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 $F O B$ 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 $F O B$ 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.


Santa Fe Company purchased merchandise for resale from Mesa Company with an invoice price of $\$ 27,400$ and credit terms of $2 / 10, \mathrm{n} / 60$. 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 | $\checkmark$ | $27,400 \boldsymbol{~}$ |

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

| Event | General Journal | Debit | Credit |  |
| :---: | :--- | :--- | ---: | ---: |
| 1 | Accounts payable | $\checkmark$ | $27,400 \checkmark$ |  |
|  | Cash | $\checkmark$ |  | $26,852 \boldsymbol{\downarrow}$ |
|  | Merchandise inventory | $\checkmark$ |  | $548 \boldsymbol{\downarrow}$ |

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

| Event | General Journal | Debit | Credit |  |
| :---: | :--- | :--- | :--- | :--- |
| 1 | Accounts receivable | $\checkmark$ | $27,400 \checkmark$ |  |
|  | Sales | $\checkmark$ |  | $27,400 \checkmark$ |
|  |  |  |  |  |
| 2 | Cost of goods sold | $\checkmark$ | $18,687 \boldsymbol{\checkmark}$ |  |
|  | Merchandise inventory | $\checkmark$ |  | $18,687 \boldsymbol{\downarrow}$ |

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

| Event | General Journal |  | Debit | Credit |
| :---: | :---: | :---: | :---: | :---: |
| 1 | Cash | $\checkmark$ | 26,852 $\sqrt{ }$ |  |
|  | Sales discounts | $\checkmark$ | 548 , |  |
|  | Accounts receivable | $\checkmark$ |  | 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 \$ $548.00 \checkmark$

Interest expense on funds borrowed:

| Amount borrowed | $\$$ | $26,852 \boldsymbol{\downarrow}$ |
| :--- | ---: | ---: |
| Number of days of interest |  | $50 \boldsymbol{\checkmark}$ |
| Interest expense | $\$$ | $294.27 \boldsymbol{\downarrow}$ |
| Buyer's net savings | $\$$ | $253.73 \boldsymbol{\downarrow}$ |

## 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 | $\checkmark$ | 9,24 |  |
|  | Sales | $\checkmark$ |  | 9,240 $\sqrt{ }$ |
| May 05 | Cost of goods sold | $\checkmark$ |  |  |
|  | Merchandise inventory | $\checkmark$ |  | 6,600 \} |
| May 07 | Sales returns and allowances | $\checkmark$ |  |  |
|  | Accounts receivable | $\checkmark$ |  | 3,234 $\sqrt{ }$ |
| May 07 | Merchandise inventory | $\checkmark$ |  |  |
|  | Cost of goods sold | $\checkmark$ |  | 2,310 $\sqrt{ }$ |
| May 08 | Sales returns and allowances | $\checkmark$ |  |  |
|  | Accounts receivable | $\checkmark$ |  | $330 \sqrt{ }$ |
| May 15 | Sales retums and allowances | $\checkmark$ |  |  |
|  | Accounts receivable | $\checkmark$ |  | $450 \sqrt{ }$ |
| May 15 | Merchandise inventory | $\checkmark$ |  |  |
|  | Cost of goods sold | $\checkmark$ |  | $260 \checkmark$ |

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 $2 / 10, \mathrm{n} / 60$.
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.

5. $\quad 10$ out of
10.00
points
The following supplementary records summarize Tosca Company's merchandising activities for year 2013.

|  |  |
| :--- | :---: |
| Cost of merchandise sold to customers in sales transactions | $\$ 172,000$ |
| Merchandise inventory, December 31, 2012 | 24,974 |
| Invoice cost of merchandise purchases | 176,334 |
| 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.

| Merchandise Inventory |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Balance, Dec. 31, 2012 | $\checkmark$ | 24,974 | Shrinkage | $\checkmark$ | $790 \sqrt{ }$ |
| Retums by customers | $\checkmark$ | 2,750 \} | Purchase discounts received | $\checkmark$ | 1,411 \} |
| Invoice cost of purchases | $\checkmark$ | 176,334 $\sqrt{ }$ | Purchase returns and allowances | $\checkmark$ | 3,800 \ |
| Transportation-in | $\checkmark$ | 1,763 \} | Cost of sales transactions | $\checkmark$ | 172,000 \} |
| Balance, Dec. 31, 2013 | $\checkmark$ | 27,820 |  |  |  |


| Cost of Goods Sold |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Cost of sales transactions | $\checkmark$ | 172,000 | $\checkmark$ | 2,750 |
| Inventory shrinkage | $\checkmark$ | 790」 |  | 0 |
| Balance, Dec. 31, 2013 | $\checkmark$ | 170,040 |  |  |

6 award:
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 |  |  | e |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 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 $\sqrt{\text { d }}$ |  | 42,017 $\downarrow$ |  | 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 $\downarrow$ |  | 40,984 \} |  | 10,378 |
| Gross profit |  | 32,446 $\sqrt{ }$ |  | 35,930 \} |  | 7,778 |  | 55,606 |  | 18,822 \} |
| Expenses |  | 9,000 |  | 10,650 |  | 17,423 |  | 2,600 |  | 6,100 |
| Net income (loss) | \$ | 23,446 V |  | 25,280 | \$ | $(9,645)$ | \$ | 53,006 | \$ | 12,722 \} |

## 7. 10 out of

10.00
points
Following are the merchandising transactions for Chilton Systems.

1. 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.
3. On November 7, Chilton Systems discovers and returns $\$ 110$ of defective merchandise purchased on November 1 for a cash refund.
4. On November 10, Chilton Systems pays $\$ 55$ cash for transportation costs with the November 1 purchase.
5. On November 13, Chilton Systems sells merchandise for $\$ 1,188$ on credit. The cost of the merchandise is $\$ 594$.
6. 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.


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 | $\boldsymbol{\downarrow}$ |
| b. | Cash collections from customers | 5 | $\checkmark$ |
| c. | Credit sales to customers | 3 | $\checkmark$ |
| d. | Purchases of merchandise | 1 | $\boldsymbol{\downarrow}$ |
| e. | Accounts receivable accounted for | 4 | $\boldsymbol{\downarrow}$ |

9. 10 out of
10.00
points
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 $2 / 10, \mathrm{n} / 60, \mathrm{FOB}$ destination, invoice dated August 5. The merchandise had cost \$4,498.
8 Purchased merchandise from Waters Corporation for $\$ 8,300$ under credit terms of $1 / 10, \mathrm{n} / 45$, 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.

[The following information applies to the questions displayed below.]
The following unadjusted trial balance is prepared at fiscal year-end for Nelson Company.

|  | NELSON COMPANY <br> Unadjusted Trial Balance <br> January 31, 2013 |  |  |
| :--- | ---: | ---: | ---: |
|  | Debit | Credit |  |
| Cash | $\$ 22,600$ |  |  |
| Merchandise inventory | 14,000 |  |  |
| Store supplies | 5,900 |  |  |
| Prepaid insurance | 2,500 |  |  |
| Store equipment | 43,000 | $\$ 16,800$ |  |
| Accumulated depreciation-Store equipment |  | 15,000 |  |
| Accounts payable |  | 37,000 |  |
| J. Nelson, Capital |  | 2,250 | 115,650 |
| J. Nelson, Withdrawals | 1,900 |  |  |
| Sales | 2,100 |  |  |
| Sales discounts | 38,000 |  |  |
| Sales returns and allowances | 0 |  |  |
| Cost of goods sold | 26,500 |  |  |
| Depreciation expense-Store equipment | 16,000 |  |  |
| Salaries expense | 0 |  |  |
| Insurance expense | 9,700 |  |  |
| Rent expense | $\$ 184,450$ | $\$ 184,450$ |  |
| Store supplies expense |  |  |  |
| Advertising expense |  |  |  |
| Totals |  |  |  |
|  |  |  |  |

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 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 | $\checkmark$ |  |  |
|  | Store supplies | $\checkmark$ |  | 2,950 $\sqrt{ }$ |
| Jan 31 | Insurance expense | $\checkmark$ |  |  |
|  | Prepaid insurance | $\checkmark$ |  | 1,650 $\sqrt{ }$ |
| Jan 31 | Depreciation expense-Store equipment | $\checkmark$ |  |  |
|  | Accumulated depreciation-Store equipment | $\checkmark$ |  | 1,675 \} |
| Jan 31 | Cost of goods sold | $\checkmark$ |  |  |
|  | Merchandise inventory | $\checkmark$ |  | $3,800 \sqrt{ }$ |

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

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

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

| NELSON COMPANY |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Income Statement |  |  |  |  |
| For Year Ended January 31, 2013 |  |  |  |  |
| Net sales | $\checkmark$ |  | \$ | 111,650 |
| Expenses |  |  |  |  |
| General and administrative expenses | $\sqrt{ }$ \$ | 22,900 |  |  |
| Selling expenses | $\checkmark$ | 35,575 |  |  |
| Cost of goods sold | $\checkmark$ | 41,800 |  |  |
|  |  | 0 |  |  |
|  |  | 0 |  |  |
| Total expenses |  |  |  | 100,275 |
| Net income | $\checkmark$ |  | \$ | 11,375 \} |

12 award:
13. 10 out of
10.00
points
4. 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 | $2.44 \boldsymbol{\downarrow}$ |
| Acid-test ratio | $1.56 \boldsymbol{\downarrow}$ |
| Gross margin ratio | $0.60 \boldsymbol{\downarrow}$ |

[The following information applies to the questions displayed below.]
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 | 8,000 | 104,641 |
| K. Valley, Withdrawals | 3,244 | 212,040 |
| Sales | 13,995 |  |
| Sales discounts | 82,768 |  |
| Sales returns and allowances | 29,049 |  |
| Cost of goods sold | 9,966 |  |
| Sales salaries expense | 2,544 |  |
| Rent expense-Selling space | 18,023 |  |
| Store supplies expense | 26,505 |  |
| Advertising expense | 2,544 |  |
| Office salaries expense | 848 |  |
| Rent expense-Office space | $\$ 352,486$ | $\$ 352,486$ |
| Office supplies expense |  |  |
| Totals |  |  |

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
14.

10 out of
10.00
points
Required:

1. Compute the company's net sales for the year.
Net sales \$ 194,801
award:
10 out of
10.00
points
2. Compute the company's total cost of merchandise purchased for the year.
Total cost of merchandise purchased \$ 88,751
3. Prepare a multiple-step income statement that includes separate categories for selling expenses and for general and administrative expenses.

| VALLEY COMPANY |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Income Statement |  |  |  |  |
| For Year Ended August 31, 2013 |  |  |  |  |
| Sales | $\checkmark$ |  | \$ | 212,040 $\sqrt{ }$ |
| Less: Sales discounts | $\checkmark$ | 3,244• |  |  |
| Less: Sales returns and allowances | $\checkmark$ | 13,995 \} |  | 17,239 |
| Net sales | $\checkmark$ |  |  | 194,801 |
| Cost of goods sold | $\checkmark$ |  |  | 82,768, |
| Gross profit | $\checkmark$ |  |  | 112,033 |
| Expense |  |  |  |  |
| Selling expenses |  |  |  |  |
| Advertising expense | $\checkmark$ | 18,023 $\downarrow$ |  |  |
| Store supplies expense | $\checkmark$ | 2,544 \} |  |  |
| Rent expense - Selling space | $\checkmark$ | 9,966 \} |  |  |
| Sales salaries expense | $\checkmark$ | 29,049 |  |  |
|  |  | 0 |  |  |
|  |  | 0 |  |  |
| Total selling expenses |  |  |  | 59,582 |
| General and administrative expenses |  |  |  |  |
| Office salaries expense | $\checkmark$ | 26,505 |  |  |
| Rent expense - Office space | $\checkmark$ | 2,544 \} |  |  |
| Office supplies expense | $\checkmark$ | 848 $\downarrow$ |  |  |
| Total general and administrative expenses |  |  |  | 29,897 |
| Total expenses |  |  |  | 89,479 |
| Net income | $\checkmark$ |  | \$ | 22,554, |

17. 10 out of
10.00
points
18. 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 | $\checkmark$ |  | \$ | 194,801 $\sqrt{ }$ |
| Expenses |  |  |  |  |
| General and administrative expenses | $\checkmark$ | 29,897 $\sqrt{ }$ |  |  |
| Selling expenses | $\checkmark$ | 59,582 |  |  |
| Cost of goods sold | $\checkmark$ | 82,768, |  |  |
|  |  | 0 |  |  |
|  |  | 0 |  |  |
| Total expenses |  |  |  | 172,247 |
| Net income | $\checkmark$ |  | \$ | 22,554 |

From the dropdown box beside each definition, select the appropriate letter for each term.
A. Sales discount
E. FOB shipping point
H. Purchase discount
B. Credit period
F. Gross profit
I. Cash discount
C. Discount period
G. Merchandise inventory
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. | B |  |
| 3. | Seller's description of a cash discount granted to buyers in return for early payment. | A |  |
| 4. | Reduction below list or catalog price that is negotiated in setting the price of goods. | J |  |
| 5. | Ownership of goods is transferred when the seller delivers goods to the carrier. | E |  |
| 6. | Purchaser's description of a cash discount received from a supplier of goods. | H |  |
| 7. | Reduction in a receivable or payable if it is paid within the discount period. | I |  |
| 8. | Difference between net sales and the cost of goods sold. | F |  |
| 9. | Time period in which a cash discount is available. | C |  |
| 10. | Ownership of goods is transferred when delivered to the buyer's place of business. | D |  |

award:
10 out of
10.00
points
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).

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.


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.

award:
22. 10 out of
10.00
points

|  | a |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
| 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 \}  \$  | $33,000 \downarrow$ \$ | 250,000 |
| Gross profit |  | 45,250 $\sqrt{ }$ | 196,911 \} | 8,547 \} | 123,500 |
| Gross margin ratio |  | $36.2 \%$, | 37.4\% , | 25.9\% | 49.4\% |

23. 10 out of
10.00
points
Nix'It 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 | $\boldsymbol{\downarrow}$ | $1,900 \boldsymbol{\downarrow}$ |  |
|  | Merchandise inventory | $\boldsymbol{\checkmark}$ |  | $1,900 \boldsymbol{\checkmark}$ |

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 | $\checkmark$ |
| b. | Requires an adjusting entry to record inventory shrinkage. | Perpetual inventory system | $\checkmark$ |
| c. | Markedly increased in frequency and popularity in business within the past decade. | Perpetual inventory system | $\checkmark$ |
| d. | Records cost of goods sold each time a sales transaction occurs. | Perpetual inventory system | $\checkmark$ |
| e. | Provides more timely information to managers. | Perpetual inventory system | $\checkmark$ |

25. 10 out of 10.00 points

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 |
|  |  |

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

| ADIDAS GROUP |  |  |
| :---: | :---: | :---: |
| Income Statement ( $€$ millions) |  |  |
| For Year Ended December 31, 2011 |  |  |
| Net sales | $\checkmark €$ | 13,344 |
| Cost of sales | $\checkmark$ | 7,000 |
| Gross profit | $\checkmark$ | 6,344 $\sqrt{ }$ |
|  |  | 0 |
| Royalty and commission income | $\checkmark$ | $93 \sqrt{ }$ |
| Other operating income | $\checkmark$ | $98 \sqrt{ }$ |
| Other operating expenses | $\checkmark$ | 5,524 $\sqrt{\text { d }}$ |
| Operating profit | $\checkmark$ | 1,011 $\sqrt{ }$ |
| Financial expenses | $\checkmark$ | 115 |
|  |  | 0 |
| Financial income | $\checkmark$ | $31 /$ |
| Income before taxes | $\checkmark$ | 927 |
| Income taxes | $\sqrt{ }$ | 257 |
|  |  | 0 |
| Net income | $\checkmark$ € | $670 \sqrt{ }$ |

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

| ADIDAS GROUP |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Income Statement ( $€$ millions) |  |  |  |  |
| For Year Ended December 31, 2011 |  |  |  |  |
| Revenues |  |  |  |  |
| Net sales | $\checkmark$ |  | $€$ | 13,344 $\sqrt{ }$ |
| Royalty and commission income | $\checkmark$ |  |  | $93 \sqrt{ }$ |
| Other operating income | $\checkmark$ |  |  | $98 \sqrt{ }$ |
| Financial income | $\checkmark$ |  |  | 31/ |
|  |  |  |  | 0 |
|  |  |  |  | 0 |
| Total revenues |  |  |  | 13,566 |
| Expenses |  |  |  |  |
| Cost of sales | $\checkmark$ | $7,000 \sqrt{ }$ |  |  |
| Financial expenses | $\checkmark$ | 115 |  |  |
| Other operating expenses | $\checkmark$ | $5,524 \sqrt{\text { d }}$ |  |  |
| Income taxes | $\checkmark$ | 257 |  |  |
|  |  | 0 |  |  |
|  |  | 0 |  |  |
| Total expenses |  |  |  | 12,896 |
| Net income | $\checkmark$ |  | € | 670 |

