Chapter 11
Vendors & Purchases

Merchandising businesses are retail stores that resell goods and services.

In Chapter 11, you will set up a merchandising business called Susan’s Service Merchandise, a partnership owned by Joe Greene and Susan Currier.

Mr. Greene and Ms. Currier divide their income equally.
Software Objectives, p. 381

- Set up company information for Susan’s Service Merchandise.
- Enter the following general ledger information: chart of accounts and beginning balances.
- Enter the following accounts payable information: vendor defaults and vendor records.
- Enter the following inventory information: inventory defaults, inventory items, and inventory beginning balances.
- Record accounts payable transactions: merchandise purchases, purchase orders, cash purchases, and purchase returns.
- Make four backups: 1) back up Chapter 11 beginning data; 2) back up Chapter 11 data; 3) back up Exercise 11-1; 4) back up Exercise 11-2.
Web Objectives, p. 381

- Use your Internet browser to go to the book’s website at [www.mhhe.com/yacht2008](http://www.mhhe.com/yacht2008).
- Go to the Internet Activity link on the book’s website. Then, select WEB EXERCISES PART 3. Complete the first web exercise in Part 3—Accounting List.
- Use a word processing program to write summaries of the websites that you visited.
Vendor sends Susan's Service Merchandise an invoice (bill).

You enter the invoice as a purchase.

When it is time to pay the invoice, you select the invoice(s) from the vendor you want to pay and print a check.
In Chapter 11, you set up two merchandising businesses: Susan’s Service Merchandise and the end-of-chapter exercise, Student Name Sales & Service (Exercises 11-1 and 11-2 on pp 434-440).

The companies that you set up in Chapter 11, continue in Chapters 12, 13 and 14.

If the general ledger account (GL account column) is not displayed on the Purchases/Receive Inventory window, check the global options. In the Hide General Ledger Accounts section, all boxes must be unchecked (see pp. 57-58, Chapter 2, for the global settings.).
What if you want to use Susan’s Service Merchandise on a computer that does not have this company set up in Peachtree?

- If you start Peachtree and the appropriate company cannot be opened, use the Restore Wizard to select A New Company. Using the appropriate backup file, and the selection for A New Company, you can start where you left off the last time Peachtree was used.

- If Susan’s Service Merchandise (or another name Service Merchandise) is not listed either on the Open an Existing Company window or when you select <Browse>, click Cancel; then Close. From Peachtree’s startup window, there are three menu bar options—File; Options; Help.

- Select File; Restore. Restore A New Company from the appropriate backup file. This allows you to bypass Peachtree’s new company setup and restore the company data from a backup file (.ptb extension).
Backing Up Chapter 11

The chart below shows the size of the backups made in Chapter 11. The textbook steps show you how to back up to Peachtree’s default hard drive location at C:\Program Files\Sage Software\Peachtree\Company\[shortened company name]. You can also specify a hard drive location, or back up to external media such as a Zip disk, CD-R, or USB media. The chart showing the size of all the backups made in Part 3 (Chapters 11-14) is shown on page 380.

<table>
<thead>
<tr>
<th>Backup Name</th>
<th>Kilobytes</th>
<th>Page Nos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 11 Starting Balance Sheet (optional backup)</td>
<td>932 KB</td>
<td>393</td>
</tr>
<tr>
<td>Chapter 11 Begin</td>
<td>940 KB</td>
<td>405</td>
</tr>
<tr>
<td>Chapter 11</td>
<td>986 KB</td>
<td>429-430</td>
</tr>
<tr>
<td>Exercise 11-1</td>
<td>932 KB</td>
<td>440</td>
</tr>
<tr>
<td>Exercise 11-2</td>
<td>955 KB</td>
<td>443</td>
</tr>
</tbody>
</table>
Chapter 11 Topics

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Getting Started, pp. 383-384

- Complete steps 1 – 5 on pp. 383 and 384. Then compare your window with the one shown on p. 384.

- Click <Next>. Make sure that Retail Company (in the Detailed type list) is selected. Continue with steps 8-11 on p. 385.
Monthly accounting periods, p. 386

- Complete step 12 on p. 385. Select **2008** as the year. The Fiscal Year window is shown on p. 386.

- Check this window carefully. You cannot change it later. Continue with steps 13-16 on page 386.
Read the instructions on pages 388-390. Then, complete the steps shown.
Select Period, p. 391

Select From 12/01/07 through 12/31/07 as your Chart of Accounts Beginning Balance period so that your journals will start on January 1, 2008. The Select Period window is shown on p. 391.

Peachtree posts on the last day of the month. Check this window carefully. You cannot change the period for entering beginning balances later. Click on <OK>.
Continue on pp. 391 & 392

After recording the chart of accounts beginning balances, complete steps 4 and 5 on p. 391.

Compare your balance sheet to the one shown on p. 392.
Vendor Defaults, p. 393

After completing steps 1-5 on p. 393, the Vendor Defaults window appears.

- Continue reading the instructions on p. 393. Then, complete the steps shown on pp. 393-394.
Maintain Vendors pp. 394-395

To add a vendor, complete steps 7a. through k. shown on pages 394-395. The Maintain Vendors window is shown on page 395.

Click on the Purchase Info tab. Then, continue with step 8a. on page 395.
After completing step 8a. on page 395, this window appears.

Click  . Then, continue with the steps shown on pages 396-397.
Complete steps 1 – 5 on pp. 398-399. This window is shown on page 400.

Continue with steps 5 through 7o. on pp. 400-402.
After completing step 7o. on p. 402, the Maintain Inventory Items window appears.

Continue with the steps shown on pp. 402-404.
After completing step 8e. on p. 404, the Inventory Beginning Balances window appears.

Continue with the steps f. and g. shown on page 404.
Back Up Your Data, p. 405

- Complete steps 1 through 6 on pp 405 to back up your data.
- The suggested files name is Chapter 11 Begin.
Vendors & Purchases: Purchases/Receive Inventory, pp. 405-406

- Read pages 405-406.
- Complete the steps shown on page 406.
Using the Purchase Journal: Purchases/Receive Inventory, pp. 406-409

After completing the steps on pp. 406-409, the Purchases/Receive Inventory window appears. This window is shown on p. 409.

Click on the Journal icon to see the Purchase Journal.
The Accounting Behind the Screens/Purchase Journal window is shown on p. 410

Complete the steps shown on pp. 410-411. Record the Additional Purchases on p. 411.
Cash Purchases: Write Checks Window, pp. 412-413

- Read the information about Cash Purchases on pages 412 and 413.
- Complete steps 1 – 6 on pages 412-413
After completing step 6 on page 413, the Write Checks window appears.
Printing the Check, pp. 413-414

Follow steps 1 – 3 on p. 413. This window is shown on page 414.

Click on <OK>. Complete steps 5 and 6 on pages 414 and 415. The check starts to print.
After completing steps 4-6 on pages 414 and 415, Check No. 3030 prints. This check is shown on page 415.

![Check Image]

Read the information on p. 415; then complete step 7 and the additional transactions on page 416.
Click the List button to see if you issued Check Nos. 3030 through 3035. The Write Checks List window is shown on page 416.

Complete steps 9 and 10 on p. 417.
Complete steps 1 – 6 on pp. 417-418. The Vendor Credit Memos window appears.

Complete step 7, p. 418. Click **Save** to post, then **Close**.
Paying a Vendor, Minus a Return of Merchandise, pp. 419-420

- Complete steps 1–3 on pp. 419-420. The Payments window is shown on p. 420.

- Complete steps 4-8 on pages 420 and 421.
Journal entry for payment to a specific vendor, p. 421

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable/Ronald Baker Fabrics</td>
<td>120.00</td>
<td></td>
</tr>
<tr>
<td>Purchase Discounts</td>
<td></td>
<td>2.40</td>
</tr>
<tr>
<td>La Brea Bank</td>
<td></td>
<td>117.60</td>
</tr>
</tbody>
</table>
How the purchases and payments tasks work together, p. 422

- Purchases/Receive Inventory
  - Enter the Vendor Invoice
- Payments
  - Apply the Vendor Invoice as a Check
- Print Checks
  - Print the Disbursement Check
Pay vendor invoice No. 210, pp. 422-423

Complete steps 1 – 5 on pages 422-423.

Remember to click on Save to post when you are finished.
Display the Payments window.

Select the List icon.

Double-click on the appropriate vendors or payments. Then click on <OK>. Complete steps 3-5 on p. 423.
Printing the Purchase Journal, p. 424-426

- Read pp. 424-425.
- Complete steps 1 – 3 on p. 425 to print the purchase journal.
- Compare your Purchase Journal to the one shown on p. 426.
Printing the Cash Disbursements Journal, pp. 426-427

- Complete step 4 on p. 426 to print the cash disbursements journal.
- Compare your Cash Disbursements Journal to the one shown on p. 427.
Printing the Vendor Ledgers, pp. 427-428

- Complete steps 1 and 2 on pp. 427-428 to print the vendor ledgers.
- Compare your vendor ledgers to the one shown on p. 428.
Printing the General Ledger Trial Balance, pp. 428-429

- Complete steps 1 and 2 on p. 428 to print the general ledger trial balance.
- Compare your General Ledger Trial Balance to the one shown on p. 429.
Complete steps 1 – 6 on pages 429-430 to back up Chapter 11 data.

Use Chapter 11 as the back up name.

Remember, Chapters 11, 12, 13, and 14 work together. The data saved in Chapter 11 will be used to complete Chapter 12.
Chapter 11
Glossary of Terms
Merchandising businesses purchase the merchandise they sell from suppliers known as vendors.
Purchases of merchandise for resale, assets, or expenses incurred on credit from vendors.

When Susan’s Service Merchandise makes purchases on account from vendors, the transactions are known as accounts payable transactions.
Accounts payable, p. 382

The money a company owes to a supplier or vendor.
In Peachtree, the Purchases/Receive Inventory window is the purchase journal. In the Purchase Journal, or Purchases/Receive Inventory window, you can enter invoices from vendors or enter and print purchase orders.
Accounts payable ledger, p. 406

Shows the account activity for each vendor. Same as vendor ledger.
Vendor ledger, p. 406

Shows the account activity for each vendor. Same as accounts payable ledger.
Average cost, p. 411

A method of computing inventory. See weighted-average method on the next slide.
This method of inventory pricing divides the cost of the inventory purchased by the quantity of merchandise purchased. This unit cost is multiplied by the ending inventory.
Cash disbursements journal, p. 412

All payments of cash are recorded in the cash disbursements journal.

In Peachtree, the Write Checks and Payments tasks are recorded the cash disbursements journal.
# Internet Activity, p. 430

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Link to Student Edition.</td>
</tr>
<tr>
<td>3</td>
<td>In the Course-wide Content list, link to Part 3 Internet Activities for Chapters 11-14. Open or Save. (You can also choose Chapter 11, then link to Internet Activities. If you Choose a Chapter, observe that other chapter-specific links are available; for example, Quizzes, PowerPoints, and Going to the Net Exercises.)</td>
</tr>
<tr>
<td>4</td>
<td>Complete the ACCOUNTING LIST – Chapter 11 exercise. Read steps 1 – 4.</td>
</tr>
<tr>
<td>5</td>
<td>Follow the steps shown on the book’s website to complete this Internet activity.</td>
</tr>
<tr>
<td>6</td>
<td>Using a word processing program, write a brief summary of what you find. Include all appropriate website addresses.</td>
</tr>
</tbody>
</table>

Answer the following questions.

- List four features that make Peachtree easy to learn.
- What are the Navigation Centers?
- How many sample company chart of accounts can you choose from?