

PERPETUAL VS. PERIODIC SYSTEMS

QUESTION: If you are a **PERPETUAL** type of person, how could you compute the amount of money you spent over the weekend?

ANSWER: You would want to constantly monitor your spending and know the amount spent at any point during the weekend. Every time you took money out of your wallet you might want to record it using pencil and paper.

At the end of the weekend the paper might show the following:

Movies -	\$20
Popcorn & Soda -	\$12
Dinner -	\$50

=Cost of the Weekend - \$82

QUESTION: What is the advantage and disadvantage of this?

ADVANTAGE: Know how much is spent at any point in time.

DISADVANTAGE: Constant record keeping must be performed.

QUESTION: You are a **PERIODIC** type of person, how could you compute the amount of money you spent over the weekend?

What information would you need to know to calculate the amount spent (used up) at the end of the weekend?

ANSWER: The beginning and ending amounts of cash would have to be known. In addition, if there were any additions to the cash during the weekend, this would also have to be known. Illustrate as per below:

Beginning of the weekend, cash balance	\$10
+ Paycheck received on Saturday	\$100
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= Cash available to be spent this weekend	\$110
- Amount of cash in your wallet Sun. evening	(\$28)
= Cost of the weekend	\$82

RATIONALE:

Students can relate to this situation personally. It's a simple way to illustrate the difference between the two systems using the calculation of how much money they spent over the weekend.

Chapter 8.