**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.**

**Journal entries**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | ***Account Title*** | **Debit** | **Credit** |
| June 1 | *Inventory* | 1,850 |  |
|  | Accounts Payable *– Philip Publisher* |  | 1,850 |
|  |  |  |  |
| June 3 | Accounts Receivable – Ester | 2,500 |  |
|  | Sales Revenue |  | 2,500 |
|  |  |  |  |
|  | Cost of Goods Sold | 1,440 |  |
|  | Inventory |  | 1,440 |
|  |  |  |  |
| June 6 | Accounts Payable – Philip Publisher | 150 |  |
|  | Inventory |  | 150 |
|  |  |  |  |
| June 9 | Accounts Payable – Philip Publisher | 1,700 |  |
|  | Inventory (1,700 x 2%) |  | 34 |
|  | Cash |  | 1,666 |
|  |  |  |  |
| June 15 | Cash | 2,500 |  |
|  | Accounts Receivable – Ester |  | 2,500 |
|  |  |  |  |
| June 17 | Accounts Receivable - Bunker Readers | 1,800 |  |
|  | Sales Revenue |  | 1,800 |
|  |  |  |  |
|  | Cost of Goods Sold | 1,020 |  |
|  | Inventory |  | 1,020 |
| June 20 | Inventory | 1,500 |  |
|  | Accounts Payable - DC Publishers |  | 1,500 |
|  |  |  |  |
| June 24 | Cash | 1,764 |  |
|  | Sales Discount (1,800 x 2%) | 36 |  |
|  | Accounts Receivable - Bunker Readers |  | 1,800 |
|  |  |  |  |
| June 26 | Accounts Payable - DC Publishers | 1,500 |  |
|  | Inventory (1,500 x 2%) |  | 30 |
|  | Cash |  | 1,470 |
|  |  |  |  |
| June 28 | Accounts Receivable – Cozy Corner | 1,300 |  |
|  | Sales Revenue |  | 1,300 |
|  |  |  |  |
|  | Cost of Goods Sold | 850 |  |
|  | Inventory |  | 850 |
|  |  |  |  |
| June 30 | Sales returns and allowances | 120 |  |
|  | Accounts Receivable – Cozy Corner |  | 120 |
|  |  |  |  |
|  | Inventory | 72 |  |
|  | Cost of goods sold |  | 72 |

Accounts Receivable – Ester

General ledger account Subsidiary account (individual account name)

(Controlling A/C)