Cash discounts on goods already in the system

Whenever goods have arrived from <u>purchase orders</u>, goods are booked into the system with the price defined in the contract underlying <u>purchase order</u>. Typically these items are either:

- taken into stock and credited the inventory account at the price defined
- immediately used and credited the expense account and charged to a cost center

When the bills for these items are received a certain time has passed. This bill may allow cash discounts, like for early payment or other. This cash discount changes the purchase value of the items on stock.



Besides chaning the purchase value of the items, these goods might have been used, so any bookkeeping events calculated with the purchase value **must** become updated as well when the purchase value becomes updated.

Purchase order cash discount App

This app allows to select the purchase order and change the effectively payed sum of full or partial quantities taken into stock.



Typically cash discounts are negotiated on bills. For parties, which are handling the Accounts Payable process (AP) with a 3rd party system, this app offers the possibility to still discount items. The entering party needs to know which quantities of the po are discounted.

This app allows:

- 1. in the first place the selection of a purchase order
- 2. see the <u>ordered quantites</u> and the already <u>confirmed deliveries</u> quantities.
- 3. Enter the cash discount for already confirmed delivery quantites.
 - a new grand total for all confirmedly delivered quantites of the entire purchase order - This automatically calculates a new general price update, which is applied to all confirmedly delivered positions of this bill. If the position is fully delivered, a split of the position is not required.
 - a new total for all confirmedly delivered quantities of one purchase order position - This splits the position, if the position is not fully delivered and allows the entry of a new purchase price (total or per item)
 - split the confirmedly delivered quantities (multiple times) of a purchase order position and eventually enter deviating cost - This splits the position and the user may enter the sub quantity of the confirmedly delivered quantity and assign a new purchase price (position total or per position)



purchase order. Later arrived goods are again booked in at the original price of the purchase order, but might later be changed as well.

Booking variations of cash discounts

Generally the profit/loss incurred by the cash discount may

- 1. be booked as extraordinary profit/loss attributable to an expense account and cost center
- 2. be booked as extraordinary profit/loss attributable to the inventory accounts of the goods taken into stock

Booking versus expense account

In this setup the profit/loss is attributed to an expense account and a cost center. The inventory keeps the same value.

So only two corrective booked have to be made.

Booking versus inventory accounts

For all items on stock, we need to create an entry on the procurement price history of stock items (shelve content) which were part of the purchase orders - no matter if used or

Implications of already used items

As the goods were available as the arrived on stock and some time has passed, they might already have been used. So we need to check on these consecutive bookkeeping actions and also make corrective bookings:

Goods were used after they were taken into stock

This can either be internal usage or sending to customer. In both cases the value has been already charged to expense and a cost center with the original value.

Correction bookings for these two bookings must be made.

Goods were relocated

(and are now on another inventory account) - We need to update the value of the items on the other stock (update the purchase price there as well)

Goods were sent to customers

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