



Exhibit 5A-3 provides a side-by-side comparison of periodic and perpetual inventory system journal entries for the same company's transactions.

Exhibit 5A-3 | Perpetual Versus Periodic Inventory System

PERPETUAL INVENTORY SYSTEM

Purchased inventory on account:

| Date | Accounts and Explanation | Debit | Credit | |
|------|----------------------------------------|-------|--------|--|
| | Merchandise Inventory | 5,250 | | |
| | Accounts Payable | | 5,250 | |
| | <i>Purchased inventory on account.</i> | | | |

Returned inventory to seller (vendor):

| Date | Accounts and Explanation | Debit | Credit | |
|------|-----------------------------------------------|-------|--------|--|
| | Accounts Payable | 1,750 | | |
| | Merchandise Inventory | | 1,750 | |
| | <i>Returned inventory to seller (vendor).</i> | | | |

Paid a freight bill on a purchase:

| Date | Accounts and Explanation | Debit | Credit | |
|------|-----------------------------|-------|--------|--|
| | Merchandise Inventory | 60 | | |
| | Cash | | 60 | |
| | <i>Paid a freight bill.</i> | | | |

Paid merchandise invoice within discount period:

| Date | Accounts and Explanation | Debit | Credit | |
|------|-------------------------------------|-------|--------|--|
| | Accounts Payable | 3,500 | | |
| | Cash | | 3,395 | |
| | Merchandise Inventory | | 105 | |
| | <i>Paid within discount period.</i> | | | |

Paid merchandise invoice after discount period:

| Date | Accounts and Explanation | Debit | Credit | |
|------|------------------------------------|-------|--------|--|
| | Accounts Payable | 3,500 | | |
| | Cash | | 3,500 | |
| | <i>Paid after discount period.</i> | | | |

Sale on account:

| Date | Accounts and Explanation | Debit | Credit | |
|------|-----------------------------------------|-------|--------|--|
| | Accounts Receivable | 5,000 | | |
| | Sales Revenue | | 5,000 | |
| | <i>Sale on account.</i> | | | |
| | Cost of Goods Sold | 3,500 | | |
| | Merchandise Inventory | | 3,500 | |
| | <i>Recorded the cost of goods sold.</i> | | | |

PERIODIC INVENTORY SYSTEM

| Date | Accounts and Explanation | Debit | Credit | |
|------|----------------------------------------|-------|--------|--|
| | Purchases | 5,250 | | |
| | Accounts Payable | | 5,250 | |
| | <i>Purchased inventory on account.</i> | | | |

| Date | Accounts and Explanation | Debit | Credit | |
|------|-----------------------------------------------|-------|--------|--|
| | Accounts Payable | 1,750 | | |
| | Purchase Returns and Allowances | | 1,750 | |
| | <i>Returned inventory to seller (vendor).</i> | | | |

| Date | Accounts and Explanation | Debit | Credit | |
|------|-----------------------------|-------|--------|--|
| | Freight In | 60 | | |
| | Cash | | 60 | |
| | <i>Paid a freight bill.</i> | | | |

| Date | Accounts and Explanation | Debit | Credit | |
|------|-------------------------------------|-------|--------|--|
| | Accounts Payable | 3,500 | | |
| | Cash | | 3,395 | |
| | Purchase Discounts | | 105 | |
| | <i>Paid within discount period.</i> | | | |

| Date | Accounts and Explanation | Debit | Credit | |
|------|------------------------------------|-------|--------|--|
| | Accounts Payable | 3,500 | | |
| | Cash | | 3,500 | |
| | <i>Paid after discount period.</i> | | | |

| Date | Accounts and Explanation | Debit | Credit | |
|------|--------------------------|-------|--------|--|
| | Accounts Receivable | 5,000 | | |
| | Sales Revenue | | 5,000 | |
| | <i>Sale on account.</i> | | | |



Exhibit 5A-3 | (Continued)

PERPETUAL INVENTORY SYSTEM

Paid a freight bill on a sale:

| Date | Accounts and Explanation | Debit | Credit |
|------|-----------------------------|-------|--------|
| | Delivery Expense | 30 | |
| | Cash | | 30 |
| | <i>Paid a freight bill.</i> | | |

Received returned goods:

| Date | Accounts and Explanation | Debit | Credit |
|------|----------------------------------------|-------|--------|
| | Sales Returns and Allowances | 1,500 | |
| | Accounts Receivable | | 1,500 |
| | <i>Received returned goods.</i> | | |
| | Merchandise Inventory | 1,050 | |
| | Cost of Goods Sold | | 1,050 |
| | <i>Placed goods back in inventory.</i> | | |

Granted a sales allowance:

| Date | Accounts and Explanation | Debit | Credit |
|------|-----------------------------------------------------|-------|--------|
| | Sales Returns and Allowances | 100 | |
| | Accounts Receivable | | 100 |
| | <i>Granted a sales allowance for damaged goods.</i> | | |

Collected cash within the discount period:

| Date | Accounts and Explanation | Debit | Credit |
|------|----------------------------------------------------|-------|--------|
| | Cash | 3,332 | |
| | Sales Discounts | 68 | |
| | Accounts Receivable | | 3,400 |
| | <i>Cash collection within the discount period.</i> | | |

Collected cash after the discount period:

| Date | Accounts and Explanation | Debit | Credit |
|------|---------------------------------------------------|-------|--------|
| | Cash | 3,400 | |
| | Accounts Receivable | | 3,400 |
| | <i>Cash collection after the discount period.</i> | | |

Adjusted for inventory shrinkage:

| Date | Accounts and Explanation | Debit | Credit |
|------|--------------------------------------------|-------|--------|
| | Cost of Goods Sold | 240 | |
| | Merchandise Inventory | | 240 |
| | <i>Adjustment for inventory shrinkage.</i> | | |

PERIODIC INVENTORY SYSTEM

| Date | Accounts and Explanation | Debit | Credit |
|------|-----------------------------|-------|--------|
| | Delivery Expense | 30 | |
| | Cash | | 30 |
| | <i>Paid a freight bill.</i> | | |

| Date | Accounts and Explanation | Debit | Credit |
|------|---------------------------------|-------|--------|
| | Sales Returns and Allowances | 1,500 | |
| | Accounts Receivable | | 1,500 |
| | <i>Received returned goods.</i> | | |

| Date | Accounts and Explanation | Debit | Credit |
|------|-----------------------------------------------------|-------|--------|
| | Sales Returns and Allowances | 100 | |
| | Accounts Receivable | | 100 |
| | <i>Granted a sales allowance for damaged goods.</i> | | |

| Date | Accounts and Explanation | Debit | Credit |
|------|----------------------------------------------------|-------|--------|
| | Cash | 3,332 | |
| | Sales Discounts | 68 | |
| | Accounts Receivable | | 3,400 |
| | <i>Cash collection within the discount period.</i> | | |

| Date | Accounts and Explanation | Debit | Credit |
|------|---------------------------------------------------|-------|--------|
| | Cash | 3,400 | |
| | Accounts Receivable | | 3,400 |
| | <i>Cash collection after the discount period.</i> | | |