**Solution:**

Since Swahili Imports uses the periodic inventory system, they keep the track of the purchases and the allowances in separate accounts and when the accounting period ends, they merge these accounts in the cost of goods sold entry as a summarization entry.

Thus, the journal entries for them are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| JOURNAL ENTRIES  (in thousands of $) | | | |
| Date | Particulars | Debit | Credit |
| 2011 | Cash  To Sales Revenue | 1,200 | 1,200 |
| Cost of Goods Sold  Purchase Returns & Allowance  To Purchases  To Beginning Inventory | 931  40 | 900  71 |
| Inventory  To Cost of Goods Sold | 120 | 120 |

(Note: It is assumed that all sales are cash sales, since it is not given in the question.)