



Università  
Cattaneo

# Management & Principles of Accounting

## Dates 08 – 22 November 2019

### Recording purchases

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Source: E-Book: (Basic accounting - how to prepare and analyze financial statements)  
edited by Patrizia Tettamanzi, Gaia Blandano, Sophie Goodman, Ipsoa Gruppo  
Wolters Kluwer and Google

# E-Book

After this lesson you should be able to:

- Explain the recording of purchases

# Purchase Order

A **purchase order (PO)** is a commercial document and first official offer issued by a buyer to a seller indicating types, quantities, and agreed prices for products or services. It is used to control the purchasing of products and services from external suppliers.[1] Purchase orders can be an essential part of enterprise resource planning system orders.

Creating a purchase order is typically the first step of the purchase to pay process in an ERP system (i.e. SAP)

# Purchase Order

## Electronic purchase orders

Many purchase orders are no longer paper-based, but rather transmitted electronically over the Internet. It is common for electronic purchase orders to be used to buy goods or services of any type online.

## Non-electronic purchase orders

The record of purchase order in most business firms are still on paper.

# Purchase Order Request Form

## Purchase Order Request Form

**Request Date:**  **Research to be completed by:**

**Name:**

**Email Address:**

**Phone number:**

**Departure date:**

**Return date:**

**Class of Transport:**

**Accommodation:**

**Destination:**


**Main purpose:**

**Discount Options**  
(Please refer to the Payment Terms & Pricing Policy)

	Quantity	Price	Cost
<b>Promotion</b> <small>Marketing special offers</small>	0	\$ 1	\$ 0
<b>Credit Refund</b> <small>50% extra value (instead of a refund)</small>	0	\$ 1	\$ 0
<b>Loyalty</b> <small>Earning customers' rewards</small>	0	\$ 1	\$ 0
<b>Total Discounts to Apply:</b>			<b>\$ 0</b>

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Visa Information	0	\$ 2	\$ 0	Self-Guided Walks	0	\$ 7	\$ 0
Tourist Hotspots	0	\$ 3	\$ 0	Music Festivals	0	\$ 8	\$ 0
Attractions or Landmarks	0	\$ 3	\$ 0	Sporting Events	0	\$ 9	\$ 0
Free Things To Do	0	\$ 3	\$ 0	Maps or Directions	0	\$ 9	\$ 0
Weather Bureau	0	\$ 4	\$ 0	Hire Car Search	0	\$ 10	\$ 0
Bad Weather Options	0	\$ 4	\$ 0	Fine Dining Reservations	0	\$ 12	\$ 0
Cheap Local Food	0	\$ 4	\$ 0	Cruising or Packages	0	\$ 15	\$ 0
Parks or Libraries	0	\$ 4	\$ 0	Helicopter Options	0	\$ 18	\$ 0
Art Galleries or Museums	0	\$ 5	\$ 0	Valet Bookings / Admin	0	\$ 20	\$ 0
Shopping or Souvenirs	0	\$ 5	\$ 0	Set your own price	0	\$ 50	\$ 0

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**Email Form**

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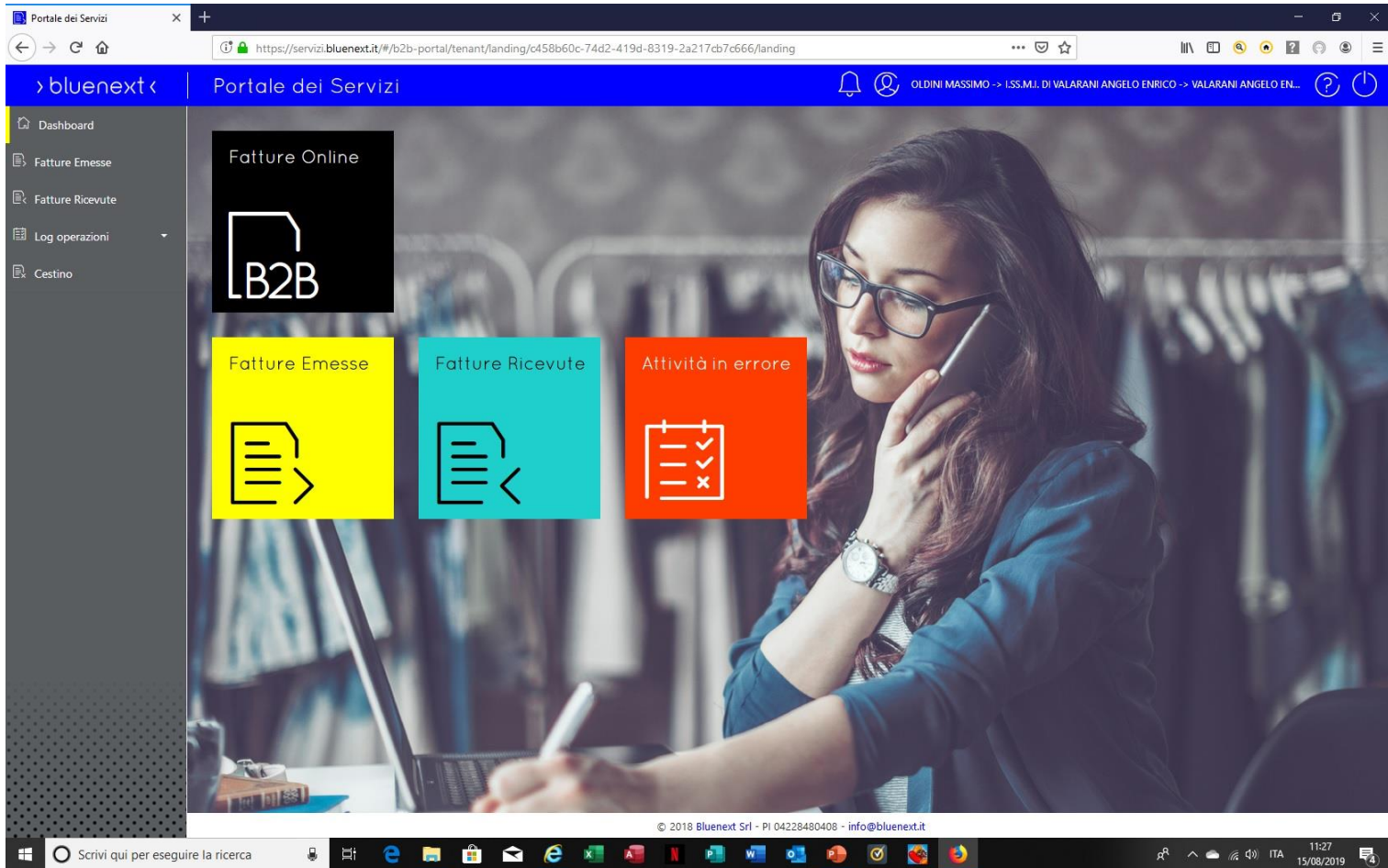
# E-Invoice

Introduction of mandatory E-invoicing in Italy per 1 January 2019

The record of purchase order in most business firms are still on paper.

Per 1 January 2019, invoices in Italy should be issued as e-invoices through the governmental platform SDI (Sistema interscambio per validazione). The applicable format for these e-invoices will be XML, in the (near) future other formats may be accepted as well by SDI. In addition, an electronic signature will be required for e-invoicing.

# E-Invoice





# E-Invoice

Operazioni concluse

Portale dei Servizi

OLDINI MASSIMO -> LSS.M.I. DI VALARANI ANGELO ENRICO -> VALARANI ANGELO EN...

Operazioni concluse

Fattura Originale	Fattura	Data operazione	Stato
IT06714000152_130819092859531.xml	IT06714000152BNXBB_00016.xml	13/08/2019, 11:30:23	Fattura inviata con ricevuta di mancata consegna
IT06381910964BNXBB_000GO.xml	IT06381910964BNXBB_000GO.xml	01/08/2019, 20:14:50	Fattura passiva ricevuta con successo
IT0526289001419211_7TK7Q.xml	IT0526289001419211_7TK7Q.xml	30/07/2019, 07:45:37	Fattura passiva ricevuta con successo
IT0526289001419211_7TK4R.xml	IT0526289001419211_7TK4R.xml	30/07/2019, 06:26:56	Fattura passiva ricevuta con successo
IT06381910964BNXBB_000E3.xml	IT06381910964BNXBB_000E3.xml	02/07/2019, 08:26:47	Fattura passiva ricevuta con successo
IT0526289001419181_2FIEEX.xml	IT0526289001419181_2FIEEX.xml	30/06/2019, 16:39:34	Fattura passiva ricevuta con successo
IT0526289001419181_2FIUZ.xml	IT0526289001419181_2FIUZ.xml	30/06/2019, 16:39:06	Fattura passiva ricevuta con successo
IT0526289001419181_2BYPY.xml	IT0526289001419181_2BYPY.xml	30/06/2019, 16:02:50	Fattura passiva ricevuta con successo
NL10209790152_0SygH.xml	NL10209790152_0SygH.xml	30/06/2019, 15:56:21	Fattura passiva ricevuta con successo
IT0526289001419181_2BYPY.xml	IT0526289001419181_2BYPY.xml	30/06/2019, 11:38:07	Fattura passiva ricevuta con successo
IT06714000152_200619133144415.xml	IT06714000152BNXBB_00015.xml	20/06/2019, 15:33:23	Fattura inviata con ricevuta di mancata consegna
IT06714000152_080619074855168.xml	IT06714000152BNXBB_00014.xml	08/06/2019, 09:50:09	Fattura inviata con ricevuta di mancata consegna
IT06381910964BNXBB_000BT.xml	IT06381910964BNXBB_000BT.xml	03/06/2019, 19:51:41	Fattura passiva ricevuta con successo
IT0526289001419150_QHUBR.xml	IT0526289001419150_QHUBR.xml	30/05/2019, 09:11:19	Fattura passiva ricevuta con successo
IT0526289001419150_QHUAU.xml	IT0526289001419150_QHUAU.xml	30/05/2019, 09:10:57	Fattura passiva ricevuta con successo
IT0526289001419150_PUQRB.xml	IT0526289001419150_PUQRB.xml	30/05/2019, 02:49:23	Fattura passiva ricevuta con successo
IT0526289001419150_PUQO9.xml	IT0526289001419150_PUQO9.xml	30/05/2019, 02:49:23	Fattura passiva ricevuta con successo
IT03019191208_00k7E.xml	IT03019191208_00k7E.xml	20/05/2019, 09:35:07	Fattura passiva ricevuta con successo
IT03019191208_00iTL.xml	IT03019191208_00iTL.xml	10/05/2019, 08:37:04	Fattura passiva ricevuta con successo
IT08806580968_IJX8.xml	IT08806580968_IJX8.xml	06/05/2019, 02:40:38	Fattura passiva ricevuta con successo
IT06381910964BNXBB_0009F.xml	IT06381910964BNXBB_0009F.xml	03/05/2019, 22:06:14	Fattura passiva ricevuta con successo
IT0526289001419120_KR0I3.xml	IT0526289001419120_KR0I3.xml	02/05/2019, 18:08:50	Fattura passiva ricevuta con successo
IT0526289001419120_KR0HZ.xml	IT0526289001419120_KR0HZ.xml	02/05/2019, 18:08:28	Fattura passiva ricevuta con successo
IT0526289001419120_L152O.xml	IT0526289001419120_L152O.xml	02/05/2019, 12:12:05	Fattura passiva ricevuta con successo
IT0526289001419120_L14WT.xml	IT0526289001419120_L14WT.xml	01/05/2019, 23:57:51	Fattura passiva ricevuta con successo


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# Example of Purchase Invoice

Please identify:

1. Invoice number
2. Seller
3. Invoice date
4. Purchaser
5. Saleperson
6. Credit Terms\*
7. Good purchased: catalog numer, description, quantity, price per unit
8. Total invoice amount

INVOICE NO. 731						
 <b>PW AUDIO SUPPLY, INC.</b> 27 CIRCLE DRIVE HARDING, MICHIGAN 48281						
<b>S O L D T O</b>	Firm Name <u>Sauk Stereo</u>					
	Attention of <u>James Hoover, Purchasing Agent</u>					
	Address <u>125 Main Street</u>					
	<u>Chelsea</u> City		<u>Illinois</u> State		<u>60918</u> Zip	
Date	5/4/14	Salesperson	Malone	Terms	2/10, n/30	
			FOB Shipping Point			
Catalog No.	Description			Quantity	Price	
	Amount					
X572Y9820	Printed Circuit Board-prototype			1	2,300	
					\$2,300	
A2547Z45	Production Model Circuits			5	300	
					1,500	
<b>IMPORTANT: ALL RETURNS MUST BE MADE WITHIN 10 DAYS</b>					<b>TOTAL</b>	<b>\$3,800</b>

\* Terms: 2/10 n. 30: 2% discount if paid within 10 days, otherwise net amount due within 30 days.

# Recording purchases: cash vs. accounts payable

- When we buy goods paying cash we make the following entry:

---

Inventory (A)	3.500	
	Cash (A)	3.500
<i>Purchase of inventory, cost 3.500</i>		

- If we buy something “on account” we first record the debt and later the payment:

---

Furniture (A)	6.000	
	Accounts payable (L)	6.000
<i>Purchase of furniture, cost 6.000, to be paid in one month</i>		

---

Accounts payable (L)	6.000	
	Cash (A)	6.000
<i>Purchase of the debt related to the purchase of furniture</i>		

# Recording purchases: notes payable

- The seller may ask to issue a “note payable”, that is a formal promise to pay a definite sum at a specific date in the future, including also the promise that the creditor may claim certain assets (collateral) if the debtor fails to pay the amount due. In this case we record, for example:

---

Plants (A)	3.500	
	Note payable (L)	3.500

*Purchase of a plant. Issued a note payable.*

- At maturity we'll record:

---

Notes payable (L)	3.500	
	Cash (A)	3.500

*Payment of the note payable*

# Note Payable - Example

<i>Promissory note</i>	
For value received, the undersigned promises to pay to the order of BancZone, Inc.	
the sum of:	<u>*****Ten-Thousand and no/100 Dollars***** (\$10,000.00)</u>
Along with annual interest of 8% on the unpaid balance. This note shall mature and be payable, along with accrued interest, on June 30, 2008.	
<u>January 1, 2008</u> Issue Date	<u>Oliva Zavala</u> Maker signature

# Recording purchases: notes payable

- The seller may also ask for interests in case of delayed payment. This interests are paid at maturity. Using the same example:

---

Notes payable (L)	3.500	
Interest expense (E)	350	
Cash (A)		3.850

*Payment of the note payable + interest for 350 euros*

# Recording purchases: advance payment

- If we pay our supplier in advance, that is before receiving the goods or services purchased, we have to record an asset (a receivable), representing the right to receive something in the future:

---

Advance to supplier receivable (A)	1.500	
		Cash (A) 1.500

*Paid in advance to the supplier for the purchase of the furniture.*

- When we receive the goods or services and we pay for what is left:

---

Furniture (A)	3.500	
		Advances to suppliers receiv. (A) 1.500
		Cash (A) 2.000

*Received the furniture, total cost 3.500, paid cash the remaining amount*

# Recording purchases: returns, allowances and discounts

- If we return part of the goods purchased or ask for an allowance (reduction in price) we record:

---

Account payable (L)	300	
		Inventory (A) 300

*Returned (or received an allowance of) 300 euros of goods previously bought*

- Sometimes, if we pay before the agreed deadline, we benefit from a cash discount:

---

Account payable (L)	3.500	
		Cash discounts on purchase (R) 70
		Cash (A) 3.430

*Paid 3.500 euros to our supplier in advance, received a cash discount of 70*



# Recording purchases: sales tax receivable

- In some countries (like Italy) there are taxes on sales (e.g. VAT, value added tax). In most cases, if we are a business and we are buying goods or services for our business activity, we pay for the taxes to our supplier but we are reimbursed for the taxes paid by the government.

Inventory (A)	1.500	
VAT receivable (A)	330	
Accounts payable (L)		1.830

*Purchase of goods, cost 1.500+VAT 22%. Payment postponed.*

- Who bears the cost of sales taxes like VAT is only the “final consumer” of the goods or services sold, that is the person who uses them for his own consumption and not to produce any other good or service

# Recording purchases: Summary

TRANSACTIONS		PERPETUAL INVENTORY SYSTEM	
MAY 4	Purchase of merchandise on credit	Inventory (A)	3.500
		Account Payable (L)	3.500
MAY 6	Advance payment	Advance to supplier receivable (A)	1.500
		Cash (L)	1.500
MAY 8	Purchase returns and allowances	Account Payable (L)	300
		Inventory (A)	300
MAY 12	Purchase discounts	Account Payable (L)	3.500
		Cash (A)	3.430
		Cash discounts on purchase (R)	70

# Review Questions

# Review Question

A company makes a credit sale of € 750 on June 13 terms 2/10 n.30 What amount is received on June 23?

# Review Question

What is a purchase discount?