

Part 1: Merchandising Business

Chapter 10

Section 10.1 ▶ Exercises

1. In your Workbook, complete the chart below by filling in the blank spaces for selling prices, cost prices, gross profits, and related percentages.

Selling Price	Cost Price	Gross Profit	Cost of Goods Sold as a % of Selling Price	Gross Profit as a % of Selling Price (Margin)	Gross Profit as a % of Cost Price (Markup)
\$250		\$100			
	\$ 85	\$ 40			
\$ 80	\$ 56				
	\$ 75	\$ 75			
\$300	\$195				
\$225		\$ 63			
	\$ 54			40%	
\$500			70%		
\$200			65%		
	\$120			52%	

2. A. In your Workbook, complete the chart below by filling in the missing figures.

	Year 1	Year 2	Year 3
Beginning inventory	100 units		
Merchandise purchased		900 units	
Goods available for sale	800 units		
Merchandise sold		1 000 units	800 units
Ending inventory	300 units		50 units

B. If the units cost \$5 each throughout Year 3, work out the Cost of Goods Sold section of the income statement.

3. For each of the following, calculate the cost of goods sold and the gross profit.

	Sales	Beginning Inventory	Purchases	Ending Inventory
1.	\$125 000	32 000	74 250	33 500
2.	\$750 585	85 600	410 360	88 300
3.	\$288 635	65 550	110 357	60 548
4.	\$174 000	33 800	82 640	33 500
5.	\$255 324	48 500	150 650	50 300

4. Below are some accounts and their balances for a merchandising business. The ending inventory figure is \$15 600. From this data, calculate the cost of goods sold figure.

Accounts	Balances	Accounts	Balances
Bank	\$ 1 500	T. Lao, Drawings	\$12 000
Accounts Receivable	22 450	Sales	82 600
Merchandise Inventory	14 500	Purchases	41 300
Supplies	1 300	Advertising	1 100
Automobile	18 000	Car Expense	5 500
Equipment	22 000	Rent Expense	9 000
Accounts Payable	4 532	Utilities Expense	2 150
T. Lao, Capital	77 558	Wages Expense	13 890

5. Below are a simple trial balance and the ending inventory figure for London Retailers after a fiscal period of one month.

LONDON RETAILERS TRIAL BALANCE JUNE 30, 20--		
	Debit	Credit
Bank	3 000	
Accounts Receivable	29 350	
Merchandise Inventory	24 500	
Supplies	1 250	
Automobile	17 500	
Accumulated Depreciation – Automobile		3 500
Equipment	35 000	
Accumulated Depreciation – Equipment		6 000
Accounts Payable		7 222
T. Wilkes, Capital		70 028
T. Wilkes, Drawings	5 000	
Sales		55 325
Purchases	18 575	
Advertising Expense	500	
Car Expense	750	
Rent Expense	1 000	
Utilities Expense	900	
Wages Expense	4 750	
	<u>142 075</u>	<u>142 075</u>

Given that the ending inventory figure is \$25 350, prepare an income statement for the month.

Part 2: Accounting Transaction for Merchandising

1. Journalize the following transactions in two-column general journal form for Excel TV and Stereo:

TRANSACTIONS

December

- 1 Received an invoice, No. 435, from Paramount Manufacturing for a shipment of television sets, \$3045.00 plus HST of \$395.85, total \$3440.85.
- 2 Received an invoice, No. B616, from Murray Transport Company for transportation charges on the above shipment of television sets, \$435.00 plus HST of \$56.55, total \$491.55.
- 3 Received an invoice, No. 7042, from Swiss Stationers for a shipment of office forms and supplies to be used in the business, \$236.00 plus HST of \$30.68, total \$266.68.
- 4 Issued Sales Invoice, No. 789, to W. Purbhoo for speakers and electronic parts, \$417.00 plus HST of \$54.21, total \$471.21.
- 5 Issued Cash Sales Slip, No. 143, for the cash sale of merchandise from the store, \$92.00 plus HST of \$11.96, total \$103.96.
- 6 Received an invoice, No. 902, from Haniko Electric for a shipment of electronic parts, \$2678.00 plus HST of \$348.14, total \$3026.14.

Part 3: Purchase Returns & Allowances

Journalize the following transactions of Copeland's Furniture Mart. Copeland's Furniture Mart uses returns and allowances accounts

1. May 31: Cash sales slip, #1060 to A.Rosen for sale of goods, \$155 plus HST of \$20.15, total \$175.15. Cash Received
2. June 4th: Cash refund slip, #1075, to A.Rosen for return of goods, \$155 plus HST of \$20.15, total 175.15. Cash paid out.

Part 4: Sales Discount

2. Complete the following schedule by calculating the date that payment is required to pick up the discount, and the amount of the payment required. When credit notes are involved, assume that the discount period is adjusted to start from the date on the credit note. This chart appears in your Workbook.

Date of Invoice	Total of Invoice	Terms of Sale	Amount of Credit Note	Date of Credit Note	Date Payment Is Made	Amount of Payment Required
May 14	\$ 147.00	2/10,n/30	-	-		
Apr. 15	315.00	3/20,n/60	\$ 42.00	May 1		
Jun. 3	220.05	2/10,n/30	78.75	Jun. 20		
Nov. 20	59.25	2/15,n/30	36.75	Dec. 2		

3. A. In two-column general journal form, record the accounting entry for the invoice shown below in the books of Circle Supply.

Quantity	Description	Unit Price	Amount
10 boxes	#10 Woodscrews	\$5.50	\$55.00
2	Standard Crowbars	4.10	8.20
			63.20
	HST		8.22
			<u>\$71.42</u>

- B. On August 12, a cheque in the amount of \$70.16 is received from Watson Construction. In two-column general journal form, show the accounting entry to be recorded in the books of Circle Supply.
- C. Watson Construction charges the merchandise shown on the above invoice to an account called Small Tools and Supplies. Show the journal entries for the above two transactions that will be made in the books of Watson Construction. Use appropriate dates.

4. A. In the books of Circle Supply, in two-column general journal form, show the accounting entry to be recorded for the invoice below.

900 Park Street		Circle Supply		Maple City, SK	
SOLD TO	Jackson and Jackson Marmora Road Maple Creek, SK S3Y 6T8	Invoice Number	873		
DATE	August 3, 20-	TERMS	2/10, n/30		
Quantity	Description	Unit Price	Amount		
100	General Purpose Connectors	\$1.00	\$100.00		
	HST		13.00		
			<u>\$113.00</u>		

- B. Some of the goods are found to be inadequate and are returned for credit. The following credit invoice is issued. Show the accounting entry in general journal form to record this credit invoice in the books of Circle Supply. Circle Supply does not use a Returns and Allowances account.

900 Park Street		Circle Supply		Maple City, SK	
SOLD TO	Jackson and Jackson Marmora Road Maple Creek, SK S3Y 6T8	CREDIT INVOICE NUMBER	891		
DATE	September 9, 20-				
Quantity	Description	Unit Price	Amount		
10	General Purpose Connectors (Ordered on Invoice #873)	\$1.00	\$10.00		
	HST		1.30		
			<u>\$11.30</u>		

- C. On September 19, a cheque is received in full payment of the sales invoice, less the credit invoice, less the cash discount. Show the accounting entry in general journal form to record the receipt of this cheque.
- D. Record the accounting entries to be made for the above transactions in the books of Jackson and Jackson. Use appropriate dates. The goods affect the Supplies account.