

List Price: Price suggested by the dealer or manufacturer to retailer.

Trade Discount: Discount offered for promoting sales. (This is never recorded in the books of accounts)

The purpose and treatment of quantity discount is like trade discount.

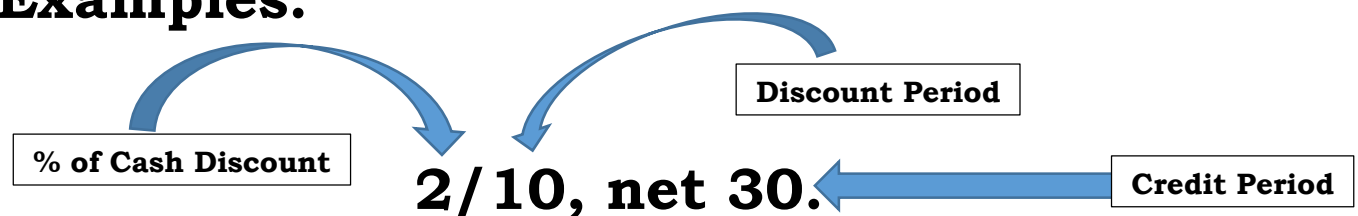
Credit Period: Period after whose expiration, payment becomes due.

Discount Period: Period within which cash discount can be availed.

Cash Discount: Discount offered for prompt payment. (Example sales discount, purchase discount, discount)

Credit Term: Term containing % of cash discount, discount period and credit period.

Examples:



5/15, net 60.

Necessary Payments:

All the payments that are **necessary and reasonable to acquire inventory and place it into saleable condition.**

These payments are added to the cost of merchandise and are not expensed till the inventory is not sold.

Examples:

1. **Transportation**
2. **Insurance in transit**
3. **Loading**
4. **Unloading**
5. **Sales tax etc.**

