12.80. Check No. 702.

<table>
<thead>
<tr>
<th>Date</th>
<th>Vendor Name</th>
<th>Purchase Invoice Amount</th>
<th>Check Number</th>
<th>Cash Discount</th>
<th>Purchase Invoice Amount Less the Cash Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Galle Electric</td>
<td>640.00</td>
<td>702</td>
<td>12.80</td>
<td>627.20</td>
</tr>
</tbody>
</table>

Accounts Payable

- 640.00
- Purchases Discount: 12.80
- Cash: 627.20
Cash Payments on Account without Purchases Discounts

November 21. Wrote a check to S&R Imports to pay on account, $2,512.00, covering Purchase Invoice No. 468. Check No. 706.

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Title</th>
<th>Check No.</th>
<th>Total Purchase Invoice Account</th>
<th>Total Purchase Invoice Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>S&amp;R Imports</td>
<td>706</td>
<td>2,512.00</td>
<td>2,512.00</td>
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</tbody>
</table>

Accounts Payable

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,512.00</td>
</tr>
</tbody>
</table>

Cash

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,512.00</td>
</tr>
</tbody>
</table>

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Replenishing a Petty Cash Fund

November 22. Paid cash to replenish the petty cash fund, $214.82: advertising, $124.00; store supplies, $62.18; miscellaneous, $28.95; cash over, $0.31. Check No. 707.
Lesson 9-4 Audit Your Understanding

1. What is the net price of an item with a $1,200.00 list price having a 60% trade discount?

ANSWER

$480.00
Lesson 9-4 Audit Your Understanding

2. Why would a vendor offer a cash discount to a customer?

**Answer**
To encourage early payment
Lesson 9-4 Audit Your Understanding

3. What is recorded in the general amount columns of the cash payments journal?

**ANSWER**

Cash payment transactions that do not occur often
Lesson 9-4 Audit Your Understanding

4. What is meant by terms of sale 2/10, n/30?

**ANSWER**

Two ten means 2% of the invoice amount may be deducted if the invoice is paid within 10 days of the invoice date. Net thirty means that the total invoice amount must be paid within 30 days.
Lesson 9-4 Audit Your Understanding

5. When journalizing a cash payment to replenish petty cash, what is entered in the Account Title column of the cash payments journal?

**ANSWER**

The titles of the accounts for which the petty cash funds were used
Lesson 9-4 Audit Your Understanding

6. How is cash short recorded in the account, Cash Short and Over?

**ANSWER**

As a debit