**Extra Problem 5.1:** Assume that Hongkong Company uses a **periodic inventory system** and has these account balances as at Dec. 31, 2022: Purchases $450,000; Purchase Returns and Allowances $11,000; Purchase Discounts $8,000; and Freight-in $16,000. Assume further that Hong Company has beginning inventory of $60,000, ending inventory of $90,000, and Sales Revenue of $650,000, Sales Returns and Allowances $12,000 and Sales Discounts $8,000. Prepare a partial Income Statement through Gross Profit for the year ended Dec. 31, 2022.

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| **Hongkong Company** |
| **Partial Income Statement** |
| **For the Year Ended December 31, 2022** |
| **Sales Revenue:** |
| **Sales Revenue $650,000** |
| **Less: Sales Returns and Allowances $12,000** |
| **Sales Discounts 8,000 20,000** |
| **Net Sales 630,000** |
| **Cost of Goods Sold:** |
| **Beginning Inventory, Jan. 1 60,000** |
| **Purchases $450,000** |
| **Less: Purchase Returns and Allowances $11,000** |
| **Purchase Discounts 8,000 19,000** |
| **Net Purchase 431,000** |
| **Add: Freight-in 16,000** |
| **Cost of Goods Purchased 447,000** |
| **Cost of Goods Available for Sale 507,000** |
| **Less: Ending Inventory, Dec. 31 90,000** |
| **Cost of Goods Sold 417,000** |
| **Gross Profit $213,000** |