Which Accounts to Use
When Journalizing Discounts, Returns, & Shipping Costs
For a Merchandiser

Different accounts are used to record discounts, returns, and shipping costs depending on whether you are the buyer or seller in a merchandising transaction.

When journalizing merchandising transactions, first ask yourself

WHO AM I?

The following flowchart will help you determine which accounts to use for the merchandising transactions listed above.

**Cash Discount**
- **Buyer**: Merchandise Inventory
- **Seller**: Sales Discount

**Sales Returns & Allowances**
- **Buyer**: Merchandise Inventory
- **Seller**: Sales Returns & Allowances

**Shipping Costs**
- **Buyer**: Merchandise Inventory
- **Seller**: Delivery Expense

*Notice that when you are the BUYER, all transactions flow through the Merchandise Inventory account. When you are the SELLER, different accounts are used for each transaction.*