

Case Study 6: Purchases and Cash Payments

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Instructions:

1. Print and read the following case study.
2. On your own, complete the **Accounting Application** questions.
3. As a class, complete the **Class Interaction and Discussion** questions.
4. Optional: Complete the **Extension Activity** and **Internet Exploration and Research Activity**.
5. Complete the **Summary Questions**.

Objectives:

After completing the following case study, you will be able to:

- Journalize the purchase of merchandise and cash payments on account
- Categorize the different places where books can be purchased
- Explain how to purchase a book on the Internet

Study Tips:

Complete this case study after Chapter 15, Glencoe Accounting, First-Year Course.
Approximate time to complete: 1 1/2 hours.

1. Journalize the following transactions made by a small chain bookstore, Roundtable Books.

On December 17, Roundtable Books received Invoice 311 from Biblioware book distributor for books purchased on account, \$1,207.00.

On January 3, Roundtable Books paid \$724.20 to Biblioware for books purchased on account, \$1,207.00 less a discount of \$482.80, Check 1442.

PURCHASES JOURNAL										PAGE _____
DATE	INVOICE NO.	CREDITOR'S ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT	PURCHASES DEBIT	GENERAL				
						ACCOUNT DEBITED	POST. REF.	DEBIT		
1										1
2										2
3										3
4										4
5										5
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8										8

CASH PAYMENTS JOURNAL										PAGE _____
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT		
				DEBIT	CREDIT					
1										1
2										2
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2. Journalize the following transactions made by the large chain bookstore, Beyond Books.

On December 19, Beyond Books received Invoice 43977 from Biblioware book distributors for books purchased on account, \$13,497.00.

On January 10, Beyond Books paid \$7,018.44 to Biblioware for books purchased on account, \$13,497.00 less a discount of \$6,478.56, Check 7964.

PURCHASES JOURNAL										PAGE _____
DATE	INVOICE NO.	CREDITOR'S ACCOUNT CREDITED	POST. REF.	ACCOUNTS PAYABLE CREDIT	PURCHASES DEBIT	GENERAL				
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CASH PAYMENTS JOURNAL										PAGE _____
DATE	DOC NO.	ACCOUNT NAME	POST. REF.	GENERAL		ACCOUNTS PAYABLE DEBIT	PURCHASES DISCOUNTS CREDIT	CASH IN BANK CREDIT		
				DEBIT	CREDIT					
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3. Compare discount percentages given by Biblioware above. Is there a difference? Why?

3. How much does the book cost?

4. Are there shipping costs?

5. What is the store policy regarding returns?

6. If you were to purchase the book, how long would it take to receive it?

Summary Questions:

1. What journals do you use to record purchases on account, purchases for cash, and cash payments?

2. What accounts are debited and credited when merchandise is purchased on account?

3. What accounts are debited and credited when a purchase on account with a discount is paid?
