# General Accounting

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# Commercial Goods

The main activity of a trading business is to purchase goods produced by another business and sell at a higher price to profit from the difference between the purchase price and the sale price.

In summary, trading businesses do not produce, they buy products from the manufacturer or wholesaler.

# Commercial Goods

Commercial goods purchased are accounted for at purchase cost. In addition to the purchase price, transportation, insurance and similar expenses incurred are among the elements of the cost of commercial goods.

In accounting for merchandise sold, businesses choose a method in which they evaluate to be suitable for them from two accounting systems:

- Perpetual Inventory System

- Periodic Inventory System

# Perpetual Inventory System

In the perpetual inventory system, when commercial goods are purchased, they are recorded in the account “Commercial Goods” at the purchase cost. As the commercial goods are sold, besides the sales transaction, the sold part of the goods after each sales transaction is recorded on the credit side of the "Commercial Goods" account.

The remainder of the "Commercial Goods" account shows the monetary amount of the commercial goods that should be present in the stock of the enterprise. Thus, the amount of commercial goods can be tracked from the accounting records.

# Periodic Inventory System

In the periodic inventory system, when commercial goods are purchased, they are recorded in the “Commercial Goods” account at the purchase cost. As commercial goods are sold, only sales are recorded in terms of sales price. No record is made regarding the decrease in commercial goods.

Due to the fact that the commercial goods are recorded at the time of purchase and the decrease in the commercial goods is not recorded, the debt remainder of the "Commercial Goods" account does not provide any meaningful information about the commercial goods stock of the business.

# Commercial Goods

Daily transactions with commercial goods:

- Purchasing commercial goods
- Commercial goods purchase expenses
- Sale of commercial goods
- Sales expenses
- Purchasing discount
- Sales discount
- Purchase refund
- Returns from selling commercial goods

# Purchasing Commercial Goods

The commercial goods purchased are accounted for at the purchase cost. After the seller and the buyer agree on the amount and price of the commodity, the purchase is made. With the invoice issued by the seller, the company transfers the purchased goods to the accounting records with the invoice amount.

The cost of the purchased merchandise is recorded on the debt side of an active account "Commercial Goods".

# Purchase Expenses

Sometimes the buyer business incurred some expenses related to the commercial goods it purchased. For example, it is necessary to take the purchased goods from the warehouse of the seller and move them to the warehouse of the receiving enterprise, in order to make the commercial goods suitable for the purpose of purchase.

Commercial goods purchase expenses are recorded on the debit side of the "Commercial Goods" account.

# Sale of Commercial Goods

Accounting for the sale of commercial goods differs according to the method of accounting for the commercial goods chosen by the business.

The entity accounts for the sale of commercial goods at the sale price, regardless of the method of choice.

# Sale of Commercial Goods

Enterprises that prefer the perpetual inventory system, make an additional entry to shrink the commercial goods that are no longer in their stocks and transfer their costs to the related expense accounts after each sales transaction.

Enterprises that prefer periodic inventory system, they will make an entry at the end of the period regarding the transfer of the total cost of the commercial goods sold to the relevant expense account.

# Sales Expenses

The expenses incurred by the seller regarding the sale of commercial goods are accounted in "Marketing, Sales and Distribution Expenses" account.

The expenses that the seller assumes for the sale of commercial goods will have a decreasing effect on the sales profit that the business will receive from the sale of commercial goods.

# Discounts

Discount is a discount that occur after the seller and the buyer agree on a certain price and after the sale transaction takes place.

Discount Types:

- Early payment discount (cash discount),
- High volume purchase discount (bulk discount),
- To prevent the buyer from returning goods the seller can discount the buyer.

# Purchase Discount

The purchase discount reduces the cost of the goods purchased by the amount of discount made. For example, when buyer is learned that the seller about a commercial good purchased for 1.000 TL discounts 150 TL, the cost of the purchased goods will decrease to 1.000 - 150 = 850 TL.

Purchase discounts are recorded on the credit side of the "Commercial Goods" account.

# Sales Discounts

Sales discounts refer to the discount that the seller has made to the customer in relation to the commercial goods he sells. Sales discounts have a reducing effect on the profits of the seller from the sale of the related goods.

# Returns

Usually, customers are allowed to return the goods to the sellers in any unsatisfactory situation, such as defective, damaged or under-performing products, etc. Purchase returns exist when sellers allow purchasers to return merchandise that is defective, damaged, or under-performing.

# Purchase Refund

The buyer may return all or part of the commercial goods purchased to the seller. This transaction is called a purchase refund.

The return of purchase causes a decrease in the amount of goods returned to the seller on the commercial goods. This decrease occurs both in the physical quantity of the good and in the cost of the good.

Purchase returns are recorded on the credit side of the "Commercial Goods" account.

# Returns on Sale

When the commercial goods returned by the buyer reaches the seller, the amount of physical goods in the stock of the seller will increase by the amount of returned goods, as well as the sales revenue of the seller will decrease by the return price in terms of the sales price. The profits of the seller from this sale will decrease as much as the profits from the returned goods.

Returns from sales are considered as canceling the sale of the amount of the returned goods.

# Returns on Sale

Preferring the perpetual inventory system, the company makes an entry of the increase in its stocks due to the returns received, as well as the canceled sales transaction after each return transaction.

The company, which prefers periodic inventory system, only accounts for the canceled part of the sales of commercial goods and does not record the increase in the commercial goods in its stocks.