Chapter 3A Tyson's Toys

1. Transactions normally recorded in the PAYABLES module are:

    1) Purchase on credit from vendors (suppliers).
    2) Purchase on company credit card from various suppliers.
    3) Purchase returns.
    4) Purchases with payments.
    5) Payments to suppliers: with or without discounts, and full or partial payments.
    6) Prepayments to suppliers for future invoices.

2. When vendor (supplier) invoices are received, they are normally stamped with the date that they are received, plus an approval stamp. The invoice may be matched with other documents that add support to the invoice; e.g., a shipping document. The approval stamp allows an authorized person to code the invoice with a G/L account for posting and to initial the invoice to approve the payment. The Accounting Department then processes the invoice for payment. The complete package of documents is sometimes attached to a cheque, for further approval when the cheque is signed. After the cheque is released, the invoice should be stamped "PAID" to avoid a double posting.

    The significance of this procedure is to ensure that only approved invoices are paid.

3. The type of entries that are **not** recorded in the PAYABLES module are: bank adjustments, such as service charges, NSF cheques from customers, regular bank lease payments, bank loan payments, etc. These entries do not require a cheque to be issued as the bank has taken the funds from the account.

    The following entries are also not recorded in the PAYABLES module: Normal monthly adjustments for non-vendor or non-customer transactions such as depreciation of equipment, expense portion of prepaid items, various accruals, etc.

4. The HST is recorded to the HST Paid on Purchases account.

5. The entry to record a purchase return for:

    For merchandise for resale.

DR Account Payable	339.00	
CR Inventory		300.00
CR HST on Purchases		39.00

    The Purchase Return must be entered in the PAYABLES module as a **negative** invoice.

6. The recording of a cash purchase discount is different if the discount applies to purchases of goods for resale than if it is for goods not being resold. (Goods not being resold is discussed in Chapter 3B.)

    For merchandise for resale.

    Use the **Payments** icon option to record the payment against the original invoice(s) and the discount will be calculated by Sage 50 Accounting if the appropriate terms were entered when purchased.

    The actual payment entry would be: (assuming selling price of $300.00 plus HST and discount based on selling prices only).

DR Account Payable	339.00	
CR Purchase Discounts		6.00
CR Cash		333.00

7. When you post transactions in the PAYABLES module, the vendor records are updated and the General ledger accounts affected are also updated.

8. The HST is calculated based on the cost of the items, before any other taxes.