Creepy Pete's Garden Store

Your buddy Pete runs Creepy Pete's Garden Store. Record the transactions for the month of February 2020 in the purchases journal and cash payments journal.

- February 2 Purchased merchandise on account from Flowery Pots, \$500. P101. (Terms 5/10, N30)
- February 8 Purchased merchandise on account from Vintage Vines, \$700. P102. (Terms 10/20, N30)
- February 14 Purchased merchandise on account from Xtreme Plants, \$450. P103. (Terms 10/10, N30)
- February 22 Purchased merchandise on account from Mulch Mania, \$1,000 less a trade discount of 5%. P104.
- February 24 Purchased merchandise on account from Hoses & Hoes, \$300 less a trade discount of 10%. P105.

Total and rule the purchases journal as of February 28.

PURCHASES JOURNAL PAGE 1

Date	Account Credited	Purch. No.	Pui Accts	DR ole CR		

- February 10 Paid cash on account to Flowery Pots, \$475, covering purchase P101 for \$500, less a 5% discount. Check No. 301.
- February 11 Purchased merchandise for cash, \$100. Check No. 302.
- February 20 Paid cash on account to Vintage Vines, \$630, covering purchase P102 for \$700, less a 10% discount. Check No. 303.
- February 26 Paid cash on account to Xtreme Plants, \$450, covering purchase P103 for \$450. No discount. Check No. 304.
- February 28 Paid cash to replenish the petty cash fund for Supplies, \$24; Misc. Expenses, \$16; and <u>Cash Short and Over</u>, \$3 over (credit). Check No. 305.

Total, prove, and rule the cash payments journal as of February 28.

CASH PAYMENTS JOURNAL PAGE 1

		Ck.	Post			Gen	eral			Accou				Accounts			Purchases			Cash		
Date	Account Title	No.	Ref.	De	ebi	t		Cre	edit					DR		cou				CR		

Note: You would then post the column totals to the appropriate Ledger accounts (we will skip this step for now).

Creepy Pete's Garden Store

Now we will record purchases returns and allowances for Creepy Pete's Garden Store for the month of February 2020. These are recorded in the General Journal.

<u>Returns</u> are when a business returns merchandise for a refund (either to Cash or Accounts Payable, depending on how the items were originally paid for).

<u>Allowances</u> are when the merchandise is damaged or not as expected, but the vendor allows the customer to keep the merchandise at a reduced price.

Both of these adjustments are recorded to the "Purchases Returns and Allowances" account. This account is a "contra asset" account, like Accumulated Depreciation. It has a normal credit balance.

Note: These transactions will debit either Cash or Accounts Payable and credit the Purchases Returns and Allowances account. The source document for these types of transactions is called a Debit Memorandum (DM).

- February 2 Returned merchandise to Sunny's Sun Dials, \$250, which was purchased for cash. DM601.
- February 5 Returned merchandise to Polly's Petunias, \$100, which was purchased on account. DM602.
- February 12 Returned merchandise to Jake's Rakes, \$300, which was purchased on account. DM603.
- February 20 Returned merchandise to Rick's Bricks, \$400, which was purchased on account. DM604.

GENERAL JOURNAL PAGE 1

Date		Account Title	Doc. No.	Post. Ref.	De	ebit		Credit				