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ACC1140

Test 2 Do-over-Problems

1. Jake’s Market recorded the following events involving a recent purchase of merchandise:

01/01/13 Received goods for $50,000, terms 2/10, n/30.

01/04/13 Returned $1,000 of the shipment for credit.

01/08//13 Paid $250 freight on the shipment.

01/09/13 Paid the invoice within the discount period.

01/15/13 Sold on account for $2,000 goods which cost $800

01/17/13 Customer returned $500 of the goods, which were defective.

Prepare the Journal Entries to record these transactions under both the Perpetual System and the Periodic System

**Perpetual:**

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Account titles and Explanations | Debit | Credit |
| 1/1 | Merchandise inventory  Accounts Payable  (terms 2/10, n/30) | 50,000 | 50,000 |
| 1/4 | Accounts Payable  Merchandise inventory | 1,000 | 1,000 |
| 1/8 | Merchandise inventory  Cash | 250 | 250 |
| 1/9 | Accounts Payable (50,000-1,000)  Merchandise inventory (49,000\*2%)  Cash | 49,000 | 980  48,020 |
| 1/15 | Accounts Receivable  Sales Revenue  Cost of Goods Sold  Merchandise inventory | 2,000  800 | 2,000  800 |
| 1/17 | Sales Returns and Allowances  Accounts Receivable | 500 | 500 |

**Periodic**

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Account titles and Explanations | Debit | Credit |
| 1/1 | Purchases  Accounts Payable  (terms 2/10, n/30) | 50,000 | 50,000 |
| 1/4 | Accounts Payable  Purchase Returns and Allowances | 1,000 | 1,000 |
| 1/8 | Freight-In  Cash | 250 | 250 |
| 1/9 | Accounts Payable (50,000-1,000)  Purchase Discounts (49,000\*2%)  Cash | 49,000 | 980  48,020 |
| 1/15 | Accounts Receivable  Sales Revenue | 2,000 | 2,000 |
| 1/17 | Sales Returns and Allowances  Accounts Receivable | 500 | 500 |

B. Partridge Bookstore had 500 units on hand at January 1, costing $18 each. Purchases and sales during the month of January were as follows:

Date Purchases Sales

Jan. 14 375 @ $28

17 250 @ $20

25 250 @ $22

29 260 @ $32

Partridge does not maintain perpetual inventory records. According to a physical count, 365 units were on hand at January 31.

Calculate the ending inventory and the cost of goods sold under the FIFO method, the LIFO method and the Average Cost method. Prepare the Journal entry to record the Cost of Goods Sold Adjustment for the Average Cost Method.

**Cost of Goods Available For Sale**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Explanation | Units | Unit Cost | Total Cost |
| 1/1 | Beginning inventory | 500 | $18 | $9,000 |
| 1/17 | Purchase | 250 | $20 | $5,000 |
| 1/25 | Purchase | 250 | $22 | $5,500 |
| Total |  | 1,000 |  | $19,500 |

**FIFO:**

Ending Inventory: (365 units)

Date Units × Unit Cost = Total Cost

1/25 250 × $22 = $5,500

1/17 165 × $20 = 3,300

Total: 365 $8,800

Cost of Goods Available For Sale $19,500

Less: Ending Inventory <8,800>

Cost of Goods Sold $10,700

**LIFO:**

Ending Inventory: (365 units)

Date Units × Unit Cost = Total Cost

1/1 365 × $18 = $6,570

Total: 365 $6,570

Cost of Goods Available For Sale $19,500

Less: Ending Inventory <6,570>

Cost of Goods Sold $12,930

**Average Cost:**

Ending Inventory: (365 units)

Average unit cost: $19,500 / 1,000 = $19.50

$19.50 × 365 = $7,117.50

Cost of Goods Available For Sale $19,500

Less: Ending Inventory <7,117.50>

Cost of Goods Sold $12,382.50

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Account titles and Explanations | Debit | Credit |
| 1/31 | Cost of Goods Sold  Merchandise inventory  Purchase | 12,382.50 | 1882.50  10,500 |