

Your buddy Pete runs Creepy Pete's Garden Store. Record the transactions for the month of February 2023 in the purchases journal and cash payments journal.



Total and rule the purchases journal as of February 28.

PAGE 1

Date		Account Credited	Purch. No.	Post Ref.	Purchases DR Accts Payable CR			
		TOTALS						

Total, prove, and rule the cash payments journal as of February 28.

PAGE 1

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Creepy Pete's Garden Store

Now we will record purchases returns and allowances for Creepy Pete's Garden Store for the month of February 2023. These are recorded in the General Journal.

Returns are when a business returns merchandise for a refund (either to Cash or Accounts Payable, depending on how the items were originally paid for).

Allowances are when the merchandise is damaged or not as expected, but the vendor allows the customer to keep the merchandise at a reduced price.

Both of these adjustments are recorded to the “Purchases Returns and Allowances” account. This account is a “contra asset” account, like Accumulated Depreciation. It has a normal credit balance.

Note: These transactions will debit either Cash or Accounts Payable and credit the Purchases Returns and Allowances account. The source document for these types of transactions is called a Debit Memorandum (DM).

February 2 Returned merchandise to Sunny's Sun Dials, \$250, which was purchased for cash. DM601.

February 5 Returned merchandise to Polly's Petunias, \$100, which was purchased on account. DM602.

February 12 Returned merchandise to Jake's Rakes, \$300, which was purchased on account. DM603.

February 20 Returned merchandise to Rick's Bricks, \$400, which was purchased on account. DM604.

GENERAL JOURNAL

PAGE 1

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