20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **Carriage inward is the freight paid to bring purchased goods into the business.**
   It covers transport cost from the supplier's location to the buyer's premises on purchased stock.

2. **Carriage outward is the freight paid to deliver sold goods to customers.**
   It covers transport cost from the seller's warehouse to the buyer once a sale is dispatched.

3. **Carriage inward is debited to the Trading Account.**
   As a direct cost of acquiring stock, it is entered on the debit side of the Trading Account.

4. **Carriage outward is debited to the Profit and Loss Account.**
   As a selling expense, it is entered on the debit side of the Profit and Loss Account, not the Trading Account.

5. **Carriage inward is treated as a direct expense in accounting.**
   It is directly linked to bringing goods to a sellable state, so it forms part of the cost of goods.

6 **Carriage outward is treated as an indirect selling and distribution expense.**
It arises only after goods are ready and sold, so it is not part of the cost of goods.

7 **Carriage inward directly affects the gross profit of a business.**
Since it is debited to the Trading Account, it raises cost of goods sold and reduces gross profit.

8 **Carriage outward affects net profit rather than gross profit.**
Being a Profit and Loss Account item, it reduces net profit but does not touch the gross profit figure.

9 **Carriage inward is usually borne by the buyer of the goods.**
The buyer typically pays to get purchased stock transported to its own premises.

10 **Carriage outward is usually borne by the seller of the goods.**
The seller typically pays to get sold goods delivered to the customer, subject to agreed terms.

11 **Carriage inward is also called freight inward or transportation inward.**
Different textbooks use these interchangeable labels for the same purchase-related transport cost.

12 **Carriage outward is also called freight outward or transportation outward.**
Different textbooks use these interchangeable labels for the same sales-related transport cost.

13 **Carriage inward can be capitalised if it relates to acquiring a fixed asset.**
Freight paid to bring in a fixed asset like machinery is added to that asset's cost instead of routine carriage inward.

14 **Carriage outward is never capitalised because it is a pure revenue expense.**
It arises from selling and distribution activity and does not create or improve any asset.

15 **The exam memory hook is: incoming purchases go to Trading, outgoing sales go to Profit and Loss.**
Anchoring the direction of goods movement to the correct account prevents the most common exam mistake.

16 **A frequent student error is entering carriage outward in the Trading Account.**
Carriage outward always belongs in the Profit and Loss Account, never the Trading Account.

17 **Carriage inward and carriage outward are both transportation costs but get different accounting treatment.**
Despite the shared nature as freight expenses, one is a direct cost and the other an indirect cost.

18 **Freight paid on a purchased fixed asset like machinery is capitalised with that asset.**
This differs from routine carriage inward on trading stock, which is expensed through the Trading Account.

19 **Who bears the carriage cost, buyer or seller, depends on the terms agreed between the parties.**
The commercial agreement, not a fixed rule, decides which party ultimately pays the transport charge.

20 **IIBF's JAIIB and CAIIB accounting syllabus tests the carriage inward versus carriage outward distinction.**
Correctly classifying selling costs versus procurement costs is a practical skill for analysing borrower financials.