CHAPTER 5 ACCOUNTING FOR MERCHANDISING OPERATIONS

Objectives: After studying this chapter, you should be able to:

- Identify the differences between service and merchandising companies
- Explain the recording of purchases under a perpetual inventory system and periodic inventory system.
- Explain the recording of sales revenue under perpetual inventory system and periodic inventory system
- Explain the steps in accounting cycle for a merchandising company.
- Preparing work sheet for a merchandiser.
- Prepare Income statement, Retained earnings statement and Statement of financial position for a merchandiser.

Marshandising Companies are those businesses who buy and sell marshandise (goods / products) for

Merchandising Companies are those businesses who buy and sell merchandise (goods / products) for their primary source of revenue.

- Merchandising Companies that purchase and sell directly to consumers are called retailers.
- Merchandising Companies that sell to retailers are called wholesalers.

The primary source of revenue is by selling merchandise, often referred to as sales revenue or sales.

- The two main expenses for a merchandiser are:
 - Cost of goods sold
 - Operating expenses.
- The added asset account for a merchandising company is the **Inventory account**.

The accounting for inventory depends on which method the company is using:

Perpetual Inventory system or Periodic inventory system

Perpetual inventory system	Periodic inventory system
 Companies keep detailed records of cost of each inventory purchase and sale. These records continuously-perpetually-show the inventory that should be on hand for every item. A company determines the cost of goods sold each time a sale occurs. 	 No detailed inventory records of the goods on hand throughout the period are kept. The cost of goods sold is determined only at the end of the accounting period. Calculating Cost of goods sold: Beginning inventory \$100,000 Add: Purchases, net 800,000 Goods available for sale 900,000 Less: Ending inventory 125,000 Cost of goods sold \$775,000

Few Terms in Merchandising Business.

Discount

• Purchase Discounts

Credit terms may permit buyer to claim a cash discount for prompt payment.

Example: <u>Credit terms of 3/15, n/30</u>, is read "three-fifteen, net thirty." 3% cash discount if payment is made within 15 days.

• Sales Discount

- Offered to customers to promote prompt payment.
- "Flipside" of purchase discount.
- Contra-revenue account (debit).

Freight terms

FOB shipping point

Seller places goods <u>Free on Board</u> the carrier, and **buyer must pay to get the goods delivered** i.e.: buyer pays freight costs.

FOB destination

Legal title of the goods remain with the seller until the goods reach the buyers location.

Seller places goods Free on Board to the buyer's place of business, and seller pays freight costs.

JOURNAL ENTRIES

Transactions	Perpetual inventory system		Periodic Inventory system			
Journal entries for the Buyer						
1.Purchased merchandise	Inventoryxx		Purchasexx			
	Cash/ Accounts Payable	XX	Cash/ Accounts Payable	XX		
2.Return of merchandise	Cash/Accounts payable xx		Cash/Accounts payable xx			
purchased	Inventory	XX	Purchase return and			
			Allowance	XX		
3.Paid freight cost (FOB	Inventoryxx		Freight-in/Transportation –in xx			
Shipping Point)	Cash	XX	Cash	XX		
4. Payment during the	Accounts Payable xx		Accounts Payable xx			
discount period	Cash	XX	Cash	XX		
	Inventory	XX	Purchase discount	XX		
Journal entries for the S	eller					
1. Sale of merchandise	Accounts Receivable/ Cash xx		Accounts Receivable/ Cashxx			
	Sales revenue	XX	Sales revenue	XX		
	Cost of goods sold xx					
	Inventory	XX				
2. Customer returns	Sales return & Allowance xx		Sales return & Allowancexx			
merchandise sold	Accounts receivable / Cash	XX	A/R / Cash	XX		
	Inventory xx					
	Cost of goods sold	XX				
3. Paid freight (FOB	Freight-out/Delivery expense xx		Freight-out/Delivery expensexx			
Destination)	Cash	XX	Cash	XX		
4. Collected cash during	Cashxx		Cashxx			
the discount period	Sales discount xx		Sales discount xx			
	Accounts receivable	XX	Accounts receivable	XX		

Purchase Returns and Allowances

Purchaser may be dissatisfied because goods are damaged or defective, or of inferior quality, or do not meet specifications.

- Purchase Return
- Return goods for credit if the sale was made on credit, or for a cash refund if the purchase was for cash.
 - Purchase Allowance
- May choose to keep the merchandise if the seller will grant an allowance (deduction) from the purchase price.

Sales Returns and Allowances

- "Flipside" of purchase returns and allowances.
- Contra-revenue account (debit).

Financial Statements for a merchandising business. (Under perpetual Inventory system)

1.

Name of bus	iness		
Multiple step Income stateme		ement)	
For the Month/ Quarter/ year			
Sales revenue:		•	
Sales			480,000
Less: Sales returns and allowance		12,000	
Sales discount		8,000	20,000
Net sales			460,000
Less: Cost of goods sold			316,000
Gross profit			144,000
Operating expenses:*			
Sales salaries expense	64,000		
Advertising expense	17,000		
Delivery expense	16,000		
Depreciation expense-Delivery equipment	8,000		
Office salaries expense	7,000		
Utilities expense	2,000		
Total operating expense			114,000
Income from operations			30,000
Other Incomes and Gains:			
Interest revenue	3,000		
Gain on disposal	600	3,600	
Other Expenses and Losses: **			
Loss on disposal	(200)		
Interest expense	(1,800)	(2,000)	1,600
Net Income		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	\$31,600

Note:

- * Expenses incurred in the process of earning sales revenue
- ** Expenses that occur outside of a company's day to day activities and it is recorded immediately after company's primary operating activities. Other income and expense consists of various revenues and gains and expenses and losses that are unrelated to the company's main line of operations.

2.

Name of business Retained Earnings Statement For the year/ quarter/ month ended.......

Retained earnings, beginning balance	XXXX
Add: Net income/ (Less. if net loss)	XXX
	XXXX
Less: Dividend	\underline{XXX}
Retained earnings, ending balance	XXXX

FORMAT OF STATEMENT OF FINANCIAL POSITION

ABAC Company Statement of Financial Position December 31, 20xx

A CCFTC

Current Assets: Cash \$9,000 Marketable securities 200 Accounts receivable 4,800 Notes receivable 5,000 Inventory 200 Supplies 1,800 Prepaid expense 1,400 Total Current Assets 22,400 Non-Current Assets: \$11,500 Land \$11,500 Building 15,000 Less: Accumulated Depreciation-Building 1,000 Less: Accumulated Depreciation-Equipment 7,500 Less: Accumulated Depreciation-Equipment 500 7,000 Total Property Plant and Equipment \$32,500 Intangible Assets 0	ASSETS	S		
Marketable securities 200 Accounts receivable 4,800 Notes receivable 5,000 Inventory 200 Supplies 1,800 Prepaid expense 1,400 Total Current Assets 22,400 Non-Current Assets: 22,400 Non-Current Assets: 311,500 Land \$11,500 Building 15,000 Less: Accumulated Depreciation-Building 1,000 Less: Accumulated Depreciation-Equipment 7,500 Less: Accumulated Depreciation-Equipment 500 7,000 Total Property Plant and Equipment \$32,500	Current Assets:			
Accounts receivable 4,800 Notes receivable 5,000 Inventory 200 Supplies 1,800 Prepaid expense 1,400 Total Current Assets 22,400 Non-Current Assets: *** Property, Plant and Equipment: \$11,500 Building 15,000 Less: Accumulated Depreciation-Building 1,000 14,000 Equipment 7,500 7,000 Less: Accumulated Depreciation-Equipment 500 7,000 Total Property Plant and Equipment \$32,500	Cash		\$9,000	
Notes receivable Inventory Supplies Supplies Prepaid expense Total Current Assets Property, Plant and Equipment: Land Building Less: Accumulated Depreciation-Building Equipment Total Property Plant and Equipment Total Property Plant and Equipment 5,000 11,800 22,400 22,400	Marketable securities		200	
Notes receivable Inventory Supplies Supplies Prepaid expense Total Current Assets Property, Plant and Equipment: Land Building Less: Accumulated Depreciation-Building Equipment Total Property Plant and Equipment Total Property Plant and Equipment 5,000 11,800 22,400 22,400	Accounts receivable		4,800	
Inventory 200 Supplies 1,800 Prepaid expense 1,400 Total Current Assets 22,400 Non-Current Assets: 22,400 Non-Current Assets: \$11,500 Land \$11,500 Building 15,000 Less: Accumulated Depreciation-Building 1,000 Equipment 7,500 Less: Accumulated Depreciation-Equipment 500 Total Property Plant and Equipment \$32,500	Notes receivable		,	
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Prepaid expense Total Current Assets Non-Current Assets: Property, Plant and Equipment: Land Suilding Building Less: Accumulated Depreciation-Building Equipment Total Property Plant and Equipment Total Property Plant and Equipment \$12,400 22,400 \$11,500 \$11,500 \$14,000 14,000 \$2,000 \$32,500	· · · · · · · · · · · · · · · · · · ·			
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Property, Plant and Equipment: Land \$11,500 Building 15,000 Less: Accumulated Depreciation-Building 1,000 14,000 Equipment 7,500 Less: Accumulated Depreciation-Equipment 500 7,000 Total Property Plant and Equipment \$32,500	* *		1,100	22,400
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Equipment 7,500 Less: Accumulated Depreciation-Equipment 500 7,000 Total Property Plant and Equipment \$32,500	Building	15,000		
Less: Accumulated Depreciation-Equipment5007,000Total Property Plant and Equipment\$32,500	Less: Accumulated Depreciation-Building	<u>1,000</u>	14,000	
Total Property Plant and Equipment \$32,500	Equipment	7,500		
	Less: Accumulated Depreciation-Equipment	<u>500</u>	<u>7,000</u>	
Intangible Assets0	Total Property Plant and Equipment		\$32,500	
	Intangible Assets			0
Total Non-current assets \$32,500	Total Non-current assets			\$32,500

Total Assets \$54,900

LIABILITIES AND SHAREHOLDERS' EQUITY **LIABILITIES**

9,300

Current Liabilities:

Non-current Liabilities:

Mortgage Payable	12,000
Bank Loan	7,000
Bonds payable	<u>3,000</u>
Total Non-current liabilities	

22,000 **Total Liabilities** 31,300

Shareholders' Equity:

Share Capital-Ordinary shares \$15,000 <u>8,600</u> **Retained Earnings**

Total Shareholder's Equity 23,600 Total Liabilities and Shareholders' Equity \$54,900

Adjusting entry for adjustment of Inventory account:

- A merchandising company generally has the same adjusting entries as a service company.
- A merchandising company that uses perpetual inventory system will require one additional adjustment to make the records agree with the actual inventory on hand.
- The perpetual inventory records may be incorrect due to recording errors, theft or waste.
- Thus, the company need to adjust the perpetual records to make the recorded inventory amount agree with the inventory on hand. This involves adjusting the inventory and cost of goods sold. The adjusting entry is:

Adjusting entry

Cost of goods sold	XXX	
Inventory		XXX

Closing entries

- At the end of the accounting period, the company makes the accounts ready for the next period.
- ➤ Merchandising companies closes to **Income Summary** (a temporary account used for closing purposes) all accounts that affect net income. In journalizing, the company credits all temporary accounts with debit balances, and debits all temporary accounts with credit balances.

TEMPORARY These accounts are closed All revenue accounts All expense accounts

Dividends

expense.



➤ Closing entries formally recognize, in the general ledger, the transfer of net income (or net loss) and dividends to **Retained Earnings**.

Closing Journal entries Close revenue accounts Dr. Revenues..... xxxCr. Income Summary XXX Close expense Accounts Dr Income Summary..... XXX Cr. Expenses.... XXXClose Income summary account to retained earnings (net income) Dr Income Summary..... XXX Cr. Retained Earnings...... XXXClose Income Summary account to retained earnings (net loss) Dr Retained Earnings..... XXX Cr. Income Summary..... XXX Close Dividend account Dr. Retained Earnings..... Cr. Dividend..... XXX Note: Dividends are closed directly to Retained Earnings and not to Income Summary because Dividends are not an

Problems

Problem 5-1:

The following transactions were completed during April, 20XX for William Sports Shop.

- April 4 Purchased cricket bat and balls from Heidi Co. \$ 860, terms 3/10, n/30, FOB Shipping point.
 - 6 Paid freight on Heidi Co. purchase \$74.
 - 8 Sold merchandise to customers \$900, terms n/30.
 - 10 Received credit of \$60 from Heidi Co. for a cricket bat that was returned.
 - 11 Purchased sports shoes from Velky Sports for cash \$300.
 - 13 Paid Heidi Co. in full.
 - 14 Purchased sports shirts and shorts from Lizen Sportswear \$700, terms 2/10, n/60.
 - 15 Received cash refund of \$50 from Velky Sports for damaged merchandise that was returned
 - 17 Paid freight on Lizen Sportswear purchase \$30.
 - 18 Sold merchandise to customers \$1,200, terms n/30.
 - 20 Received \$500 in cash from customers in settlement of their accounts.
 - 21 Paid Lizen Sportswear in full.
 - 27 Granted an allowance of \$25 to customers for sports clothing that did not fit properly.
 - 30 Received cash payments on account from customers \$620.

Instruction:

Journalize the April transactions for William Sports Shop using a periodic inventory system.

Date Account Title Debit C				
Dute	riccount Title	Desit	Credit	

Problem 5-2:

The following transactions were completed during March, 20XX for Serina Golf Shop.

March 4 Purchased golf bags, clubs, and balls from Bala Co. \$1,300 , terms 2/10, n/60, FOB Shipping point.

- 6 Paid freight on Bala Co. purchase \$70.
- 9 Received credit of \$ 100 from Bala Co. for merchandise that was returned.
- 10 Sold merchandise to customers \$670, terms n/30.
- 12 Purchased golf shoes and sweaters from Axis Sports \$450, terms 1/10, n/30.
- 14 Paid Bala Co. in full.
- 17 Received credit from Axis Sports for merchandise returned \$50.
- 20 Sold merchandise to customers \$600, terms n/30.
- 21 Paid Axis Sports in full.
- 27 Granted credit to customers for sweaters that had got damaged \$55.
- 30 Received \$630 in cash from customers in settlement of their accounts.

Instruction:

Journalize the March transactions for Serina Golf Shop using a periodic inventory system.

Date	Account title	Debit	Credit

Problem 5-3: The information related to Change Co. is presented below. Change Co. uses a **periodic inventory system.**

April 5	Purchased merchandise from Boy Company for \$6,000, terms 5/10, net/30, FOB shipping
	point.
April 6	Purchased equipment (for business operation) from Saijo Denko on account for \$7,000,
	terms 2/10, net/30, FOB shipping point.
April 7	Paid transportation cost \$500 for the equipment purchased from Saijo Denko.
April 8	Paid the amount due to Boy Company in full.
April 10	Sold merchandise to Hot Co. for \$9,000, offering terms of 2/10, n/30.
April 15	Paid transportation cost \$180 for the merchandise purchased from Boy Company.
April 30	Collected cash from Hot Co.

Instruction: Prepare the journal entries to record the transactions in the books of Change Co. Explanations are not required.

		I	
Date	Account title	Debit	Credit

Problem 5-4:

Natalie distributes books to retail stores and extends credit terms of 2/10, n/30 to all of its customers. At the end of May, Natalie's inventory consisted of books purchased for €1,800. During June the following transactions occurred.

June

- 1 Purchased books on account for €1,850 from Philip Publishers, FOB destination, terms 2/10, n/30. The appropriate party also made a cash payment of €50 for the freight on this date
- 3 Sold books on account to Ester for €2,500. The cost of goods sold was €1,440.
- 6 Received €150 credit for books returned to Philip Publishers.
- 9 Paid Philip Publishers in full.
- 15 Received payment in full from Ester.
- 17 Sold books on account to Bunker Readers for €1,800. The cost of books sold was €1,020.
- 20 Purchased books on account for €1,500 from DC Publishers, FOB destination, terms 2/15, n/30. The appropriate party also made a cash payment of €50 for the freight on this date.
- 24 Received payment in full from Bunker Readers.
- 26 Paid DC Publishers in full.
- 28 Sold books on account to Cozy Corner for €1,300. The cost of the books sold was €850.
- 30 Granted Cozy Corner credit of €120 for books returned, costing €72.

Instruction:

Journalize the transactions for the month of June for Natalie Warehouse using a perpetual inventory system.

Date	Account Title	Debit	Credit

Problem 5-5:

Sissy Supply is a wholesaler dealing in sports bags. On September 1, Sissy Supply had an inventory of 15 sports bags at a cost of \$200 each. During September, the following transactions and events occurred.

- Sept. 4 Purchased 80 sports bags at \$200 each from Mabel, terms 2/10, n/30, FOB destination.
- Sept. 6 Received credit of \$1200 for the return of 6 sports bags purchased on September 4 that were defective.
- Sept. 9 Sold 40 sports bags for \$250 each to Oliver Co, terms 2/10, n/30, FOB Destination.
- Sept. 10 Paid \$500 freight on September 9 sales.
- Sept. 13 Granted Oliver Co \$1,250 credit for 5 sports bags that were returned due to damage.
- Sept. 14 Paid Mabel in full for September 4 purchase.
- Sept. 20 Received payment in full from Oliver Co.
- Sept. 25 Purchased 10 sports bags for cash at a cost of \$250 each.
- Sept. 26 Received refund of \$500 from supplier of Sept. 25, for 2 sports bags that were damaged.

Instructions:

Journalize the September transactions for Sissy Supply using **perpetual inventory system**. (Explanations not required).

Date	Account Titles	Debit	Credit

Problem 5-6:

Himalaya Company is a whole sale dealer of a special brand of bicycles. The company estimated that the cost of bicycles they keep for sale is \$80 each. The sale of bicycles to all customers is on terms 2/10, n/30, and FOB shipping point. On September10, 20XX, Himalaya Company sold 200 bicycles to Everest Company at \$100 each, the appropriate party paid \$1,500 for freight charges.

On September 12, 20XX, Everest Company returned 10 bicycles to Himalaya Company as they were badly damaged during transit.

On September 18, Himalaya Company collected cash from Everest Company on its accounts receivable balance.

Instructions:

- a. Record journal entries on the above transactions in the books of Himalaya Company assuming that the company follows **perpetual inventory system** to record its merchandise transactions.
- b. Assuming that Everest Company follows **periodic inventory system**, record the journal entries on its transactions with Himalaya Company.
- a) Journal entries for Himalaya Company

Date	Account title	Debit	Credit

b) Journal entries for Everest Company

Date	Account title	Debit	Credit

Problem 5-7:

The trial balance of Casinova Company at December 31, 20XX, the end of the company's fiscal year is shown on the worksheet:

The following adjustment data is provided:

- 1. Supplies on hand totaled \$3,500.
- 2. Depreciation is \$9,000 on the equipment.
- 3. Interest of \$4,080 is accrued on notes payable at December 31.
- 4. Inventory on December 31 is \$44,400.

Instructions:

- 1. Complete the worksheet.
- 2. Prepare a multiple-step income statement and a statement of financial position.
- 3. Journalize the closing entries

Casinova Company Work sheet For the year ended December 31, 20XX

	Trial bal		Adjust		Adjusted T	rial balance	Income Statement			inancial ition
Account Title	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Cash	\$ 51,700									
Accounts Receivable	30,700									
Inventory	44,700									
Supplies	6,200									
Equipment	85,000									
Accumulated Depreciation- Equip		\$ 18,000								
Notes Payable		51,000								
Accounts Payable		48,200								
Share Capital-Ordinary		80,000								
Retained Earnings		55,000								
Dividends	12,000									
Sales Revenue		717,500								
Sales Returns & Allowances	6,800									
Sales Discounts	2,000									
Cost of goods sold	497,400									
Salaries expense	140,000									
Advertising expense	26,400									
Utilities expense	14,000									
Repair expense	12,100									
Delivery expense	16,700									
Rent expense	24,000									
Total	\$969,700	\$969,700								
										
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2. Multiple-Step Income Statement

Casinova Company				
Multiple-Step Income Statement				
For the year ended December 31, 20XX				

Statement of Financial Position

Casinova Company				
Statement of Financial Position				
December 31, 20XX				

3. Closing Entries.

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Problem 5-8:

The trial balance of Miranda Company at December 31, 20XX, the end of the company's fiscal year is shown on the work sheet:

Adjustment data:

- 1. Depreciation is \$10,000 on buildings and \$9,000 on equipment.
- 2. Interest of \$5,000 is due and unpaid on notes payable at December 31.
- 3. Inventory on December 31 is \$88,900.

Instructions:

- 1. Complete the Worksheet.
- 2. Prepare a multiple-step income statement, and a statement of financial position at December 31, 20XX.
- 3. Journalize the closing entries.

MIRANDA COMPANY Work Sheet For the year ended Dec 31, 20XX

Account Title	Trial Balance		stments	Adj: Tria	al Balance	Income	Statement	St of Final	ncial Position
	Dr Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Cash	\$25,400								
Accounts Receivable	37,600								
Inventory	90,000								
Land	92,000								
Building	197,000								
Accumulated Dep-Building	\$54,000								
Equipment	83,500								
Accumulated Dep-Equipment	42,400								
Notes Payable	50,000								
Accounts Payable	37,900								
Share Capital-Ordinary	200,000								
Retained Earnings	68,900								
Dividends	10,000								
Sales Revenue	904,100								
Sales Returns & Allowances	2,000								
Sales Discount	4,100								
Cost of goods sold	709,900								
Freight-out	2,000								
Salaries Expense	67,800								
Utilities Expense	19,400								
Repair Expense	5,900								
Gas & oil Expense	7,200								
Insurance Expense	3,500								
Total	\$1,357,300 \$1,357,300								

2. Multiple-Step Income Statement Miranda Company Multiple-Step Income Statement For the year ended December 31, 20XX

Statement of Financial Position Miranda Company Statement of Financial Position December 31, 20XX

3. Closing Entries.

Problem 5-9:

The unadjusted trial balance of Revathy Trading Company is provided in the answer sheet. The Company follows a six- months accounting period, July 1 to December 31. At the end of the accounting period, December 31, 20XX, the following adjusting information is gathered:

- 1. Insurance expired during the accounting period is \$1,500.
- 2. Depreciation on the truck for the accounting period is \$250.
- 3. Annual depreciation on the equipment is \$6,000.
- 4. Rent revenue earned during the accounting period is \$500.
- 5. Accrued interest on note payable due on December 31 is \$250.
- 6. Inventory at December 31 is \$45,000.

Instructions:

- 1. Make adjustments and complete the worksheet provided in the answer sheet.
- 2. Prepare a multiple step income statement for the accounting period.
- 3. Prepare a statement of financial position as on December 31, 20XX.

Revathy Trading Company Partial Work Sheet For the 6 months ended Dec 31, 20XX

101	Trial balance			tments	Adjuste	d Trial	
			-		bala	nce	
Account Title	Dr	Cr	Dr	Cr	Dr	Cr	
Cash	\$23,500				\$23,500		
Inventory	50,000						
Prepaid Insurance	2,000						
Truck	20,000				20,000		
Accumulated depreciation-Truck		0					
Equipment	60,000				60,000		
Accumulated depreciation- Equipment		\$10,000					
Note payable		5,750				5,750	
Unearned rent revenue		1,500					
Share capital- Ordinary		127,000				127,000	
Retained earning		6,000				6,000	
Dividends	1,000				1,000		
Sales		201,000				201,000	
Sales returns and allowances	11,000				11,000		
Cost of goods sold	180,000						
Salaries expense	3,750						
Total	\$351,250	\$351,250					

2. Multiple-Step Income Statement	
	Revathy Trading Company
ľ	Multiple-Step Income Statement
For 6	6 months ended December 31, 20XX
3. Statement of Financial Position	
5. Statement of Financial Position	
	Revathy Trading Company
	Statement of Financial Position
	December 31, 20XX
	December 51, 20111

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Problem 5-10:

The trial balance of Kosio Company at December 31, 20XX, the end of the company's fiscal year is shown on the worksheet:

Adjustment data:

- 1. Supplies on hand total \$2,500.
- 2. Depreciation is \$7,000 on buildings and \$3,000 on equipment.
- 3. Interest of \$2,000 is due and unpaid on notes payable at December 31.
- 4. Inventory on December 31 is \$22,000.

ACT 1600 Fundamentals of Financial Accounting

Instructions:

- 1. Complete the worksheet.
- 2. Prepare multiple-step income statement for the period ended December 31, 20XX.
- 3. Prepare a classified statement of financial position as of December 31, 20XX.

Kosio Company Worksheet (Partial)

For the Year Ended December 31, 20XX

Account Title	Trial I	Trial Balance		Adjustments		ed Trial ance
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	\$97,500					
Accounts Receivable	35,200					

Inventory	22,500			
Supplies	9,000			
Land	90,000			
Buildings	120,000			
Accumulated Depreciation –		\$18,000		
Buildings				
Equipment	80,000			
Accumulated Depreciation –		16,000		
Equipment				
Notes Payable		25,000		
Accounts Payable		18,000		
Share Capital – Ordinary		250,000		
Retained Earnings		110,000		
Dividends	5,000			
Sales Revenue		156,000		
Sales Return & Allowances	10,000			
Sales Discount	6,000			
Cost of Goods Sold	89,500			
Freight-out	2,500			
Salaries and Wages Expense	11,000			
Advertising Expense	6,000			
Rent Expense	7,000			
Utilities Expense	1,800			
Total	\$593,000	<u>\$593,000</u>		

2. Multiple-Step Income Statement

Kosio Company Multiple -Step Income Statement For the year ended December 31, 20XX

ACT 1600 Fundamentals	of Financial Accou	unting	
			 -
			 <u>-</u>
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3. Statement of Financi	al Position		
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