

Chapter 5 – Terms to Know

★ Merchandising Business	An enterprise that sells goods to customers
Inventory	An asset. An amount given to the goods still not sold.
★ Contra-Revenue Account	An opposite amount to Sales; such as sales returns and allowances.
FOB Destination	Seller of merchandise to a store pays the freight.
FOB Shipping Point	Buyer pays the freight charge.
★ Gross Profit	Profit before cost of the goods are deducted.
Net Sales	Sales after Sales Returns and Allowances and Sales Discounts are deducted.
Periodic Inventory	Physical count of inventory is taken several times during the year.
★ Perpetual Inventory	Inventory ins/outs are calculated after every sale or return.
Purchase Allowance	An amount deducted for the total amount due on purchases because of a defect.
Purchase Discount	An amount of money deducted for paying within a specific time period
Returns	Goods given back to the stores because of personal reasons or defects.
Sales Discount	Amount of money deducted from the bill for paying within a specified time period.
★ 2/10, Net 30	2% percent of the amount due can be deducted if paid within 10 days; otherwise the entire amount is due in 30 days.
Sales Returns/Allowances	Goods returned to the store or an amount deducted from the price of the item.

Multi-Step Income Statement	Includes the Cost of Goods section and operating expenses and other expenses or revenues not related to sales.
* Net Income Profit	The amount of money earned after all returns, costs and expenses are deducted.
Adjusting Entries	An entry that brings inventory value back to what it should be.
Closing Entries	Accounts that are only good for an accounting fiscal year.