**CREDIT PURCHASES (CREDITORS JOURNAL) AND CREDIT ALLOWANCES (CREDITORS ALLOWANCED JOURNAL)**

**Creditors:**

* Another name for a creditor is a supplier.
* Creditors are suppliers that allow the business to take items but only pay at a later stage.
* A benefit of purchasing trading stock on credit is that the goods can be sold and received before the business has to pay for the stock – this helps its cash flow.

**Trade discount**

* If a business buys large quantities from a supplier, a trade discount can be received from the supplier.
* This trade discount will not be shown in the financial records of the business.
* The net figure – the cost after the discount has been subtracted – is the cost price of the goods to the business.

**Creditor’s allowances**

* It can happen that the business return items to the supplier because they are faulty or damaged.
* The supplier will deduct the money owed by the business.

**Creditors Journal**

* In the CJ, an Original invoice is issued as the business now becomes the client.
* The business is now purchasing on account/ credit.
* We re-number the invoice in the CJ as we receive different invoice numbers from different creditors.
* A creditor is a Liability as we owe someone money

Format of the creditors’ journal:

Creditors Journal of\_\_\_(Name of the business)\_for\_\_(month and year

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | Sundry accounts | | |
| Doc | Day | Name of Creditor | fol | Creditors control | Trading stock | stationery | Amount | Fol | details |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

Transactions to record in the creditor’s journal for 30 April 2019:

1. On the 2nd of April, the business purchased on account from The Stock Trade (C3) for R10 000. Received invoice 25(renumber to 10)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | Sundry accounts | | |
| Doc | Day | Name of Creditor | Fol. | Creditors control | Trading stock | stationery | Amount | Fol | details |
| 10 | 1 | The stock trade | C3 | 10 000 | 10 000 |  |  |  |  |
|  |  |  |  | **10 000** | **10 000** |  |  |  |  |

Creditors allowances journal:

* In the CAJ we record transactions that the business returns goods bought on account.
* The source document for the CAJ is a duplicate debit note.

Format of the CAJ

Creditors Allowance Journal of (businesses name) for (month and year)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | Sundry accounts | | |
| Doc | Day | Creditor | folio | Creditors control | Trading inventory | Amount | Fol | details |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

Transactions to record in creditors allowances journal for 30 April 2019:

1. CR Traders bought 20 crates of cold drink for R3000 from CD Wholesalers (C9) on the 8th January 2020. Upon arrival they saw that 5 crates were damaged, they were returned. A debit note. 7 was issued for R1000 on the 9th

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | Sundry accounts | | |
| Doc | Day | Creditor | folio | Creditors control | Trading inventory | Amount | Fol | details |
| 7 | 9 | Cd wholesalers |  | 1 000 | 1 000 |  |  |  |
|  |  |  |  | **1 000** | **1 000** |  |  |  |