

10-1979

Purchasing Methods Taught in Introductory Accounting

Frederic M. Stiner Jr.

Follow this and additional works at: <https://egrove.olemiss.edu/wcpa>



Part of the [Accounting Commons](#), and the [Women's Studies Commons](#)

Recommended Citation

Stiner, Frederic M. Jr. (1979) "Purchasing Methods Taught in Introductory Accounting," *Woman C.P.A.*: Vol. 41 : Iss. 4 , Article 8.

Available at: <https://egrove.olemiss.edu/wcpa/vol41/iss4/8>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Woman C.P.A. by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

Purchasing Methods Taught in Introductory Accounting

Guest Author:
Frederic M. Stiner, Jr.

Introduction

Time is valuable in all accounting courses; this is especially true in the introductory accounting course. Since introductory courses are often filled with non-majors, the curriculum should be constantly scrutinized for relevance.

For the first course in accounting, in current introductory accounting textbooks show two possible methods of accounting for purchases.

One of these methods records purchases at gross. For example, a \$100 purchase (2/10,n/30) where discount is earned would be recorded:

dr. (Inventory) Purchases	\$100
cr. Accounts Payable	\$100

The discount is then only recorded when taken:

dr. Accounts Payable	\$100
cr. Cash	\$ 98
cr. Purchase Discount	2

The other method records purchases at net. Using the same numbers, the journal entry at purchase would be:

dr. (Inventory) Purchases	\$ 98
cr. Accounts Payable	\$ 98

Discounts are recorded only when lost. For example, if paid on the 30th day, the entry is:

dr. Accounts Payable	\$ 98
dr. Discounts Lost	2
cr. Cash	\$100

Methodology

The purpose of the research was to determine the usage of each method of accounting for purchases. A questionnaire was sent to 500 companies which were randomly selected from the *U.S. Industrial Directory* (1977). The directory lists approximately 40,000 corporations. The sample selected covered all major industries throughout the United States. There were 203 responses.

Findings

The response rate to purchasing

methods was as follows:

Accounting Method	Frequency
Gross	73.1%
Pay by invoice only	9.5%
Net	14.9%
Record at Standard Costs	2.5%

When asked to identify their principal activity the following was found:

Principal Activity	Frequency
Manufacturing	92.1%
Wholesale	3.4%
Retail	1.5%
Service	3.0%

There was no significant correlation between accounting method and principal activity.

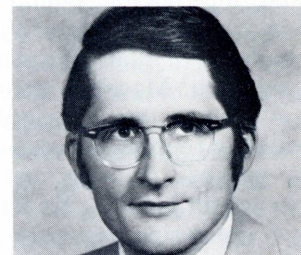
Conclusion

Since the net method is infrequently used in practice, the time spent on this method in the introductory course in accounting could be better spent on other items. The net method would be more appropriately covered in later courses. ■

References

U. S. Industrial Directory 1977. (Stanford, Conn.: Cahners Publishing Co.), v. 1.

Acknowledgments: This research was supported by a grant from Iowa State University. The assistance of K. Isvik is acknowledged.



Frederic M. Stiner, Jr., CPA, Ph.D., is Assistant Professor of Accounting at the University of Maryland. He holds membership in the West Virginia and Nebraska Societies of CPAs, and AICPA, and has been published in various accounting and science journals.

Accountants:

WORK FOR YOURSELF

Start your own bookkeeping, accounting and tax service practice. Our advertising and marketing system helps you get clients. Our proven COMPREHENSIVE® accounting system helps you profitably service those small and medium-sized businesses.

THE SYSTEM

A marketing and accounting system which has been perfected through 29 years of experience . . . allowing COMPREHENSIVE accountants to

service over 16,000 monthly business clients.

COMPUTERIZED SUPPORT

Our large scale computer quickly and efficiently provides your clients with complete financial data—every month.

Learn more about how you could start or expand your own practice.

**CALL V. A. COX TOLL FREE
(800) 323-9000**

Anywhere in the Continental U.S.
Illinois residents call collect: (312) 898-6868

Please send me more information about COMPREHENSIVE Accounting, the nation's largest accounting franchisor of its kind. WCPA10

Name _____
Address _____
City _____ State _____ Zip _____
Phone _____ (Best time to call)

COMPREHENSIVE®
accounting corporation

2111 Comprehensive Drive, Aurora, Illinois 60507

Official Tabulators for the National Easter Seal Telethon

