

Glencoe Accounting

Chapter 15: Accounting for Purchases and Cash Payments

I-Summary

Merchandising operations make a variety of purchases in order to conduct business. In this chapter, you learned how to identify the documents that are a part of the purchasing process and how to analyze and record purchases on account. Businesses also use checks to make purchases for merchandise. Through the analysis of business transactions, you learned how to use the accounts called Purchases, Purchases Discounts, and Purchases Returns and Allowances.

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I-Quiz

1. What does the term "*FOB shipping point*" mean?
 - A. the buyer pays no shipping charges
 - B. the buyer pays shipping charges from the seller's shipping point
 - C. the seller pays shipping charges from the shipping point to the buyer's location
2. What document is prepared by the buyer to notify the seller that the seller's account is to be decreased?
 - A. debit memorandum
 - B. packing slip
 - C. purchase requisition
3. The ledger that contains accounts for all creditors and the amount owed to each is the:
 - A. general ledger
 - B. accounts receivable subsidiary ledger
 - C. accounts payable subsidiary ledger
4. What do we call a written request that certain items be ordered?
 - A. invoice
 - B. purchase requisition
 - C. purchase order
5. What discount is offered with the credit terms of *two ten, net thirty*?
 - A. 2 percent of the invoice total if paid within ten days of the invoice date
 - B. 10 percent of invoice total if paid within 2 days of the invoice date
 - C. 2 percent of the invoice total if paid within 30 days of the invoice date

Answer Key

1. B
2. A
3. C
4. B
5. A