4	award:
1.	10 out of
١.	10.00
	points

- Apr. 2 Purchased merchandise from Lyon Company under the following terms: \$4,000 price, invoice dated April 2, credit terms of 2/15, n/60, and FOB shipping point.
 - 3 Paid \$224 for shipping charges on the April 2 purchase.
 - 4 Returned to Lyon Company unacceptable merchandise that had an invoice price of \$900.
 - 17 Sent a check to Lyon Company for the April 2 purchase, net of the discount and the returned merchandise.
 - 18 Purchased merchandise from Frist Corp. under the following terms: \$8,450 price, invoice dated April 18, credit terms of 2/10, n/30, and FOB destination.
 - 21 After negotiations, received from Frist a \$2,366 allowance on the April 18 purchase.
 - 28 Sent check to Frist paying for the April 18 purchase, net of the discount and allowance.

Prepare journal entries to record the above transactions for a retail store. Assume a perpetual inventory system.

Date	General Journal		Debit	Credit
April 02	Merchandise inventory	1	4,000	
	Accounts payable—Lyon	✓		4,000
April 03	Merchandise inventory	1	224✔	
	Cash	~		224
April 04	Accounts payable—Lyon	1	900✔	
	Merchandise inventory	1		900
April 17	Accounts payable—Lyon	1	3,100✔	
	Merchandise inventory	1		62
	Cash	1		3,038
April 18	Merchandise inventory	1	8,450	
	Accounts payable—Frist	1		8,450
April 21	Accounts payable—Frist	1	2,366✔	
	Merchandise inventory	1		2,366
April 28	Accounts payable—Frist	1	6,084	
	Cash	-		5,962
	Merchandise inventory	1		122

Santa Fe Company purchased merchandise for resale from Mesa Company with an invoice price of \$27,400 and credit terms of 2/10, n/60. The merchandise had cost Mesa \$18,687. Santa Fe paid within the discount period. Assume that both buyer and seller use a perpetual inventory system.

1(a) Prepare entries that the buyer should record for the purchase.

Event	General Journal		Debit	Credit
1	Merchandise inventory	1	27,400	
	Accounts payable	1		27,400

1(b) Prepare entries that the buyer should record for the cash payment.

Event	General Journal		Debit	Credit
1	Accounts payable	1	27,400	
	Cash	1		26,852
	Merchandise inventory	1		548

2(a) Prepare entries that the seller should record for the sale.

Event	General Journal		Debit	Credit
1	Accounts receivable	1	27,400	
	Sales	√		27,400
2	Cost of goods sold	1	18,687	
	Merchandise inventory	1		18,687

2(b) Prepare entries that the seller should record for the cash collection.

Event	General Journal		Debit	Credit
1	Cash	1	26,852√	
	Sales discounts	1	548✔	
	Accounts receivable	✓		27,400

3. Assume that the buyer borrowed enough cash to pay the balance on the last day of the discount period at an annual interest rate of 8% and paid it back on the last day of the credit period. Compute how much the buyer saved by following this strategy. (Use 365 days a year. Round your intermediate calculations and final answer to 2 decimal places.)

Savings from discount taken	\$	548.00 ✓
Interest expense on funds bo	rrowed:	
Amount borrowed	\$	26,852
Number of days of interest		50✔
Interest expense	\$	294.27
Buyer's net savings	\$	253.73

points

Allied Parts was organized on May 1, 2013, and made its first purchase of merchandise on May 3. The purchase was for 1,100 units at a price of \$10 per unit. On May 5, Allied Parts sold 660 of the units for \$14 per unit to Baker Co. Terms of the sale were 2/10, n/60.

- a. On May 7, Baker returns 231 units because they did not fit the customer's needs. Allied Parts restores
 the units to its inventory.
- b. On May 8, Baker discovers that 55 units are damaged but are still of some use and, therefore, keeps the units. Allied Parts sends Baker a credit memorandum for \$330 to compensate for the damage.
- c. On May 15, Baker discovers that 66 units are the wrong color. Baker keeps 40 of these units because Allied Parts sends a \$86 credit memorandum to compensate. Baker returns the remaining 26 units to Allied Parts. Allied Parts restores the 26 returned units to its inventory.

Prepare entries for Allied Parts to record the May 5 sale and each of the above separate transactions a through c using a perpetual inventory system.

Date	General Journal		Debit	Credit
May 05	Accounts receivable	1	9,240	
	Sales	1		9,240
May 05	Cost of goods sold	1	6,600	
	Merchandise inventory	1		6,600
May 07	Sales returns and allowances	1	3,234	
	Accounts receivable	-		3,234
May 07	Merchandise inventory	1	2,310	
	Cost of goods sold	1		2,310
May 08	Sales returns and allowances	1	330✔	
	Accounts receivable	1		330-
May 15	Sales returns and allowances	1	450✔	
	Accounts receivable	1		450✔
May 15	Merchandise inventory	1	260✔	
	Cost of goods sold	1		260

Allied Parts was organized on May 1, 2013, and made its first purchase of merchandise on May 3. The purchase was for 1,100 units at a price of \$10 per unit. On May 5, Allied Parts sold 660 of the units for \$14 per unit to Baker Co. Terms of the sale were 2/10, n/60.

- a. On May 7, Baker returns 231 units because they did not fit the customer's needs. Allied Parts restores the units to its inventory.
- b. On May 8, Baker discovers that 55 units are damaged but are still of some use and, therefore, keeps the units. Allied Parts sends Baker a credit memorandum for \$330 to compensate for the damage.
- c. On May 15, Baker discovers that 66 units are the wrong color. Baker keeps 40 of these units because Allied Parts sends a \$86 credit memorandum to compensate. Baker returns the remaining 26 units to Allied Parts. Allied Parts restores the 26 returned units to its inventory.

Prepare the appropriate journal entries for Baker Co. to record the May 5 purchase and each of the three separate transactions a through c. Baker is a retailer that uses a perpetual inventory system and purchases these units for resale.

Date	General Journal		Debit	Credit
May 05	Merchandise inventory	1	9,240	
	Accounts payable	1		9,240
May 07	Accounts payable	1	3,234	
	Merchandise inventory	1		3,234
May 08	Accounts payable	1	330✔	
	Merchandise inventory	1		330-
May 15	Accounts payable	1	450✔	
	Merchandise inventory	1		450

5. sward: 10 out of 10.00

points

The following supplementary records summarize Tosca Company's merchandising activities for year 2013.

	-	172.00
Cost of merchandise sold to customers in sales transactions	\$,,_,,
Merchandise inventory, December 31, 2012		24,974
Invoice cost of merchandise purchases		176,33
Shrinkage determined on December 31, 2013		790
Cost of transportation-in		1,763
Cost of merchandise returned by customers and restored to inventory		2,750
Purchase discounts received		1,411
Purchase returns and allowances		3,800

Record the summarized activities in the T-accounts below.

		Merchand	lise Inventory		
Balance, Dec. 31, 2012	1	24,974	Shrinkage	1	790
Returns by customers	1	2,750	Purchase discounts received	1	1,411
Invoice cost of purchases	1	176,334	Purchase returns and allowances	1	3,800
Transportation-in	1	1,763	Cost of sales transactions	1	172,000
Balance, Dec. 31, 2013	1	27,820			

		Cost of Goo	ds Sold		
Cost of sales transactions	1	172,000	Returns by customers	1	2,750
Inventory shrinkage	1	790✔	No.		0
Balance, Dec. 31, 2013	1	170,040			

6. 10 out of 10.00

points

Using your accounting knowledge, find the missing amounts in the following separate income statements a through e. (Amounts to be deducted should be indicated by a minus sign.)

	a		b	C	d	е
Sales	\$ 74,300	\$	52,604	\$ 48,295	\$ 96,590	\$ 29,200
Cost of goods sold						
Merchandise inventory (beginning)	7,059		4,261	10,142	8,886	3,008
Total cost of merchandise purchases	42,354		17,474	42,017	40,609	10,528
Merchandise inventory (ending)	(7,559)	•	(5,061)	(11,642)	(8,511)	(3,158)
Cost of goods sold	41,854		16,674	40,517	40,984	10,378
Gross profit	32,446	•	35,930	7,778	55,606	18,822
Expenses	9,000		10,650	17,423	2,600	6,100
Net income (loss)	\$ 23,446	\$	25,280	\$ (9,645)	\$ 53,006	\$ 12,722

7. award: 10 out of 10.00

points

Following are the merchandising transactions for Chilton Systems.

- On November 1, Chilton Systems purchases merchandise for \$1,100 on credit with terms of 2/5, n/30, FOB shipping point; invoice dated November 1.
- 2. On November 5, Chilton Systems pays cash for the November 1 purchase.
- On November 7, Chilton Systems discovers and returns \$110 of defective merchandise purchased on November 1 for a cash refund.
- On November 10, Chilton Systems pays \$55 cash for transportation costs with the November 1 purchase.
- On November 13, Chilton Systems sells merchandise for \$1,188 on credit. The cost of the merchandise is \$594.
- On November 16, the customer returns merchandise from the November 13 transaction. The returned items sell for \$250 and cost \$125. The merchandise is returned to inventory.

Journalize the above merchandising transactions for Chilton Systems assuming it uses a perpetual inventory system.

Date	General Journal		Debit	Credit
Nov 01	Merchandise inventory	1	1,100-	
	Accounts payable	1		1,100
Nov 05	Accounts payable	1	1,100-	
	Cash	1		1,078
	Merchandise inventory	1		22
Nov 07	Cash	~	108✔	
	Merchandise inventory	1		108
Nov 10	Merchandise inventory	1	55✔	
	Cash	1		55
Nov 13	Accounts receivable	1	1,188	
	Sales	1		1,188
Nov 13	Cost of goods sold	1	594✔	
	Merchandise inventory	1		594
Nov 16	Sales returns and allowances	1	250✔	
	Accounts receivable	1		250
Nov 16	Merchandise inventory	1	125-	
	Cost of goods sold	1		125

The operating cycle of a merchandising company contains the following five activites. With merchandise acquisition as the starting point, arrange the events in the correct order.

a.	Inventory made available for sale	2 🗸
b.	Cash collections from customers	5 🗸
C.	Credit sales to customers	3 🗸
d.	Purchases of merchandise	1 🗸
e.	Accounts receivable accounted for	4 1

Aug. 1 Purchased merchandise from Arotek Company for \$9,000 under credit terms of 1/10, n/30, FOB destination, invoice dated August 1.

4 At Arotek's request, Sheng paid \$360 cash for freight charges on the August 1 purchase, reducing the amount owed to Arotek.

5 Sold merchandise to Laird Corp. for \$6,300 under credit terms of 2/10, n/60, FOB destination, invoice dated August 5. The merchandise had cost \$4,498.

8 Purchased merchandise from Waters Corporation for \$8,300 under credit terms of 1/10, n/45, FOB shipping point, invoice dated August 8. The invoice showed that at Sheng's request, Waters paid the \$240 shipping charges and added that amount to the bill. (Hint: Discounts are not applied to freight and shipping charges.)

9 Paid \$160 cash for shipping charges related to the August 5 sale to Lux Corp.

10 Laird returned merchandise from the August 5 sale that had cost Sheng \$750 and been sold for \$1,050. The merchandise was restored to inventory.

12 After negotiations with Waters Corporation concerning problems with the merchandise purchased on August 8, Sheng received a credit memorandum from Waters granting a price reduction of \$1,253.

15 Received balance due from Laird Corp. for the August 5 sale less the return on August 10.

18 Paid the amount due to Waters Corporation for the August 8 purchase less the price reduction granted.

19 Sold merchandise to Tux Co. for \$5,400 under credit terms of 1/10, n/30, FOB shipping point, invoice dated August 19. The merchandise had cost \$3,748.

22 Tux requested a price reduction on the August 19 sale because the merchandise did not meet specifications. Sheng sent Tux a \$900 credit memorandum to resolve the issue.

29 Received Tux's cash payment for the amount due from the August 19 sale.

30 Paid Arotek Company the amount due from the August 1 purchase.

Prepare journal entries to record the above merchandising transactions of Sheng Company, which applies the perpetual inventory system

Date	General Journal		Debit	Credit
Aug 01	Merchandise inventory	1	9,000	
When Wednesday	Accounts payable—Arotek	~	133-03-03-03-0	9,000
Ave 04	AA	34	200 4	
Aug 04	Accounts payable—Arotek	· ·	360✓	200
	Cash	~		360•
Aug 05	Accounts receivable—Laird	1	6,300	
	Sales	1		6,300
Aug 05	Cost of goods sold	1	4,498✓	
	Merchandise inventory	1		4,498
Aug 08	Merchandise inventory	· ·	8,540	1005000
	Accounts payable—Waters	~		8,540
Aug 09	Delivery expense	1	160✔	
	Cash	-		160
Aug 10	Sales returns and allowances	1	1,050✓	
VELOVI VIII	Accounts receivable—Laird	1	TOTAL COMME	1,050
Aug 10	Morahandias inventori	-27	750✔	
Aug 10	Merchandise inventory	~	1504	750
	Cost of goods sold	•		1504
Aug 12	Accounts payable—Waters	1	1,253	
	Merchandise inventory	4		1,253
Aug 15	Cash	1	5,145✔	
	Sales discounts	1	105	
	Accounts receivable—Laird	4		5,250
L. W. DOWN CO. M.				
Aug 18	Accounts payable—Waters	~	7,287	7047
	Cash	V		7,217
	Merchandise inventory	~		70•
Aug 19	Accounts receivable—Tux	1	5,400	
	Sales	~		5,400
Aug 19	Cost of goods sold	1	3,748✔	
	Merchandise inventory	1		3,748
A 00	0.15	9	202.4	
Aug 22	Sales returns and allowances Accounts receivable—Tux	Y	900-	900
	Accounts receivable—Tux	~		900•
Aug 29	Cash	1	4,455	
	Sales discounts	1	45.	
	Accounts receivable—Tux	-		4,500
Aug 30	Accounts payable—Arotek	1	8,640	
and the second	Cash	1		8,640

[The following information applies to the questions displayed below.]

The following unadjusted trial balance is prepared at fiscal year-end for Nelson Company.

NELSON COMPA	NY	
Unadjusted Trial Ba		
January 31, 201		
varidary 51, 201	Debit	Credit
Cash	\$ 22,600	
Merchandise inventory	14,000	
Store supplies	5,900	
Prepaid insurance	2,500	
Store equipment	43,000	
Accumulated depreciation—Store equipme		\$ 16,800
Accounts payable		15,000
J. Nelson, Capital		37,000
J. Nelson, Withdrawals	2,250	2000
Sales	100	115,650
Sales discounts	1,900	
Sales returns and allowances	2,100	
Cost of goods sold	38,000	
Depreciation expense—Store equipment	0	
Salaries expense	26,500	
Insurance expense	0	
Rent expense	16,000	
Store supplies expense	0	
Advertising expense	9,700	
Totals	\$184,450	\$184,450

Rent expense and salaries expense are equally divided between selling activities and the general and administrative activities. Nelson Company uses a perpetual inventory system.

- a. Store supplies still available at fiscal year-end amount to \$2,950.
- b. Expired insurance, an administrative expense, for the fiscal year is \$1,650.
- c. Depreciation expense on store equipment, a selling expense, is \$1,675 for the fiscal year.
- d. To estimate shrinkage, a physical count of ending merchandise inventory is taken. It shows \$10,200 of inventory is still available at fiscal year-end.

10. 10 out of 10.00 points

Required:

1. Using the above information prepare adjusting journal entries:

Date	General Journal		Debit	Credit
Jan 31	Store supplies expense	1	2,950√	
	Store supplies	1		2,950
Jan 31	Insurance expense	1	1,650	
	Prepaid insurance	1		1,650✓
Jan 31	Depreciation expense—Store equipment	1	1,675	
	Accumulated depreciation—Store equipment	1		1,675✔
Jan 31	Cost of goods sold	1	3,800	
	Merchandise inventory	1		3,800

2. Prepare a multiple-step income statement for fiscal year 2013.

NELSON CO	JWPANY			
Income Sta	atement			
For Year Ended Ja	nuary 31	, 2013		
Sales	-		\$	115,650
Less: Sales discounts	√ \$	1,900	1	
Less: Sales returns and allowances	1	2,100		4,000
Net sales	1			111,650
Cost of goods sold	1			41,800
Gross profit	1			69,850
Expense	1			
Selling expenses				
Advertising expense	1	9,700		
Depreciation expense—Store equipment	1	1,675		
Rent expense—Selling space	1	8,000		
Sales salaries expense	1	13,250		
Store supplies expense	1	2,950		
		0		
		0		
Total selling expenses		35,575		
General and administrative expenses				
Insurance expense	1	1,650		
Office salaries expense	1	13,250		
Rent expense— Office space	1	8,000		
Total general and administrative expenses		22,900		
Total expenses				58,475
Net income	1		\$	11,375

12. award: 10 out of 10.00 points

Prepare a single-step income statement for fiscal year 2013.

NELSON	COMPA	ANY		
Income	Stateme	ent		
For Year Ende	d Januar	y 31, 2	2013	
Net sales	1			\$ 111,650
Expenses				
General and administrative expenses	1	\$	22,900	
Selling expenses	1		35,575	
Cost of goods sold	1		41,800	
			0	
			0	
Total expenses				100,275
Net income	1			\$ 11,375

 Compute the current ratio, acid-test ratio, and gross margin ratio as of January 31, 2013. (Round your answers to 2 decimal places.)

Current ratio	2.44
Acid-test ratio	1.56
Gross margin ratio	0.60

Valley Company's adjusted trial balance on August 31, 2013, its fiscal year-end, follows.

	Debit	Credit
Merchandise inventory	\$ 31,000	
Other (noninventory) assets	124,000	
Total liabilities		\$ 35,805
K. Valley, Capital		104,641
K. Valley, Withdrawals	8,000	
Sales		212,040
Sales discounts	3,244	
Sales returns and allowances	13,995	
Cost of goods sold	82,768	
Sales salaries expense	29,049	
Rent expense—Selling space	9,966	
Store supplies expense	2,544	
Advertising expense	18,023	
Office salaries expense	26,505	
Rent expense—Office space	2,544	
Office supplies expense	848	
Totals	\$352,486	\$352,486

On August 31, 2012, merchandise inventory was \$25,017. Supplementary records of merchandising activities for the year ended August 31, 2013, reveal the following itemized costs.

Invoice cost of merchandise purchases	\$ 91,140
Purchase discounts received	1,914
Purchase returns and allowances	4,375
Costs of transportation-in	3,900

14. 10 out of

points

Required:

1. Compute the company's net sales for the year.

Net sales	\$	194,801
	2000	

- 15. 10 out of 10.00
 - points
 - 2. Compute the company's total cost of merchandise purchased for the year.

Prepare a multiple-step income statement that includes separate categories for selling expenses and for general and administrative expenses.

Income Sta	tement		
For Year Ended A		2013	
Sales	1		\$ 212,040
Less: Sales discounts	1	3,244	
Less: Sales returns and allowances	1	13,995	17,239
Net sales	1		194,801
Cost of goods sold	1		82,768
Gross profit	1		112,033
Expense			
Selling expenses			
Advertising expense	1	18,023	
Store supplies expense	1	2,544	
Rent expense - Selling space	1	9,966	
Sales salaries expense	1	29,049	
		0	
		0	
Total selling expenses			59,582
General and administrative expenses			
Office salaries expense	1	26,505	
Rent expense - Office space	1	2,544	
Office supplies expense	1	848	
Total general and administrative expenses			29,897
Total expenses			89,479
Net income	1		\$ 22,554

Prepare a single-step income statement that includes these expense categories: cost of goods sold, selling expenses, and general and administrative expenses.

VALLEY	COMPANY		
Income :	Statement		
For Year Ended	August 31,	2013	
Net sales	1		\$ 194,801
Expenses			
General and administrative expenses	1	29,897	
Selling expenses	1	59,582	
Cost of goods sold	1	82,768	
		0	
		0	
Total expenses			172,247
Net income	1		\$ 22,554

award: 10 out of 10.00 points

From the dropdown box beside each definition, select the appropriate letter for each term.

A. Sales discount B. Credit period

E. FOB shipping point

H. Purchase discount

C. Discount period

F. Gross profit G. Merchandise inventory

I. Cash discount J. Trade discount

D. FOB destination

-			
1.	Goods a company owns and expects to sell to its customers.	G	-
2.	Time period that can pass before a customer's payment is due.	В	1
3.	Seller's description of a cash discount granted to buyers in return for early payment.	А	1
4.	Reduction below list or catalog price that is negotiated in setting the price of goods.	J	1
5.	Ownership of goods is transferred when the seller delivers goods to the carrier.	E	1
6.	Purchaser's description of a cash discount received from a supplier of goods.	Н	1
7.	Reduction in a receivable or payable if it is paid within the discount period.	1	1
8.	Difference between net sales and the cost of goods sold.	F	1
9.	Time period in which a cash discount is available.	С	1
10.	Ownership of goods is transferred when delivered to the buyer's place of business.	D	1

The cost of merchandise inventory includes which of the following:

- c. Costs incurred to buy the goods.
- a.Costs incurred to make the goods ready for sale.
 - d. Both b and c.
- e. a, b, and c.
 b. Costs incurred to ship the goods to the store(s).



points

Nov. 5 Purchased 600 units of product at a cost of \$10 per unit. Terms of the sale are 2/10, n/60; the invoice is dated November 5.

Nov. 7 Returned 25 defective units from the November 5 purchase and received full credit.
Nov. 15 Paid the amount due from the November 5 purchase, less the return on November 7.

Prepare the journal entries to record each of the above purchases transactions of a merchandising company. Assume a perpetual inventory system.

Date	General Journal		Debit	Credit
Nov 05	Merchandise inventory	1	6,000	
	Accounts payable	~		6,000•
Nov 07	Accounts payable	~	250✔	
	Merchandise inventory	1		250✔
Nov 15	Accounts payable	~	5,750✔	
	Cash	1		5,635
	Merchandise inventory	1		115

Apr. 1 Sold merchandise for \$3,000, granting the customer terms of 2/10, EOM; invoice dated April 1. The cost of the merchandise is \$1,800.

Apr. 4 The customer in the April 1 sale returned merchandise and received credit for \$600. The merchandise, which had cost \$360, is returned to inventory.

Apr. 11 Received payment for the amount due from the April 1 sale less the return on April 4.

Prepare journal entries to record each of the above sales transactions of a merchandising company. Assume a perpetual inventory system.

Date	General Journal		Debit	Credit
Apr. 1	Accounts receivable	1	3,000	
	Sales	1		3,000-
Apr. 1	Cost of goods sold	1	1,800-	
	Merchandise inventory	~		1,800✔
Apr. 4	Sales returns and allowances	1	600✔	
	Accounts receivable	~		600✔
Apr. 4	Merchandise inventory	1	360✓	
	Cost of goods sold	1		360✔
Apr. 11	Cash	1	2,352	
	Sales discounts	1	48✔	
	Accounts receivable	1		2,400



award: 10 out of 10.00 points

	a	b	C	d
Sales	\$ 150,000	\$550,000	\$ 38,700	\$255,700
Sales discounts	5,000	17,500	600	4,800
Sales returns and allowances	20,000	6,000	5,100	900
Cost of goods sold	79,750	329,589	24,453	126,500

Compute net sales, gross profit, and the gross margin ratio for each separate case a through d. (Round your gross margin ratio to 1 decimal place.)

	(a)	(b)	(c)	(d)
Net sales	\$ 125,000 🗸 \$	526,500 ✓ \$	33,000 ✓ \$	250,000
Gross profit	45,250✔	196,911	8,547	123,500
Gross margin ratio	36.2%✔	37.4%✓	25.9%✔	49.4%

Nix'lt Company's ledger on July 31, its fiscal year-end, includes the following selected accounts that have normal balances (Nix'lt uses the perpetual inventory system).

Merchandise inventory	\$ 37,800	Sales returns and allowances	\$ 6,500
T. Nix, Capital	115,300	Cost of goods sold	105,000
T. Nix, Withdrawals	7,000	Depreciation expense	10,300
Sales	160,200	Salaries expense	32,500
Sales discounts	4.700	Miscellaneous expenses	5.000

A physical count of its July 31 year-end inventory discloses that the cost of the merchandise inventory still available is \$35,900. Prepare the entry to record any inventory shrinkage.

Date	General Journal		Debit	Credit
July 31	Cost of goods sold	1	1,900	
	Merchandise inventory	-		1,900

24. 10 out of 10.00

points
Identify whether each description best applies to a periodic or a perpetual inventory system.

	Description	Inventory system	
a.	Updates the inventory account only at period-end.	Periodic inventory system	1
b.	Requires an adjusting entry to record inventory shrinkage.	Perpetual inventory system	1
Ċ.,	Markedly increased in frequency and popularity in business within the past decade.	Perpetual inventory system	1
d.	Records cost of goods sold each time a sales transaction occurs.	Perpetual inventory system	1
e.	Provides more timely information to managers.	Perpetual inventory system	1

Income statement information for adidas Group, a German footwear, apparel, and accessories manufacturer, for the year ended December 31, 2011, follows. The company applies IFRS, as adopted by the European Union, and reports its results in millions of Euros.

Net income	€	670
Financial income		31
Financial expenses		115
Operating profit		1,011
Cost of sales		7,000
Income taxes		257
Income before taxes		927
Gross profit		6,344
Royalty and commission income		93
Other operating income		98
Other operating expenses		5,524
Net sales		13,344

 Prepare the multiple-step income statement for the company for the year ended December 31, 2011. (Enter your answers in millions.)

ADIDAS GRO	UP	
Income Statement (€	millions)	
For Year Ended Decem	ber 31, 20	11
Net sales	√ €	13,344
Cost of sales	1	7,000
Gross profit	1	6,344
		0
Royalty and commission income	1	93•/
Other operating income	1	98•
Other operating expenses	1	5,524
Operating profit	1	1,011
Financial expenses	1	115-/
		0
Financial income	1	31•
Income before taxes	1	927✔
Income taxes	1	257✔
-		0
Net income	√ €	670-

 Prepare the single-step income statement for the company for the year ended December 31, 2011. (Enter your answers in millions.)

ADI	DAS G	ROUP		
Income Sta	temer	nt (€ millions)		
For Year End	ed Dec	cember 31, 2011		
Revenues				
Net sales	1		€	13,344
Royalty and commission income	1			93•
Other operating income	1			98•
Financial income	1			31
				0
				0
Total revenues				13,566
Expenses				
Cost of sales	√ €	7,000√		
Financial expenses	1	115-		
Other operating expenses	1	5,524		
Income taxes	1	257✔		
		0		
		0		
Total expenses				12,896
Net income	1		€	670