**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 freights on Heidi Co. purchase $74.

8 Sold merchandise to customers $900, terms n/30.

10 Received credit (memo) 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 freights 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.

General Journal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | | Account titles | Debit | Credit |
| April | 4 | Purchases | 860 |  |
|  |  | Accounts Payable – Heidi Co. |  | 860 |
|  |  | (Purchased product from Heidi Co.) |  |  |
|  | 6 | Freight – in | 74 |  |
|  |  | Cash |  | 74 |
|  |  | (Paid freight to DHL Co., Ltd.) |  |  |
|  | 8 | Accounts Receivable | 900 |  |
|  |  | Sales Revenue |  | 900 |
|  |  |  |  |  |
|  | 10 | Accounts Payable – Heidi Co. | 60 |  |
|  |  | Purchase Returns and Allowances |  | 60 |
|  |  |  |  |  |
|  | 11 | Purchases | 300 |  |
|  |  | Cash |  | 300 |
|  |  |  |  |  |
|  | 13 | Accounts Payable – Heidi Co. | 800 |  |
|  |  | Purchase discount (800 x 3%) |  | 24 |
|  |  | Cash |  | 776 |
|  |  |  |  |  |
|  | 14 | Purchases | 700 |  |
|  |  | Accounts Payable – Lizen Sportwear |  | 700 |
|  |  |  |  |  |
|  | 15 | Cash | 50 |  |
|  |  | Purchase Returns and Allowances |  | 50 |
|  |  |  |  |  |
|  | 17 | Freight – in | 30 |  |
|  |  | Cash |  | 30 |
|  |  |  |  |  |
|  | 18 | Accounts Receivable | 1,200 |  |
|  |  | Sales Revenue |  | 1,200 |
|  |  |  |  |  |
|  | 20 | Cash | 500 |  |
|  |  | Accounts Receivable |  | 500 |
|  |  |  |  |  |
|  | 21 | Accounts Payable – Lizen Sportwear | 700 |  |
|  |  | Purchase discount (700 x 2%) |  | 14 |
|  |  | Cash |  | 686 |
|  |  |  |  |  |
|  | 27 | Sales Returns and Allowances | 25 |  |
|  |  | Accounts Receivable |  | 25 |
|  |  |  |  |  |
|  | 30 | Cash | 620 |  |
|  |  | Accounts Receivable |  | 620 |
|  |  |  |  |  |

My new instruction: Assuming that William Sports Shop uses **Perpetual inventory recording** **system**, Journalize the transaction in April for this company.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | | Account titles | Debit | Credit |
| April | 4 | Inventory | 860 |  |
|  |  | Accounts Payable – Heidi Co. |  | 860 |
|  |  |  |  |  |
|  | 6 | Inventory | 74 |  |
|  |  | Cash |  | 74 |
|  |  |  |  |  |
|  | 8 | Accounts Receivable | 900 |  |
|  |  | Sales Revenue |  | 900 |
|  |  |  |  |  |
|  |  | Cost of Goods Sold | xxx |  |
|  |  | Inventory |  | xxx |
|  |  |  |  |  |
|  | 10 | Accounts Payable – Heidi Co. | 60 |  |
|  |  | Inventory |  | 60 |
|  |  |  |  |  |
|  | 11 | Inventory | 300 |  |
|  |  | Cash |  | 300 |
|  |  |  |  |  |
|  | 13 | Accounts Payable – Heidi Co. | 800 |  |
|  |  | Inventory (800 x 3%) |  | 24 |
|  |  | Cash |  | 776 |
|  |  |  |  |  |
|  | 14 | Inventory | 700 |  |
|  |  | Accounts Payable – Lizen Sportwear |  | 700 |
|  |  |  |  |  |
|  | 15 | Cash | 50 |  |
|  |  | Inventory |  | 50 |
|  |  |  |  |  |
|  | 17 | Inventory | 30 |  |
|  |  | Cash |  | 30 |
|  |  |  |  |  |
|  | 18 | Accounts Receivable | 1,200 |  |
|  |  | Sales Revenue |  | 1,200 |
|  |  |  |  |  |
|  |  | Cost of Goods Sold | xxx |  |
|  |  | Inventory |  | xxx |
|  |  |  |  |  |
|  | 20 | Cash | 500 |  |
|  |  | Accounts Receivable |  | 500 |
|  |  |  |  |  |
|  | 21 | Accounts Payable – Lizen Sportwear | 700 |  |
|  |  | Inventory (700 x 2%) |  | 14 |
|  |  | Cash |  | 686 |
|  |  |  |  |  |
|  | 27 | Sales Returns and Allowances | 25 |  |
|  |  | Accounts Receivable |  | 25 |
|  |  |  |  |  |
|  | 30 | Cash | 620 |  |
|  |  | Accounts Receivable |  | 620 |
|  |  |  |  |  |

My explanation about Credit Memo and Debit Memo

We (buyer)(Williams Sport Shop) returned product back to supplier (Heidi)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 10 | Accounts Payable – Heidi Co. | 60 |  |
|  |  | Purchase Returns and Allowances |  | 60 |

Heidi (supplier) received the damaged product from us

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 10 | Sales Returns and Allowances | 60 |  |
|  |  | Accounts Receivable – Williams Sport Shop |  | 60 |

How did Heidi (supplier) inform William Sport Shop that Heidi accepted the return of product from William?

Heidi will send the document (Credit Memo) to Williams. That document was called Credit Memo.

What document Williams will send to Heidi?

William Sport Shop will send the document, Debit Memo, to Heidi