

## Three-column Cash Books and Discounts

### Cash Discounts for quick payment

It is better for the firm if as customer pays their account quickly. Many companies will offer a discount to their debtors if they pay quickly. The term '*Cash Discount*' refers to the allowance given for quick payment.

- *Discounts allowed* → cash discounts allowed by a firm to its customers when they pay their accounts quickly.
- *Discounts received* → cash discounts received by a firm from its suppliers when it pays their accounts quickly.

*Example*

May 2 <sup>nd</sup>	B. King (Debtor) pays us by cheque having deducted 5% discount from a \$100 debt.
May 15 <sup>th</sup>	We pay P. Spiro (Creditor) cash of \$97 having received a 3% discount on the original amount owing.

### Sales Ledger

Dr	B King Account (Debtor)		Cr		
	\$		\$		
1 <sup>st</sup> May	Sales	100	2 <sup>nd</sup> May	Bank	95
		100	2 <sup>nd</sup> May	Discount	5
		100			100

### Purchases Ledger

Dr	P Spiro Account (Creditor)		Cr		
	\$		\$		
15 <sup>th</sup> May	Cash	97	13 <sup>th</sup> May	Purchases	100
15 <sup>th</sup> May	Discount	3			
		100			100

### General Ledger

Dr	Discounts Allowed Account		Cr		
	\$		\$		
2 <sup>nd</sup> May	B. King	5	31 May P & L	5	
		5			
Dr	Discounts Received Account		Cr		
	\$		\$		
31 May P & L (Income)	3		15 <sup>th</sup> May	P. Spiro	3
	3				3

**Three-column Cash Book**

Dr					Cash Book					Cr	
Date & Details	Detail	Discount Allowed	Cash	Bank	Date & Details	Detail	Discount Received	Cash	Bank		
		\$	\$	\$			\$	\$	\$		
1 May	Bal.b/d		150	4500							
2 May	King	5		95	May 15	Spiro	3	97			
					May 22	Rent				500	
					May 30	Wages				1000	
					May 31	Bal.c/d		53	3095		
		5	150	4595			3	150	4595		
1 June	Bal.b/d		53	3095							



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