Tutorial questions (P6-6A, E6-14)

Problem 6-6A (LO 6-2, 6-3, 6-4, 6-5, 6-6)

Requirement 1

October 4	Debit	Credit
Inventory	**6,500**	
Accounts Payable		**6,500**
(Purchase inventory on account)		

October 5		
Inventory	**600**	
Cash		**600**
(Pay freight-in)		

October 9		
Accounts Payable	**500**	
Inventory		**500**
(Return inventory on account)		

October 12		
Accounts Payable	**6,000**	
Inventory		**120**
Cash		**5,880**
(Pay on account less 2% discount)		
($120 = $6,000 X 2%)		

October 15		
Accounts Receivable	**12,800**	
Sales Revenue		**12,800**
(Sell inventory on account)		
Cost of Goods Sold	**8,440**	
Inventory		**8,440**
(Record cost of inventory sold)		
($8,440 = ($50 x 50 units) + ($54 x 110 units))		

October 19		
Cash	**12,800**	
Accounts Receivable		**12,800**
(Receive cash on account)		

Requirement 1 (continued)

October 20	Debit	Credit
Inventory	**7,000**	
Accounts Payable		**7,000**
(*Purchase inventory on account*)		

October 22		
Cash	**8,000**	
Sales Revenue		**8,000**
(*Sell inventory for cash*)		
Cost of Goods Sold	**6,840**	
Inventory		**6,840**
(*Record cost of inventory sold*)		
(*$6,840 = ($54 x 10 units) + ($70 x 90 units)*)		

Requirement 2

October 31	Debit	Credit
Cost of Goods Sold	**350**	
Inventory		**350***
(*Adjust inventory down to net realizable value*)		

* The net realizable value of ending inventory ($350 = $35 net realizable value x 10 units) is $350 less than FIFO ending inventory ($700 from Requirement 1).

Requirement 3

Bowser Co.	
Multiple-step Income Statement (partial)	
For the month of October	
Net sales	$20,800
Cost of goods sold*	15,630
Gross profit	$ 5,170

* Cost of goods sold equals the cost of the units sold ($15,280) + write down to net realizable value ($350).

Exercise 6-14 (LO 6-6)

Requirement 1

Inventory	Quantity	Unit Cost	Total Recorded Cost
Shirts	35	$ 60	$ 2,100
MegaDriver	15	360	5,400
MegaDriver II	30	350	10,500
			$18,000

Requirement 2

Inventory	Quantity	Lower of Cost and NRV per unit	Ending Inventory
Shirts	35	$ 60	$ 2,100
MegaDriver	15	250	3,750
MegaDriver II	30	350	10,500
			$16,350

Requirement 3

	Debit	Credit
Cost of Goods Sold	**1,650**	
Inventory		**1,650**

(*Adjust inventory down to net realizable value*)
(15 *units of MegaDriver* **X** *$110)*

Requirement 4

Income Statement:	Revenues	−	Expenses	=	Net Income
			+1,650		−1,650
			Cost of Goods Sold		

Balance Sheet:	Assets	=	Liabilities	+	Stockholders' Equity
	−1,650				−1,650
	Inventory				

Take-home questions (P6-3A, P6-5A)

Problem 6-3A (LO 6-2, 6-5)

Requirement 1

July 3	Debit	Credit
Inventory	2,300	
Accounts Payable		2,300
(*Purchase inventory on account*)		

July 4		
Inventory	110	
Cash		110
(*Pay freight-in*)		

July 9		
Accounts Payable	200	
Inventory		200
(*Return inventory on account*)		

July 11		
Accounts Payable	2,100	
Inventory		21
Cash		2,079
(*Pay on account less 1% discount*)		
(*$21 = $2,100 $\times$ 1%*)		

July 12		
Accounts Receivable	5,800	
Sales Revenue		5,800
(*Sell inventory on account*)		
Cost of Goods Sold	3,000	
Inventory		3,000
(*Record cost of inventory sold*)		

July 15		
Cash	5,800	
Accounts Receivable		5,800
(*Receive cash on account*)		

Problem 6-3A (concluded)

Requirement 1 (continued)

July 18	Debit	Credit
Inventory	**3,100**	
Accounts Payable		**3,100**
(*Purchase inventory on account*)		

July 22		
Cash	**4,200**	
Sales Revenue		**4,200**
(*Sell inventory for cash*)		
Cost of Goods Sold	**2,500**	
Inventory		**2,500**
(*Record cost of inventory sold*)		

July 28		
Accounts Payable	**300**	
Inventory		**300**
(*Return inventory on account*)		

July 30		
Accounts Payable	**2,800**	
Cash		**2,800**
(*Pay cash on account*)		

Requirement 2

CD City	
Multiple-step Income Statement (partial)	
For the month of July	
Net sales	$10,000
Cost of goods sold	5,500
Gross profit	$ 4,500

Problem 6-5A (LO 6-3, 6-6)

Requirement 1 FIFO

Date	Transaction	Number of units	Unit cost	Ending Inventory
Mar. 12	Purchase	40	$16	$ 640
Sep. 17	Purchase	60	9	540
		100		$1,180

Date	Transaction	Number of units	Unit Cost	Cost of Goods Sold
Jan. 1	Beginning inventory	120	$21	$2,520
Mar. 12	Purchase	50	16	800
		170[a]		$3,320

[a] First 170 units purchased are assumed sold

Requirement 2 LIFO

Date	Transaction	Number of units	Unit cost	Ending Inventory
Jan. 1	Beginning inventory	100	$21	$2,100

Date	Transaction	Number of units	Unit cost	Cost of Goods Sold
Jan. 1	Beginning inventory	20	$21	$ 420
Mar. 12	Purchase	90	16	1,440
Sep. 17	Purchase	60	9	540
		170[a]		$2,400

[a] Last 170 units purchased are assumed sold

Requirement 3

Ending Inventory

	Cost	NRV	Lower of Cost and NRV
FIFO	$ 1,180[a]	$500	**$500**

[a] Ending inventory from Requirement 1 above.

FIFO	Debit	Credit
Cost of Goods Sold	**680**	
Inventory		**680**
(*Adjust inventory to net realizable value*)		