

Name _____ Date _____ A

Discussion Section _____ Row _____ Seat _____

PRINCIPLES OF FINANCIAL ACCOUNTING I
Chapter 5–Week 2
Fall 2014

“As a student of ORU I hereby pledge my full and hearty support to the Honor Code. I agree not only to be honest myself but to report all cases of dishonesty that are observed by me.”

- 1-4. Purchased \$2,500 worth of merchandise, FOB shipping point, 2/10, n/30, using the periodic inventory method; shipping charges were \$75. Make journal entries for (a) the purchase and (b) the shipping charges. Please skip a line between each entry.

| | | |
|-----------------------------|--------------|--------------|
| Purchases | 2,500 | |
| Accounts Payable | | 2,500 |
| | | |
| Freight-In | 75 | |
| Cash | | 75 |

- 5-8. At the end of the year, the merchandise inventory was \$74,000; during the year, Purchases was \$106,000, Purchases Returns and Allowances was \$3,000, and Purchases Discount was \$2,000; transportation charges (FOB Shipping Point) were \$1,000; the inventory of merchandise at the beginning of the year was \$50,000. Determine COST OF GOODS SOLD, showing and labeling your computations in good form.

| | | |
|---------------------------------|---------------------|----------------------|
| Beginning Inventory | | 50,000 |
| Purchases | 106,000 | |
| Less: Ret & Allow | 3,000 | |
| Discounts | <u>2,000</u> | |
| Net Purchases | 101,000 | |
| Add: Freight-In | <u>1,000</u> | 102,000 |
| Goods Available for Sale | | 152,000 |
| Less: Ending Inventory | | <u>74,000</u> |
| COST OF GOODS SOLD | | 78,000 |

- 9-10. For the fiscal year, there was \$300,000 in Sales; \$20,000 in Sales Returns and Allowances; \$6,000 in Sales Discounts; and Cost of Goods Sold was \$140,000. Determine GROSS PROFIT, showing and labeling your computations in good form.

| | | |
|------------------------------|---------------------|-----------------------|
| Sales | | 300,000 |
| Less: Ret & Allow | 20,000 | |
| Discounts | <u>6,000</u> | 26,000 |
| Net Sales | | 274,000 |
| Cost of Goods Sold | | <u>140,000</u> |
| GROSS PROFIT | | 134,000 |

Name _____ Date _____ B

Discussion Section _____ Row _____ Seat _____

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Fall 2014

“As a student of ORU I hereby pledge my full and hearty support to the Honor Code. I agree not only to be honest myself but to report all cases of dishonesty that are observed by me.”

- 1-4. Purchased \$4,000 worth of merchandise, FOB shipping point, 2/10, n/30, using the periodic inventory method; shipping charges were \$90. Make journal entries for (a) the purchase and (b) the shipping charges. Please skip a line between each entry.

| | | |
|-----------------------------------|--------------|--------------|
| Purchases | 4,000 | |
| Accounts Payable | | 4,000 |
| | | |
| Freight-In | 90 | |
| Cash (or Accounts Payable) | | 90 |

- 5-8. At the end of the year, Merchandise Inventory was \$53,000; during the year, Purchases was \$182,000, Purchases Returns and Allowances was \$5,000; Purchases Discount was \$2,000; transportation charges (FOB Shipping Point) were \$5,000; the inventory of merchandise at the beginning of the year was \$41,000. Determine COST OF GOODS SOLD, showing and labeling your computations in good form.

| | | |
|---------------------------------|---------------------|-----------------------|
| Beginning Inventory | | \$41,000 |
| Purchases | \$182,000 | |
| Less: Ret & Allow | \$5,000 | |
| Discounts | <u>2,000</u> | |
| Net Purchases | \$175,000 | |
| Add: Freight-In | <u>5,000</u> | <u>180,000</u> |
| Goods Available for Sale | | \$221,000 |
| Less: Ending Inventory | | <u>53,000</u> |
| COST OF GOODS SOLD | | \$168,000 |

- 9-10. For the fiscal year, there was \$150,000 in Sales; \$10,000 in Sales Returns and Allowances; \$3,000 in Sales Discounts; Cost of Goods Sold was \$80,000. Determine GROSS PROFIT, showing and labeling your computations in good form.

| | | |
|------------------------------|---------------------|----------------------|
| Sales | | \$150,000 |
| Less: Ret & Allow | \$10,000 | |
| Discounts | <u>3,000</u> | <u>13,000</u> |
| Net Sales | | \$137,000 |
| Cost of Goods Sold | | <u>80,000</u> |
| GROSS PROFIT | | \$ 57,000 |