

# Bookkeeping Tips

## A better way to book purchase discounts

If your firm routinely takes all purchase discounts, you can simplify your record-keeping by recording all purchases at the net rather than gross amount. Record missed discounts in a Purchase Discounts Lost account using the net-price method, as follows:

Your firm receives an invoice for \$10,000 with credit terms of 2/10, n/30. Under the net price method, the following entry is recorded:

To record receipt of invoice:

Purchases	9,800	
Accounts payable		9,800

To record payment:

Accounts payable	9,800	
Cash		9,800

If, for any reason, the bill is not paid on time, the entry is:

Accounts payable	9,800	
Purchase Discounts Lost	200	
Cash		10,000

The Purchase Discounts Lost account does more than simplify bookkeeping—it calls attention to money-saving discounts that your firm may be missing.

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AIPB was founded in 1987 for the following purposes:

- To recognize bookkeeping as a profession—and bookkeepers as professionals
- To make sure that each member has the latest bookkeeping, accounting and tax information
- To answer members' everyday bookkeeping and accounting questions on the telephone at no charge.
- To provide bookkeepers with low-cost continuing professional education.
- To return the membership fees of any bookkeeper who is dissatisfied with the benefits of membership.