

1. Which account does a merchandiser use that a service company does not use?

- A. Cost of Goods Sold
- B. Merchandise Inventory
- C. Sales Revenue
- D. All of the above

2. The two main inventory accounting systems are the

- A. perpetual and periodic.
- B. purchase and sale.
- C. returns and allowances.
- D. cash and accrual.

3. The journal entry for the purchase of inventory on account *using the perpetual inventory system* is

Date	Accounts and Explanation	Debit	Credit
<input type="radio"/> A.	Merchandise Inventory Accounts Receivable	xxx	xxx
<input type="radio"/> B.	Accounts Payable Merchandise Inventory	xxx	xxx
<input type="radio"/> C.	Merchandise Inventory Accounts Payable	xxx	xxx
<input type="radio"/> D.	Merchandise Inventory Cash	xxx	xxx

4. JC Manufacturing purchased inventory for \$5,300 and also paid a \$260 freight bill. JC Manufacturing returned 45% of the goods to the seller and later took a 2% purchase discount. Assume JC Manufacturing uses a perpetual inventory system. What is JC Manufacturing's final cost of the inventory that it kept? (Round your answer to the nearest whole number.)

Review Only

Click the icon to see the Worked Solution.

- A. \$2,997
- B. \$2,337
- C. \$3,117
- D. \$2,857

5. Suppose Austin Sound had sales of \$300,000 and sales returns of \$45,000. Cost of goods sold was \$152,000. How much gross profit did Austin Sound report?

Review Only

Click the icon to see the Worked Solution.

- A. \$148,000
 B. \$103,000
 C. \$255,000
 D. \$88,000

6. Suppose Dave's Discount's Merchandise Inventory account showed a balance of \$8,000 before the year-end adjustments. The physical count of goods on hand totaled \$7,400. Dave uses a perpetual inventory system. To adjust the accounts, which entry would the company make?

Date	Accounts and Explanation	Debit	Credit
<input type="radio"/> A.	Cost of Goods Sold Merchandise Inventory	600	600
<input type="radio"/> B.	Merchandise Inventory Accounts Receivable	600	600
<input type="radio"/> C.	Accounts Payable Merchandise Inventory	600	600
<input type="radio"/> D.	Merchandise Inventory Cost of Goods Sold	600	600

7. Which of the following accounts would be closed at the end of the year *using the perpetual inventory system*?

- A. Cost of Goods Sold
 B. Merchandise Inventory
 C. Accounts Receivable
 D. Accounts Payable

8. What is the order of the subtotals that appear on a multi-step income statement?

- A. Gross Profit, Operating Income, Net Income, Total Other Revenues and Expenses
 B. Operating Income, Gross Profit, Net Income, Total Other Revenues and Expenses
 C. Total Other Revenues and Expenses, Operating Income, Gross Profit, Net Income
 D. Gross Profit, Operating Income, Total Other Revenues and Expenses, Net Income

9. Assume Juniper Natural Dyes made Net Sales Revenue of \$90,000 and Cost of Goods Sold totaled \$58,000. What was Juniper Natural Dyes' gross profit percentage for this period? (Round your answer to the nearest whole percent.)

Review Only

Click the icon to see the Worked Solution.

- A. 36%
- B. 3.4 times
- C. 64%
- D. 17%

10. The journal entry for the purchase of inventory on account *using the periodic inventory system* is

Date	Accounts and Explanation	Debit	Credit
<input type="radio"/> A.	Purchases Accounts Receivable	xxx	xxx
<input type="radio"/> B.	Accounts Payable Merchandise Inventory	xxx	xxx
<input type="radio"/> C.	Merchandise Inventory Accounts Payable	xxx	xxx
<input type="radio"/> D.	Purchases Accounts Payable	xxx	xxx

11. Consider the following incomplete table of a merchandiser's profit data. Calculate the missing amounts to complete the table.

¹(Click the icon to view the data.)

Review Only

Click the icon to see the Worked Solution.

Sales	\$	87,600	\$	103,100	\$	65,000	<input type="text"/>
Sales Returns and Allowances		920	<input type="text"/>		1,620		820
Sales Discounts		690		810		470	2,040
Net Sales		85,990		98,720	<input type="text"/>	<input type="text"/>	
Cost of Goods Sold		60,900	<input type="text"/>		41,400		75,400
Gross Profit		<input type="text"/>		33,320	<input type="text"/>		37,440

1: Data Table

Sales	\$	87,600	\$	103,100	\$	65,000	(f)
Sales Returns and Allowances		920		(b)		1,620	820
Sales Discounts		690		810		470	2,040
Net Sales		85,990		98,720		(d)	(g)
Cost of Goods Sold		60,900		(c)		41,400	75,400
Gross Profit				(a)		33,320	(e)

12. Journalize the following transactions that occurred in September 2016 for Violet, assuming the perpetual inventory system is being used. No explanations are needed. Identify each accounts payable and accounts receivable with the vendor or customer name. (Record debits first, then credits. Exclude explanations from journal entries.)

²(Click the icon to view the transactions.)

Review Only

Click the icon to see the Worked Solution.

Sep. 3: Purchased merchandise inventory on account from Shue Wholesalers, \$5,200. Terms 2/15, n/EOM, FOB shipping point.

Date	Accounts	Debit	Credit
Sep. 3	(1)		
	(2)		
	(3)		
	(4)		

Sep. 4: Paid freight bill of \$45 on September 3 purchase.

Date	Accounts	Debit	Credit
Sep. 4	(5)		
	(6)		
	(7)		
	(8)		

Sep. 4: Purchase merchandise inventory for cash of \$1,600.

Date	Accounts	Debit	Credit
Sep. 4	(9)		
	(10)		
	(11)		
	(12)		

Sep. 6: Returned \$600 of inventory from September 3 purchase.

Date	Accounts	Debit	Credit
Sep. 6	(13)		
	(14)		
	(15)		
	(16)		

Sep. 8: Sold merchandise inventory to Hillis Company, \$6,400, on account. Terms 1/15, n/35. Cost of goods, \$2,816.

Begin by preparing the entry to journalize the sale portion of the transaction. Do not record the expense related to the sale. We will do that in the following step.

Date	Accounts	Debit	Credit
Sep. 8	(17)		
	(18)		
	(19)		
	(20)		

Now journalize the expense related to the September 8 sale—Cost of goods, \$2,816.

Date	Accounts	Debit	Credit
Sep. 8	(21)		
	(22)		
	(23)		
	(24)		

Sep. 9: Purchased merchandise inventory on account from Tex Wholesalers, \$6,000. Terms 3/10, n/30, FOB destination.

Date	Accounts	Debit	Credit
Sep. 9	(25)		
	(26)		
	(27)		
	(28)		

Sep. 10: Made payment to Shue Wholesalers for goods purchased on September 3, less return and discount.

Date	Accounts	Debit	Credit
Sep. 10	(29)		
	(30)		
	(31)		
	(32)		

Sep. 12: Received payment from Hillis Company, less discount.

Date	Accounts	Debit	Credit
Sep. 12	(33)		
	(34)		
	(35)		
	(36)		

Sep. 13: After negotiations, received a \$100 allowance from Tex Wholesalers.

Date	Accounts	Debit	Credit
Sep. 13	(37)		
	(38)		
	(39)		
	(40)		

Sep. 15: Sold merchandise inventory to Jesper Company, \$3,200, on account. Terms 3/10, n/EOM. Cost of goods, \$1,472.

Begin by preparing the entry to journalize the sale portion of the transaction. Do not record the expense related to the sale. We will do that in the following step.

Date	Accounts	Debit	Credit
Sep. 15	(41)		
	(42)		
	(43)		
	(44)		

Now journalize the expense related to the September 15 sale—Cost of goods, \$1,472.

Date	Accounts	Debit	Credit
Sep. 15	(45)		
	(46)		
	(47)		
	(48)		

Sep. 22: Made payment, less allowance, to Tex Wholesalers for goods purchased on September 9.

Date	Accounts	Debit	Credit
Sep. 22	(49)		
	(50)		
	(51)		
	(52)		

Sep. 23: Jesper Company returned \$300 of the merchandise sold on September 15. Cost of goods, \$138.

Start by preparing the entry to record the sales return and decrease to the receivable. Do not update the Merchandise Inventory with this entry. We will do that in the following step.

Date	Accounts	Debit	Credit
Sep. 23	(53)		
	(54)		
	(55)		
	(56)		

Now prepare the entry to update the Merchandise Inventory account for the cost of the returned merchandise—Cost of goods returned, \$138.

Date	Accounts	Debit	Credit
Sep. 23	(57)		
	(58)		
	(59)		
	(60)		

Sep. 25: Sold merchandise inventory to Shelton for \$2,000 on account that cost \$740. Terms of 3/10, n/30 were offered, FOB shipping point. As a courtesy to Shelton, \$40 of freight was added to the invoice for which cash was paid by Violet.

Begin by preparing a compound journal entry to journalize the sale and the full amount of the receivable from this transaction. Do not record the expense related to the sale. We will do that in the following step. (Prepare a compound journal entry.)

Date	Accounts	Debit	Credit
Sep. 25	(61)		
	(62)		
	(63)		
	(64)		

Now journalize the expense related to the September 25 sale—Cost of goods, \$740.

Date	Accounts	Debit	Credit
Sep. 25	(65)		
	(66)		
	(67)		
	(68)		

Sep. 26: After negotiations, granted a \$300 allowance to Shelton for merchandise purchased on September 25.

Date	Accounts	Debit	Credit
Sep. 26	(69)		
	(70)		
	(71)		
	(72)		

Sep. 29: Received payment from Shelton, less allowance and discount.

Date	Accounts	Debit	Credit
Sep. 29	(73)		
	(74)		
	(75)		
	(76)		

Sep. 30: Received payment from Jesper Company, less return.

Date	Accounts	Debit	Credit
Sep. 30	(77)		
	(78)		
	(79)		
	(80)		

2: More Info

-
- Sep. 3 Purchased merchandise inventory on account from Shue Wholesalers, \$5,200. Terms 2/15, n/EOM, FOB shipping point.
- 4 Paid freight bill of \$45 on September 3 purchase.
- 4 Purchase merchandise inventory for cash of \$1,600.
- 6 Returned \$600 of inventory from September 3 purchase.
- 8 Sold merchandise inventory to Hillis Company, \$6,400, on account. Terms 1/15, n/35. Cost of goods, \$2,816.
- 9 Purchased merchandise inventory on account from Tex Wholesalers, \$6,000. Terms 3/10, n/30, FOB destination.
- 10 Made payment to Shue Wholesalers for goods purchased on September 3, less return and discount.
- 12 Received payment from Hillis Company, less discount.
- 13 After negotiations, received a \$100 allowance from Tex Wholesalers.
- 15 Sold merchandise inventory to Jesper Company, \$3,200, on account. Terms 3/10, n/EOM. Cost of goods, \$1,472.
- 22 Made payment, less allowance, to Tex Wholesalers for goods purchased on September 9.
- 23 Jesper Company returned \$300 of the merchandise sold on September 15. Cost of goods, \$138.
- 25 Sold merchandise inventory to Shelton for \$2,000 on account that cost \$740. Terms of 3/10, n/30 were offered, FOB shipping point. As a courtesy to Shelton, \$40 of freight was added to the invoice for which cash was paid by Violet.
- 26 After negotiations, granted a \$300 allowance to Shelton for merchandise purchased on September 25.
- 29 Received payment from Shelton, less allowance and discount.
- 30 Received payment from Jesper Company, less return.
-

13. Big Papi Music Company uses a perpetual inventory system. The adjusted trial balance of Big Papi Music Company at June 30, 2016, follows:

³(Click the icon to view the adjusted trial balance.)

Requirements

1. Prepare Big Papi's multi-step income statement for the year ended June 30, 2016.
2. Journalize Big Papi's closing entries.
3. Prepare a post-closing trial balance as of June 30, 2016.

Review Only

Click the icon to see the Worked Solution.

Requirement 1. Prepare Big Papi's multi-step income statement for the year ended June 30, 2016. (Use a minus sign or parentheses to show other expenses.)

**Big Papi Music Company
Income Statement
Year Ended June 30, 2016**

(1)			
Less: (2)			
(3)			
(4)			
(5)			
(6)			
(7)			
(8)			
(9)			
(10)			
(11)			
(12)			
(13)			
(14)			
Net Income (Loss)			

Requirement 2. Journalize Big Papi's closing entries. (Record debits first, then credits. Select the explanation on the last line of the journal entry table.)

Start by closing revenues. Do not close the expenses or contra-revenue accounts; this will be done in the next step.

Date	Accounts and Explanation	Debit	Credit
Jun. 30	(15)		
Clos. (1)	(16)		
	(17)		
	(18)		
	(19)		

Close expenses and any contra-revenue accounts for the period.

Date	Accounts and Explanation	Debit	Credit
Jun. 30	(20)		
Clos. (2)	(21)		
	(22)		
	(23)		
	(24)		
	(25)		
	(26)		
	(27)		

Close Income Summary.

Date	Accounts and Explanation	Debit	Credit
Jun. 30	(28)		
Clos. (3)	(29)		
	(30)		
	(31)		
	(32)		

Close Dividends.

Date	Accounts and Explanation	Debit	Credit
Jun. 30	(33)		
Clos. (4)	(34)		
	(35)		
	(36)		
	(37)		

Requirement 3. Prepare a post-closing trial balance as of June 30, 2016.

Big Papi Music Company
Post-Closing Trial Balance
June 30, 2016

Account Title	Balance	
	Debit	Credit
(38)		
(39)		
(40)		
(41)		
(42)		
(43)		
(44)		
(45)		
(46)		
(47)		
(48)		
(49)		
Total		

3: Data Table

Big Papi Music Company
Adjusted Trial Balance
June 30, 2016

Account Title	Balance	
	Debit	Credit
Cash	\$ 4,000	
Accounts Receivable	38,100	
Merchandise Inventory	17,400	
Office Supplies	650	
Furniture	39,600	
Accumulated Depreciation—Furniture		\$ 8,900
Accounts Payable		14,100
Salaries Payable		500
Unearned Revenue		6,600
Notes Payable, long-term		15,500
Common Stock		15,000
Retained Earnings		13,350
Dividends	41,000	
Sales Revenue		182,000
Sales Returns and Allowances	4,000	
Sales Discounts	2,000	
Cost of Goods Sold	72,800	
Selling Expense	18,500	
Administrative Expense	16,500	
Interest Expense	1,400	
Total	\$ 255,950	\$ 255,950

1. D. All of the above

2. A. perpetual and periodic.

3. C.

Merchandise Inventory	xxx	
Accounts Payable		xxx

4. C. \$3,117

5. B. \$103,000

6. A.

Cost of Goods Sold	600	
Merchandise Inventory		600

7. A. Cost of Goods Sold

8. D. Gross Profit, Operating Income, Total Other Revenues and Expenses, Net Income

9. A. 36%

10. D.

Purchases	xxx	
Accounts Payable		xxx

11. Sales	\$	87,600
Sales Returns and Allowances		920
Sales Discounts		690
Net Sales		<u>85,990</u>
Cost of Goods Sold		<u>60,900</u>
Gross Profit		<u>25,090</u>

\$ 103,100

3,570

810

98,720

65,400

33,320

\$ 65,000

1,620

470

62,910

41,400

21,510

\$ 115,700

820

2,040

112,840

75,400

37,440

12.	Date	Accounts	Debit	Credit
	Sep. 3	Merchandise Inventory	5,200	
		Accounts Payable—Shue Wholesalers		5,200
	Date	Accounts	Debit	Credit
	Sep. 4	Merchandise Inventory	45	
		Cash		45
	Date	Accounts	Debit	Credit
	Sep. 4	Merchandise Inventory	1,600	
		Cash		1,600
	Date	Accounts	Debit	Credit
	Sep. 6	Accounts Payable—Shue Wholesalers	600	
		Merchandise Inventory		600
	Date	Accounts	Debit	Credit
	Sep. 8	Accounts Receivable—Hillis Company	6,400	
		Sales Revenue		6,400
	Date	Accounts	Debit	Credit
	Sep. 8	Cost of Goods Sold	2,816	
		Merchandise Inventory		2,816
	Date	Accounts	Debit	Credit
	Sep. 9	Merchandise Inventory	6,000	
		Accounts Payable—Tex Wholesalers		6,000

Date	Accounts	Debit	Credit
Sep. 10	Accounts Payable—Shue Wholesalers	4,600	
	Cash		4,508
	Merchandise Inventory		92

Date	Accounts	Debit	Credit
Sep. 12	Cash	6,336	
	Sales Discounts	64	
	Accounts Receivable—Hillis Company		6,400

Date	Accounts	Debit	Credit
Sep. 13	Accounts Payable—Tex Wholesalers	100	
	Merchandise Inventory		100

Date	Accounts	Debit	Credit
Sep. 15	Accounts Receivable—Jesper Company	3,200	
	Sales Revenue		3,200

Date	Accounts	Debit	Credit
Sep. 15	Cost of Goods Sold	1,472	
	Merchandise Inventory		1,472

Date	Accounts	Debit	Credit
Sep. 22	Accounts Payable—Tex Wholesalers	5,900	
	Cash		5,900

Date	Accounts	Debit	Credit
Sep. 23	Sales Returns and Allowances	300	
	Accounts Receivable—Jesper Company		300

Date	Accounts	Debit	Credit
Sep. 23	Merchandise Inventory	138	
	Cost of Goods Sold		138
Date	Accounts	Debit	Credit
Sep. 25	Accounts Receivable—Shelton	2,040	
	Sales Revenue		2,000
	Cash		40
Date	Accounts	Debit	Credit
Sep. 25	Cost of Goods Sold	740	
	Merchandise Inventory		740
Date	Accounts	Debit	Credit
Sep. 26	Sales Returns and Allowances	300	
	Accounts Receivable—Shelton		300
Date	Accounts	Debit	Credit
Sep. 29	Cash	1,689	
	Sales Discounts	51	
	Accounts Receivable—Shelton		1,740
Date	Accounts	Debit	Credit
Sep. 30	Cash	2,900	
	Accounts Receivable—Jesper Company		2,900

13.

Big Papi Music Company
Income Statement
Year Ended June 30, 2016

Sales Revenue	\$	182,000	
Less: Sales Returns and Allowances		4,000	
Sales Discounts		2,000	
Net Sales Revenue	\$	176,000	
Cost of Goods Sold		72,800	
Gross Profit		103,200	
Operating Expenses:			
Selling Expenses		18,500	
Administrative Expenses		16,500	
Total Operating Expenses		35,000	
Operating Income		68,200	
Other Revenue and (Expenses):			
Interest Expense		(1,400)	
Total Other Revenue and (Expenses)		(1,400)	
Net Income (Loss)	\$	66,800	

Date	Accounts and Explanation	Debit	Credit
Jun. 30	Sales Revenue	182,000	
Clos. (1)	Income Summary		182,000
	<i>To close revenues.</i>		

Date	Accounts and Explanation	Debit	Credit
Jun. 30	Income Summary	115,200	
Clos. (2)	Sales Returns and Allowances		4,000
	Sales Discounts		2,000
	Cost of Goods Sold		72,800
	Selling Expenses		18,500
	Administrative Expenses		16,500
	Interest Expense		1,400
	<i>To close expenses and other debit accounts.</i>		

Date	Accounts and Explanation	Debit	Credit
Jun. 30	Income Summary	66,800	
Clos. (3)	Retained Earnings		66,800
	<i>To close Income Summary.</i>		

Date	Accounts and Explanation	Debit	Credit
Jun. 30	Retained Earnings	41,000	
Clos. (4)	Dividends		41,000
	<i>To close Dividends.</i>		

Big Papi Music Company
Post-Closing Trial Balance
June 30, 2016

Account Title	Balance	
	Debit	Credit
Cash	\$ 4,000	
Accounts Receivable	38,100	
Merchandise Inventory	17,400	
Office Supplies	650	
Furniture	39,600	
Accumulated Depreciation—Furniture		\$ 8,900
Accounts Payable		14,100
Salaries Payable		500
Unearned Revenue		6,600
Notes Payable, long-term		15,500
Common Stock		15,000
Retained Earnings		39,150
Total	\$ 99,750	\$ 99,750