

Chapter 5 In-Class Exercise Merchandising

1. The following events pertain to Downtown Toy Shop for October 2016. The company uses the **perpetual inventory method**. Record the following transactions in general journal form.
 - 1) Oct. 1 Issued \$15,000 of common stock to investors.
 - 2) Oct. 2 Purchased \$12,500 of merchandise on account with the terms 2/10, n/30.
 - 3) Oct. 3 Sold merchandise that cost \$9,000 for \$17,000 on account with the terms 1/10, n/30.
 - 4) Oct. 4 Returned \$1,250 of defective merchandise from the Oct. 2 purchase.
 - 5) Oct. 5 Paid freight of \$100 on goods sold to customers shipped FOB destination.
 - 6) Oct. 10 Paid the amount due on the merchandise purchased on Oct. 2.
 - 7) Oct. 12 Received cash from customers in settlement of the Oct. 3 sale.

General Journal					
					Page 4
			Post Ref.	Debit	Credit
1					
2					
3					
4					
5					

2. At the beginning of the year, Superior Sales had \$7,500 of merchandise inventory. During the year, the company purchased \$72,000 of inventory. At the end of the year, a count of the inventory revealed that the business had \$11,640 of inventory on hand. Superior uses the periodic inventory system.

- a) What is cost of goods sold for the year?
- b) What is the amount of goods available for sale?
- c) What amount of inventory will be shown on the year-end balance sheet?

Cost of goods sold:			
	Merchandise inventory, December 31, 2013		\$ 26,000
	Purchases	\$114,800	
	Less purchases returns and allowances	<u>4,000</u>	
	Net purchases	\$110,800	
	+ Freight-in	<u>5,600</u>	
	Net cost of purchases		<u>116,400</u>
	Cost of goods available for sale		\$142,400
	Less merchandise inventory, December 31, 2014		<u>22,000</u>
	Cost of goods sold		<u>120,400</u>

3. The following events pertain to the Boardwalk Beach Shop for July 2016, its first month of operation. The company uses the **periodic inventory system**. Required: Record the above transactions in General Journal form

- 1) July 2 Issued \$29,000 of common stock for cash.
- 2) July 3 Purchased \$7,500 of merchandise on account with terms 2/10, n/30, FOB shipping point.
- 3) July 3 Paid \$300 cash for shipping charges on the July 3 purchase.
- 4) July 4 Returned \$1,500 of the merchandise purchased on Feb. 3.
- 5) July 5 Sold merchandise that cost \$2,000 for \$3,500 cash.
- 6) July 10 Recorded the discount and paid the amount due from the purchase of merchandise on July 3.
- 7) July 14 Purchased additional merchandise for \$4,600 on account with terms 2/10, n/30, FOB destination.

General Journal					
					Page 4
			Post Ref.	Debit	Credit
1					
2					

Chapter 5 In-Class Exercise Merchandising **Key**

The following events pertain to Downtown Toy Shop for October 2016. The company uses the **perpetual inventory method**. Record the following transactions in general journal form.

- 1) Oct. 1 Issued \$15,000 of common stock to investors.
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- 6) Oct. 10 Paid the amount due on the merchandise purchased on Oct. 2.
- 7) Oct. 12 Received cash from customers in settlement of the Oct. 3 sale.

Event No.	Account Title	Debit	Credit
1)	Cash	15,000	
	Common stock		15,000
2)	Merchandise inventory	12,500	
	Accounts payable		12,500
3)	Accounts receivable	17,000	
	Sales revenue		17,000
	Cost of goods sold	9,000	
	Merchandise inventory		9,000
4)	Accounts payable	1,250	
	Merchandise inventory		1,250

5)	Merchandise inventory	100	
	Cash		100
6)	Accounts payable	225	
	Merchandise inventory		225
	Accounts payable	11,025	
	Cash		11,025
7)	Sales revenue	170	
	Accounts receivable		170
	Cash	16,830	
	Accounts receivable		16,830

AACSB: Knowledge application

AICPA: BB Critical Thinking

AICPA: FN Measurement

Blooms: Apply

Edmonds - Chapter 04 #143

Learning Objective: 04-01 Record and report on inventory transactions using the perpetual system.

Learning Objective: 04-02 Show how transportation costs; cash discounts; returns and allowances; and inventory shrinkage affect financial statements.

Learning Objective: 04-04 Determine the amount of net sales.

Level of Difficulty: 3 Hard

Topic Area: Accounting for inventory transactions

Topic Area: Accounting for transportation costs

Topic Area: Purchase returns and allowances

Topic Area: Sales discounts

2. At the beginning of the year, Superior Sales had \$7,500 of merchandise inventory. During the year, the company purchased \$72,000 of inventory. At the end of the year, a count of the inventory revealed that the business had \$11,640 of inventory on hand. Superior uses the periodic inventory system.

- a) What is cost of goods sold for the year?
- b) What is the amount of goods available for sale?
- c) What amount of inventory will be shown on the year-end balance sheet?

Question: **Computation:**

	Beginning inventory	\$	7,500
	Purchases		72,000
b)	Goods available for sale		79,500
c)	Less: Ending inventory		(11,640)
a)	Cost of goods sold	\$	67,860

AACSB: Knowledge application

AICPA: BB Critical Thinking

AICPA: FN Measurement

Blooms: Apply

Edmonds - Chapter 04 #154

Learning Objective: 04-06 Identify the primary features of the periodic inventory system.

Level of Difficulty: 2 Medium

Topic Area: Periodic inventory system

3.

The following events pertain to the Boardwalk Beach Shop for July 2016, its first month of operation. The company uses the periodic inventory system.

- 1) July 2 Issued \$29,000 of common stock for cash.
- 2) July 3 Purchased \$7,500 of merchandise on account with terms 2/10, n/30, FOB shipping point.
- 3) July 3 Paid \$300 cash for shipping charges on the July 3 purchase.
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Required:

Record the above transactions in general journal form.

Event No.	Account Title	Debit	Credit
1)	Cash	29,000	
	Common stock		29,000
2)	Purchases	7,500	
	Accounts payable		7,500
3)	Transportation-in	300	
	Cash		300

4)	Accounts payable	1,500	
	Purchase returns & allowances		1,500
5)	Cash	3,500	
	Sales revenue		3,500
6a)	Accounts payable	120	
	Purchase discounts		120
6b)	Accounts payable	5,880	
	Cash		5,880
7)	Purchases	4,600	
	Accounts payable		4,600

AACSB: Knowledge application

AICPA: BB Critical Thinking

AICPA: FN Measurement

Blooms: Apply

Edmonds - Chapter 04 #155

Learning Objective: 04-06 Identify the primary features of the periodic inventory system.

Level of Difficulty: 2 Medium

Topic Area: Periodic inventory system

Chapter5InClassExerciseMerchandising Summary

<u>Category</u>	<u># of Question</u>
	<u>S</u>
AACSB: Knowledge application	3
AICPA: BB Critical Thinking	3
AICPA: FN Measurement	3
Blooms: Apply	3
Edmonds - Chapter 04	3
Learning Objective: 04-01 Record and report on inventory transactions using the perpetual system.	1
Learning Objective: 04-02 Show how transportation costs; cash discounts; returns and allowances; and inventory shrinkage affect financial statements.	1
Learning Objective: 04-04 Determine the amount of net sales.	1
Learning Objective: 04-06 Identify the primary features of the periodic inventory system.	2
Level of Difficulty: 2 Medium	2
Level of Difficulty: 3 Hard	1
Topic Area: Accounting for inventory transactions	1
Topic Area: Accounting for transportation costs	1
Topic Area: Periodic inventory system	2
Topic Area: Purchase returns and allowances	1
Topic Area: Sales discounts	1