

Chapter 2

Selling Goods and Services

In this chapter we will be looking at the process of selling goods or services. We will look at some of the documents used when making a sale.

We will look at the calculation of invoice totals along with any discounts offered.

We will see how VAT is calculated when dealing with customers.

The primary function of any commercial business is to sell goods or services with the intention of making a profit.

Documents involved in making a sale

Before you can sell anything, your customers will need to know how much you are selling the goods or services for. You will need a price list, a catalogue or you may advertise the price on the actual goods. Some businesses cannot give a standard price, as goods and services will vary from sale to sale. Typical examples are builders and decorators. In these cases the seller will provide an **estimate** or a **quote**.

In legal terms there is a lot of difference between an estimate and a quote. An estimate is a rough idea based on guess-work as to how much the job will cost the customer. However, the amount stated is not binding and the price may change according to different circumstances which the supplier may come across. A quote, on the other hand cannot be changed once it has been accepted by the customer. It is possible, though, to state exactly what the quote is for and that additional charges may be incurred if certain unexpected circumstances occur.

An example of a quotation is shown on the next page.

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DAWSON SUPPLIES

43 Scartho Rd, Immingham, DN20 6NP
Tel. 01469 515444

R Patel
132 Anglian Way
Norwich
NR3 6FG

Date: 18/08/2014

Thank you for your enquiry regarding our rolls of blue cotton dress material.
I can quote as follows:

50 Rolls of blue cotton dress material @ £75.00 per roll, excluding VAT.
There will be a delivery charge of £25.00

This quote is valid for 3 months

Our terms are strictly Cash on Delivery

A D Dawson

Director

It is good practice to include the period for which the quotation is valid and to state the terms of payment and any delivery charges. You will also often see 'E&OE'. This stands for 'Errors and Omissions Excepted'. It means that if a genuine error has been made in the preparation of the quote, then the supplier cannot be held to it. Of course the quotation should be signed and dated.

So let us suppose the customer is happy with the quote and decides he or she wants the goods. A small business would probably just phone up and say he or she wants the goods. Larger companies will supply a **purchase order**.

A purchase order has:

- an individual reference number
- a product code if available (an example of coding which is particularly useful when using a computer accounts package)
- a quantity
- a description of the goods in full
- a unit price and a total price (not really necessary as the supplier will know the price, but it is useful as a check that the correct price has been quoted)
- an authorising signature and date (most important as the supplier will probably not fulfil the order without this).
- an invoice address and delivery address

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R Patel

132 Anglian Way, Norwich, NR3 6FG

PURCHASE ORDER

Dawson Supplies
43 Scartho Road
Immingham
DN20 6NP

Invoice Address: 132 Anglian Way
Norwich
NR3 6FG

Delivery Address: 27 High Street
Norwich
NR1 3ZT

Purchase Order No: 5379

Order Date: 21st August 2014

Part Code	Qty	Description	Unit Price	Total Price
	50	Rolls Blue Cotton Dress Material	£75.00	£3,750.00
			Purchase Order Total:	£3,750.00

Authorised : *R Patel* Date *21/08/2014*

All orders are raised subject to our Terms and Conditions of trade. A full copy is available on request.
E&OE. All prices exclude VAT.

A purchase order is a legal document. Once the purchase order has been accepted by the seller then a contract exists between the buyer and seller. The seller is deemed to have accepted the purchase order 48 hours after issue.

We will see more about the legal side of buying and selling later in this book.

If the delivery is not immediate (maybe the supplier has to wait for their own delivery, or it may be that the buyer doesn't want the goods immediately) an **advice note** may be issued. This confirms that the purchase has been accepted and it also lets the customer know when the goods will be delivered or that the goods are on their way.

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So let us now suppose that the goods are ready for delivery. The supplier will send a **delivery note** with the goods. When the goods reach their destination the buyer will check the delivery to ensure that the correct goods and quantity of goods have been delivered. If the receiver is happy then he or she will sign the delivery note. There are usually at least two parts to the delivery note. One part will stay with the customer. It is usually passed on to the accounts department as a check that the goods have actually been delivered. The other part will be returned to the supplier as proof of delivery. The customer cannot then say they will not pay because the goods have not been delivered.

<p>Dawson Supplies 43 Scartho Rd, Immingham, DN20 6NP</p>			
<p>DELIVERY NOTE</p> <p>NO. 23198</p>			
To :	R Patel _____	Your Order Number :	5379 _____
Address :	27 High Street _____ Norwich _____ NR1 3ZT _____	Date Sent :	25 th August 2014 _____
		Per Invoice Number :	13608 _____
Attention :	J Crockett _____	Our Contact Person :	J Grimston _____
		Telephone :	01469 515444 _____

Quantity Delivered	Description
50	Rolls of Blue Cotton Dress Material

Goods received in good order		
Name : _____	Signature : _____	Date : _____

A delivery note usually has an identifying number. Of course the description should match what has actually been delivered. No price is shown as this is not needed at the moment. This will be shown in the invoice (see next). However, a reference to the purchase order is usually made so the buyer can reference the delivery note to the purchase order.

An **invoice** is a document which itemises the goods delivered or services rendered, specifying the terms of the sale and the price.

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The invoice is a legal document and if it is to record VAT (**Value Added Tax**), must have certain items included. Details of what must be included on a VAT invoice are dealt with in the Indirect Tax Unit of the AAT level 3 Diploma. For now you should know that VAT is a tax on purchases. You must register with HMRC for VAT when the value of all your sales reaches £79,000. (This figure is correct at the time of going to press, but readers should be aware that this figure changes regularly, usually annually. If you want to know the current registration threshold you should visit <http://www.hmrc.gov.uk/vat/start/register/when-to-register.htm>). When a company is registered, it must charge VAT on all its sales (apart from those items at zero rate and exempt). Again we will look at these in more detail in the Indirect Tax Unit of the AAT level 3 Diploma. The current rate of VAT is 20% on most items.

An invoice will include:

- The name and address of the supplier.
- The address to which the invoice must be sent.
- The address where the goods are to be sent (if different from the invoice address)
- The invoice has a unique number (essential if VAT is to be charged). The numbers are sequential so it is easy to trace and easy to see if one is missing.
- The VAT registration number if the company is registered for VAT.
- Customers may be allocated a reference number. This will help identify the customer particularly if there are a large number of customers. A customer reference number will be essential if using a computer accounting program.
- The original purchase order number will be shown. This helps reference the invoice to the purchase order.
- The date of the invoice. This is important as the terms will state how long the customer has to pay. The **tax point** has significance when VAT is paid to HMRC. It is usually the same date as the invoice was raised. We will look at when it is not in the Indirect Tax Unit at level 3.
- There may be a product code (e.g. B1003). This is useful in identifying the product if there are a large number of products. It is also much simpler to refer to the product code if for example the product is 'a box of 100 x 3 inch nails' It is also essential for stock control if a computer is used.
- There is a precise description of the goods and the quantity should be the same as the purchase order.
- The price should be shown both per unit and for the total.
- **Discounts** may be offered for regular customers or for purchasing goods in bulk. This is usually expressed as a percentage and is taken off the total before the VAT is calculated.
- If an invoice mentions the **net** amount it means that this is the amount before VAT has been added. (The amount after VAT has been added is referred to as the **gross** amount.)
- VAT is calculated on the net amount at the current rate and the rate appropriate to the goods sold.
- A total for the invoice will be shown which included the goods (less any discount) plus the VAT charged.

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DAWSON SUPPLIES

45 Scartho Street, Immingham, IM15 2BH

Invoice

Number: 13608

Invoice
to

R Patel
132 Anglian Way
Norwich
NR3 6FG

Date/ tax point: 25th August 2014

Account: RP01

Your reference: 5379

Deliver
to

R Patel
27 High Street
Norwich
NR1 3ZT

VAT
Reg: GB 0369 4928 36

Product Code	Item	Quantity	Price £	Total £
	Rolls of Blue Cotton Dress Material	50	75.00	3,750.00
Goods Total				3,750.00
Trade Discount @ _____%				-
Subtotal				3,750.00
VAT @ 20%				750.00
Invoice Total				4,500.00

Terms
COD
Ex-works
E&OE

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You should also note some of the **terms** you may find on an invoice:

- We have already looked at *E&OE* which means errors and omissions excepted.
- *30 days net* means that payment in full should be made within 30 days. (Other periods are possible such as 7 days or 60 days).
- *COD* stands for Cash on Delivery. Payment must be made when the goods are delivered.
- *Ex-works* means that the price of the goods does not include delivery whereas *carriage paid* means that the price **does** include delivery.
- *Settlement Discount* may be offered for early payment. This is usually a further percentage discount if the invoice is paid (for example) within 7 days. The rules for charging VAT are altered if a settlement discount is offered as we shall see later in this chapter. (Settlement discounts are also known as *cash discounts*).

Invoices books are generally in multiple parts. There will be a copy to send to the customer and a copy to keep for your own records. More copies can be kept if the invoice is required by more than one department.

Discounts

Discounts are offered as a way of increasing sales. There are different categories of discount.

Discounts to the general public are usually shown as a 'sale price'. The reason for offering a discount could be to encourage people to buy slow moving stock, or stock which is soon to become out-of-date or obsolete. Alternatively it may be to get us into the shop where we can be encouraged to buy other things at full price. The discounted item is then known as a 'loss leader' where little or no profit will be made on that item (or in some cases even a loss) in the hope that customers will buy other goods where the profit **will** be made.

Discounts may be offered for bulk buying. This is very common. I'm sure we have all seen offers like 'buy one get one free'. Everyone knows that if we buy one orange from the supermarket it will often cost more per orange than if we buy (say) a dozen. In business this **bulk discount** may be offered as a percentage. For example a supplier may offer a 10% discount if the customer buys more than 100 units or spends more than £500. Many things offered in bulk are offered at a discount because there are fewer costs involved, whether this be distribution cost, selling costs or just basic administration costs.

Another type of discount is the **trade discount**. Many DIY stores offer trade discounts to business customers 'in the trade'. This is a way of encouraging people who are likely to be repeat customers to buy from this store rather than going elsewhere. Offer your customer a good deal and he or she is likely to come again and again. Trade discounts are usually offered at a percentage of the total cost.

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Calculating discounts

So how does this affect the invoice we raise? Well, let us take an example of an invoice where a 10% trade discount has been given.

Calculating a trade discount

Dawson Supplies is supplying R Patel with 50 rolls of cotton dress material at £75.00 per roll. R Patel is a dress maker and so Dawson Supplies offers R Patel a 10% trade discount.

Dawson Supplies will calculate the invoice as follows:

- 1 Calculate the total price before discount
 $50 \times £75.00 = £3750.00$
- 2 Calculate the trade discount
 $£3750.00 \times 10\%$. (You can either use the percentage key on your calculator or multiply by 10 and divide by 100) = £375.00
- 3 Calculate the net price before VAT
 $£3750.00 - £375.00 = £3375.00$
- 4 Calculate the VAT (at 20%). Again you can either use the percentage key or multiply by 20 and divide by 100)
 $£3375.00 \times 20\%$ (or $20/100$) = £675.00
(Notice how the VAT is rounded down to the nearest whole penny)
- 5 Calculate the total invoice price
 $£3375.00 + £675.00 = £4050.00$

You should note how the trade discount is taken off **before** calculating VAT, since the tax is only on the money transferred. (We shall look at VAT in more detail later in this chapter.)

Now let us take a look at how the invoice would look with the trade discount taken off.

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DAWSON SUPPLIES

45 Scartho Street, Immingham, IM15 2BH

Invoice

Number: 13608

Invoice
to

R Patel
132 Anglian Way
Norwich
NR3 6FG

Date/ tax point: 25th August 2014

Account: RP01

Your reference: 5379

Deliver
to

R Patel
27 High Street
Norwich
NR1 3ZT

VAT Reg: GB 0369 4928 36

Product Code	Item	Quantity	Price £	Total £
	Rolls of Blue Cotton Dress Material	50	75.00	3,750.00
Goods Total				3,750.00
Trade Discount @ 10%				375.00
Subtotal				3,375.00
VAT @ 20%				675.00
Invoice Total				4050.00

Terms

30 days net
Ex-works
E&OE

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Settlement Discount (also known as Cash Discount)

Settlement discounts have been left until now because of the way they alter the calculation of an invoice.

A settlement discount may be offered for early payment of an invoice. It encourages the customer to pay sooner for the goods than the invoice allows. Under the 'terms' a typical entry would be '*2.5% settlement discount for payment within 7 days*'. This would mean that 2.5% would be taken off the **net** amount of the invoice if the customer settled the invoice within the 7 days.

IMPORTANT POINTS

- 1 VAT is charged on the amount **less** the settlement discount.
1. The invoice total is calculated as the reduced amount of VAT plus the net amount of the goods **before** the settlement discount is taken off.
2. Since the VAT has already been reduced, any settlement discount which is taken must be calculated on the **net** amount.

It is important that you distinguish between each type of discount, not only for the preparation of the invoice, but also the way each type is recorded in the accounting books. We shall see later in this book how discounts are recorded in the accounts books.

Let us go through the calculation of an invoice with both a trade and settlement discount. Take care that the figures you arrive at are reasonable. Many students have calculated discounts of more than the goods simply because they pushed the wrong button on their calculator and did not look to see if it was a reasonable figure.

We will follow the same example as above with the 10% trade discount, but this time we will offer a 3% settlement discount for payment within 7 days.

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Calculating a trade discount and a settlement discount

Dawson Supplies is supplying R Patel with 50 rolls of cotton dress material at £75.00 per roll. R Patel is a dress maker and so Dawson Supplies offers R Patel a 10% trade discount. R Patel has credit facilities with Dawson Supplies and is allowed 30 days to settle the invoice, but in order to increase cash flow, Dawson Supplies offers R Patel a 3% settlement discount if the invoice is paid within 7 days.

Dawson Supplies will calculate the invoice as follows:

- 1 Calculate the total price before trade discount
 $50 \times £75.00 = £3750.00$
- 2 Calculate the trade discount (as before)
 $£3750.00 \times 10\%$ (or $10/100$) = £375.00
- 3 Calculate the net price (as before)
 $£3750.00 - £375.00 = £3375.00$
- 4 Calculate the Settlement Discount on the net amount
 $£3375.00 \times 3\%$ (or $3/100$) = £101.25
- 5 Calculate the reduced amount. (You must simply keep a note of this as it is not shown on the invoice)
 $£3375.00 - £101.25 = £3273.75$
- 6 Calculate the VAT on the reduced amount
 $£3273.75 \times 20\%$ (or $20/100$) = £654.75
(Notice how we have rounded the VAT down to the nearest penny again)
- 7 Calculate the total of the invoice
 $£3375.00 + £654.75 = £4029.75$
- 8 (Optional) Some companies will state the amount of discount if the settlement discount is taken. This will be the same calculation as in step 4 above.
 $£3375.00 \times 3\%$ (or $3/100$) = £101.25

Now let's look at the invoice which would be raised when the trade **and** settlement discounts are applied.

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DAWSON SUPPLIES

45 Scartho Street, Immingham, IM15 2BH

Invoice

Number: 13608

Invoice
to

R Patel
132 Anglian Way
Norwich
NR3 6FG

Date/ tax point: 25th August 2014

Account: RP01

Your reference: 5379

Deliver
to

R Patel
27 High Street
Norwich
NR1 3ZT

VAT Reg: GB 0369 4928 36

Product Code	Item	Quantity	Price £	Total £
	Rolls of Blue Cotton Dress Material	50	75.00	3,750.00
Goods Total				3,750.00
Trade Discount @ 10%				375.00
Subtotal				3,375.00
VAT @ 20%				654.75
Invoice Total				4029.75

Terms

3% settlement discount for settlement
within 7 days, otherwise 30 days net

Ex-works
E&OE

£101.25

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If the customer pays within the 7 days then he or she will only pay £4029.75 - £101.25 = £3928.50, but if the customer pays after the 7 days then £4029.75 will be due.

EXAM ALERT!

The calculation of invoices with trade and settlement discounts is a favourite exam topic. Make sure you understand it and revise this section again if you're not completely sure before you continue with the book.

Other documents relating to sales

Let us suppose that R Patel receives his dress material but two of the rolls have a flaw in them. Mr Patel will not want to pay for the faulty goods so he will inform Dawson Supplies that he no longer wants these rolls as they are faulty. In Dawson Supplies' books it will still be showing that R Patel owes £3375.00 (plus the VAT). (Remember that the goods have not yet been paid for). The rolls will probably be sent back with a **returns note**.

R PATEL	
132 Anglian Way, Norwich, NR3 6FG	
RETURNS NOTE	
To	
Dawson Supplies 45 Scartho Street Immingham IM15 2BH	
Description of item(s)	Quantity
<i>Rolls of Blue Cotton Dress Material</i>	<i>2</i>
REASON FOR RETURN: <i>Faulty Goods</i>	Date:
Signature	

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When the goods have been received back, Dawson Supplies will raise a **credit note**. A credit note is a refund document stating that the customer no longer owes part or all of the amount on an invoice. Why not just tear up the invoice? Well there are two main reasons.

First of all the credit note is proof that the original invoice does not need paying in full. Dawson Supplies may have forgotten that the invoice had been reduced in their books and they may try to pursue payment. The credit note is proof that Dawson Supplies had agreed the reduction.

Secondly, both companies will have recorded the invoice in their books. Unlike cash sales, credit sales are not paid for there and then so a cash refund is not an option. Simply crossing out an entry is also not an option. It is frowned upon to erase entries in books as this can often lead to fraud and misleading figures. A credit note is proof that the credit has been approved and taken place and it is also a record that the original sale was made but there was something wrong with it.

Let us have a look at the calculations for the credit note for the return of these two rolls.

The calculation takes exactly the same format as the original invoice. It is common sense to still take off the trade discount as it is the reduced amount which was charged and it should be the same reduced amount which is given back. However, to still offer a settlement discount when you are in effect giving money back may at first seem bizarre.

The reason is that the original invoice calculated the VAT on the reduced amount. If you don't subsequently take the settlement into account when calculating the Credit Note then you could finish up giving back more than you charged in the first place.

Take the invoice we prepared on p22. Let's suppose that R Patel wants to send it all back. If we ignore the settlement discount then the calculation on the credit note would be $(£3375.00 + 20\%) = (£3375.00 + 675.00) = £4050.00$. You can see, though, that the original invoice was for £4029.75. If you didn't take the settlement discount into the calculations then you would be giving R Patel more back than you charged him.

EXAM ALERT!

The calculation of credit note figures is very likely to come up in your examination. The questions will either take the form of calculating the actual credit note or you may be given documents to check for their accuracy.

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Let us see the calculation for the return of the two rolls.

Calculating a Credit Note

R Patel finds that two of the rolls of material are faulty. He is returning the rolls and has requested a credit note.

Dawson Supplies will calculate the Credit Note as follows:

1. Calculate the total price before trade discount
 $2 \times £75.00 = £150.00$
2. Calculate the trade discount
 $£150.00 \times 10\% \text{ (or } 10/100) = £15.00$
3. Calculate the net price
 $£150.00 - £15.00 = £135.00$
4. Calculate the Settlement Discount on the net amount
 $£135.00 \times 3\% \text{ (or } 3/100) = £4.05$
5. Calculate the reduced amount. (You must simply keep a note of this as it is not shown on the credit note)
 $£135.00 - £4.05 = £130.95$
6. Calculate the VAT on the reduced amount
 $£130.95 \times 20\% \text{ (or } 20/100) = £26.19$
(Notice how we have rounded the VAT down to the nearest penny again)
7. Calculate the total of the credit note.
 $£135.00 + £26.19 = £161.19$

The credit note itself often looks very similar to the Invoice. Some companies try to make the distinction between an Invoice and a Credit Note more obvious by printing at least some of the credit note in red.

A credit note will include:

- The number of the original invoice
- The reason for the return
- A unique number. Credit Notes have their own sequence of numbers

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Otherwise the details are exactly like an invoice.

DAWSON SUPPLIES

45 Scartho Street, Immingham, IM15 2BH

Credit Note

Number: CN259

To

R Patel
132 Anglian Way
Norwich
NR3 6FG

Date/ tax point: 27th August 2014

Account: RP01

Your reference: 5379

VAT Reg: GB 0369 4928 36

Our invoice no. 13608

Product Code	Item	Quantity	Price £	Total £
	Rolls of Blue Cotton Dress Material	2	75.00	150.00
Goods Total				150.00
Trade Discount @ 10%				15.00
Subtotal				135.00
VAT @ 20%				26.19
Credit Total				161.19

Reason for Credit

2 Rolls Blue Cotton Dress Material faulty

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The final document we will look at in this section is the **statement**.

Just as your bank statement will show the transactions which have occurred between you and your bank, so a statement of account for a customer will show all the transactions between the customer and the supplier.

As you have seen, a customer may have been allowed to pay their invoice after an agreed period of time (7 days, 30 days or even 60 days are typical). You can probably imagine that regular customers will have several outstanding invoices, so a statement of account is sent to the customer, usually monthly, so that both parties are aware what is still owed by the buyer to the supplier.

The statement will begin with the balance **b/f**. (Sometimes this is shown as b/d meaning brought down from the previous period). B/f stands for 'brought forward' and shows the amount still owing at the beginning of the month, or *brought forward* from the previous month.

Any new invoices will be added to the total and any payment will be taken from the total.

You must always remember to include any credit notes which have been issued, and (the one that so many students forget to include) any settlement discounts which have been taken. You must remember the settlement discount because if you don't the customer will still be showing as owing an amount, when in fact the account has been paid in full.

Let us take the example of the invoice from Dawson Supplies on p22 which includes the settlement discount.

The invoice will be shown on the statement as £4029.75. If the customer pays within the 7 days allowed he will pay just £3928.50 (£4029.75 – £101.25). The statement will show the invoice amount of £4029.75 and the payment of £3928.50. Unless we include the settlement discount on the statement, R Patel will still be showing he owes £101.25.

The statement will finally show the remaining balance. This amount will be '**carried forward**' (c/f) to the next statement.

If you look at the statement of account on the next page you will notice that invoices (or any amounts which increase what is owed) are called debits and go on the left. Any amounts which decrease the amount owed are called credits and go on the right. We will look at debits and credits in much more detail later in this book, but for now remember which side each is on and what it means in the statement.

Transactions are listed in date order. You will note that only settlement discounts are included (not trade or bulk discounts since these are already given in the invoice figure). The settlement discounts are only stated once they have been taken and not when they are offered. After all, the customer may not pay within the time allowed to qualify for the discount.

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STATEMENT OF ACCOUNT

DAWSON SUPPLIES

45 Scartho Street, Immingham, IM15 2BH

To

R Patel 132 Anglian Way Norwich NR3 6FG
--

Account

RP01

Date

31st August 2014

Date	Details	Debit £	Credit £	Balance £
01/08/2014	Balance b/f	3671.52		3671.52
03/08/2014	Chq received		3561.38	110.14
03/08/2014	Disc allowed		110.14	0.00
07/08/2014	Inv 13295	3196.50		3196.50
14/08/2014	Inv 13458	2957.17		6153.67
21/08/2014	Inv 13598	3279.59		9433.26
25/08/2014	Inv 13608	4029.75		13463.01
27/08/2014	Credit Note CN259		161.19	13301.82

TOTAL AMOUNT OUTSTANDING

13301.82

Just the total amounts on the invoices are shown in the statement as the customer will only want to know what he owes. What part is VAT and how much the trade discount is, is shown on the invoice and is irrelevant here.

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Chapter Summary

- Businesses produce a number of documents to keep track of their sales. These documents include:
 1. Quotes and estimates
 2. Purchase orders
 3. Delivery notes
 4. Invoices
 5. Returns notes
 6. Credit Notes
 7. Customer statements
- VAT is charged on goods and services supplied at the rate of 20%.
- If discounts are offered the VAT should be calculated on the reduced amount.
- Special rules apply to VAT when a settlement discount is offered.
- A credit note should still reflect any settlement discount so that the credit matches the sale.

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Practice Questions

Chapter 2

2.1

What type of document would you use:

- a) As a formal notification as to the amount owed?
- b) As a reminder to a customer how much is owed?
- c) As a formal document to inform the customer how much you intend to charge for the goods or services should the customer accept?
- d) To order goods from a supplier?
- e) To accompany goods delivered to the buyer?
- f) To accompany faulty goods returned to the seller?
- g) As a formal document to inform the customer that a refund is to be made for faulty goods?

2.2

What do the following terms mean:

- a) E&OE
- b) Ex-works
- c) COD?

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2.3

T&T sells tiles. This month there is a special offer. If you buy 20 boxes or more a discount of 30% is offered.

The most popular line in tiles is normally offered at £35.00 per box

The following credit customers buy this popular line during the month:

- a) D Barton buys 50 boxes
- b) E Woodward buys 15 boxes
- c) Goodwin Tiles Ltd buys 1000 boxes.

Calculate in each case:

- 1. The total cost before discount and VAT
- 2. The discount
- 3. The cost after discount
- 4. The VAT charged (current rate 20%)
- 5. The total cost

2.4

Recalculate the amounts if a 3% settlement discount is offered.

2.5

In the above cases how much would each customer actually pay if the settlement discount were taken?

2.6

F Blake bought some of these tiles before the special offer began. However, he was offered a 3% settlement discount when he ordered them. T&T allows a credit note to all customers who return unopened boxes. F Blake is now returning 10 boxes for a refund.

Calculate:

- a) The total amount of the refund before VAT
- b) The VAT amount refunded
- c) The total amount shown on the Credit Note

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2.7

At the beginning November 2014 G Stephens had an opening balance of £325.50.

On 6th November he bought goods worth £650.00 including VAT. (Invoice 23469).

On 7th November he paid £317.00 which was for the opening balance, but which he took £8.50 settlement discount to which he was entitled.

On 21st November he bought more goods worth £700.00 including VAT (Invoice 23576).

On 22nd November he returned goods which were faulty. The value including VAT was £50.00. (Credit Note CN57)

Draw up G Stephen's statement of account for 30th November

STATEMENT OF ACCOUNT				
<i>T&T Ltd</i>				
154 Margaret St, Immingham, IM17 9RQ				
To				
G Stephens 65 Dudley Road Birmingham B5 4BL		Account	GS01	
		Date		
Date	Details	Debit £	Credit £	Balance £
TOTAL AMOUNT OUTSTANDING				

CHAPTER 2
Selling Goods and Services