NATIONAL UNIVERSITY
Manila, Philippines
College of Business & Accountancy
Department of Accountancy
SY 2021 -2022
BAINTE1X: Integrated Accounting Fundamentals

ACTIVITY 8: ACCOUNTING FOR MERCHANDISING BUSINESS

19. Journalize the following transactions for L-A Boutique, post simultaneously to the supplier's cards, open a T account for the accounts payable entries, determine the balance and reconcile it with the creditor's ledger's balances. The company is VAT exempt and pays only the percentage tax.

Aug 1 Bought goods from Galeria Inc. P82,500 plus P9,500 for insurance and taxes. Invoice No. 485. Term: COD, FOB Shipping Point. Freight Collect.
4 Prepared Voucher No 101 for the Galeria account and Voucher No. 102 for freight upon receipt of the shipment, P4,500.
5 Bought goods from Diana's Creation for P19,500. Terms: 2/10, 1/15, n/30. Received charge sales invoice no.859. Discounts are given on partial payments.
10 Bought an office equipment from EEI,Inc. For P20,000 plus freight of P500. Terms: 2/10, n/30.
15 Prepared a cash voucher for P9,800 as partial payment to Diana's Creation.
18 Received a cash refund of P2,500 on goods returned to Galeria. Issued Official Receipt no. 158.
19 Prepared a voucher and paid EEI's account.
20 Prepared voucher and paid the balance due to Diana's Creation.
22 Ordered goods from Bulacan Jewelry, P45,000. Terms: 3 EOM, n/30. FOB Shipping Point, Freight collect P500.
24 Bulacan was paid 50% of the account plus freight upon the receipt of the goods.

DATE	ACCOUNT TITLE	DEBIT	CREDIT
Aug. 1	Purchases	P 82,500	
	Insurance and Taxes	9,500	
	Accounts Payable		P 92,000
4	Accounts Payable	92,000	
	Freight - in	4,500	
	Cash		96,500

	Accounts Payable		92,000	
	Freight - in		4,500	
		Voucher Payable		96,500
	Voucher Payable		96,500	
		Cash		96,500
5	Purchases		19,500	
		Accounts Payable		19,500
10	Office Equipment		20,500	
		Accounts Payable		20,500
15	Accounts Payable		9,800	
		Cash		9,604
		Purchase Discount		196
18	Cash		2,500	
		Purchase Returns & Allowances		2,500
19	Accounts Payable		20,500	
		Cash		20,100
		Office Equipment		400
	Office equipment		20,100	
		Accounts Payable		20,100
20	Accounts Payable		9,700	
		Purchase Discount		97
		Cash		9,603
22	Purchases		45,000	
	Freight - in		500	
		Accounts Payable		45,500
24	Accounts Payable		23,000	
		Cash		23,000

20. The following are selected March transactions of Sweet Comfort, distributor of imported bed sheets, pillow cases and comforters. Its credit term is 2/10, n/30, FOB Destination. 12% VAT is included in all invoices. The company is VAT registered.

4 Purchased an aircon unit from Conception Industries at a list price of P9,000 less 5% trade discount, 2/EOM, n/60. Get invoice price and add 12% VAT.

6 Paid P1,344 for the delivery cost of the above purchase.

8 Sold merchandise to Susan Velasco in the amount of P19,040 on account. Delivery cost paid in cash, P604,80.

10 Purchased 10 comforters from Hong Kong Sleepwell invoiced at 12,000 Hong Kong dollars. Hong Kong Sleepwell has a Philippine distributor. Exchange rate is P5.5 to a Hong Kong dollar. 12% VAT is to be added. Terms: 2/10, 1/20, n/30.

15 Received a check from Susan Velasco in total payment of her purchase.

19 Sold to David Company, on account, 5 Canadian bed sheets @ P1,680 each set. Freight cost paid for the delivery, P336.

20 David reported that an item in the shipment was defective. It was agreed that David would retain the item but will be credited for P560.

22 Paid Hong Kong Sleepwell for 5 comforters less the agreed discount.

25 Received a check for P5,500 from David Company as partial payment.

28 Paid Concepcion Industries the amount due on the purchase of March 4.

Required:

a. Journalize the above transactions. Open the customer's and supplier's cards.

DATE	ACCOUNT TITLE	DEBIT	CREDIT
Mar. 4	Aircon	P 8,550	
	Input Tax		P 1,026
	Accounts Payable		9,576
6	Aircon	1,344	
	Cash		1,344
8	Accounts Receivable	19,644.8	
	Sales		17,000
	Output Tax		2,040
	Cash		604.8
10	Conforters	66,000	
	Input Tax	7,920	
	Accounts Payable		73,920
15	Cash	19,304.8	

	Sales Discount	340	
			19,644.
	Accounts Receivable		8
19	Accounts Receivable	9,636	
	Sales		8,400
	Output Tax		900
	Cash		336
20	Sales Allowance	560	
	Accounts Receivable		560
22	Accounts Payable	73,920	
	Cash		73,920
25	Cash	5,500	
	Sales Discount	110	
	Accounts Receivable		5,610
28	Accounts Payable	9,576	
	Cash		9,405
	Purchase Discount		171

b. Post to T accounts the accounts receivable and accounts payable entries.

ACCOUNTS RECEIVABLE					
DATE		DEBIT		CREDIT	
Mar		19,644.			
.	8	P 8			
	1			19,644.	
	5		P	8	
	1				
	9	9,636			
	2				
	0			560	
	2				
	5			5,610	
		29,280.		25814.	
Total:		P 8	P	8	

ACCOUNTS PAYABLE					
DATE		DEBIT		CREDIT	
Mar					
.	4			P 9,576	
	1			73,92	
	0			0	
	2				
	2	P 73,920			
	2				
	8	9,576			
		83,496.		8349	
Total:		P 0	P	6	

Balance: P 0.0

Balance: P 3,466.0

c. Determine the balances and reconcile with the balances of the customer's and supplier's cards.

Supplier's Card: Conception			
DATE	DEBIT	CREDIT	BALANCE
Mar. 4		P 9,576	P 9,576
28	P 9,576		P 0

Supplier's Card: Hong Kong Sleepwell			
DATE	DEBIT	CREDIT	BALANCE
1		73,92	73,92
Mar. 0		P 0	P 0
2	73,92		
3	P 0		P 0

Customer's Card: Susan Velasco			
DATE	DEBIT	CREDIT	BALANCE
Mar	19,644.		19,644.
. 8	P 8		P 8
1		19,644.	
5		P 8	P 0

Customer's Card: David Company			
DATE	DEBIT	CREDIT	BALANCE
Mar. 19	P 9,636		P 9,636
20		P 560	P 9,076
25		P 5,610	P 3,466

21. Sammy Co. distributes travelling bags retail stores at a price of P1,550 each travelling bag and extends credit terms of 1/10, n/30 to all customers. At the end of June, Sammy's closing stock consisted of 70 travelling bags (code 27) costing P800 each. During the month of July the following merchandising transactions occurred.

1 Sammy purchased 60 suitcases (code 28) on account for P800 each from Bagsy Co. FOB shipping point. Terms: 2% trade discount, n/10. Sammy paid P1,400 freight.
3 Sammy sold 40 suitcases (code 27) on account to Metro World.
9 Paid the account due to Bagsy.
12 Received payment form Metro World for the account on July 3.
17 Sold 30 suitcases (Code 28) on account to Going and Coming.
18 Purchased 60 suitcases (code 29) for P51,000 from Kingsmen Manufacturer, FOB Destination, terms 1/10, n/30. Kingsmen paid freight of P9,000.
20 Received credit for P8,500 for 10 suitcases (code 29) returned to Kingsmen.
21 Received payment in full from Going and Coming.
22 Sold 30 suitcases (code 27) and 30 suitcases (code 29) on account to Fly-By-Day.
29 Paid Kingsmen in full account due.
30 Granted Fly-By-Day P500 allowance for 4 suitcases (code 29) which were found with slight defect.
Unsold stock was counted to be 50 pieces.

Chart of accounts includes the following: No. 101 Cash, No. 112 Accounts Receivable, No.120 Merchandise Inventory, No. 201 Accounts Payable, No. 401 Sales, No. 412 Sales Returns and Allowances, No. 414 Sales Discounts, No. 505 Cost of Goods Sold.
Required:

a) Entries using perpetual methods. Post to T Account Merchandise Inventory
b) Prepare 3 stock cards. Did the unsold units tally with balances of the stock cards?
c) Did the balances in the T Account tally with the cost unsold goods?
d) Compute for Gross profit.

22. Parisian Store is engaged in selling furniture on credit term 2/10, n/30. Prepare journal entries for May, open customers and creditors cards, post to the general ledger for Accounts Receivable and Accounts Payable. Reconcile the balances of the cards against the control accounts. The company is non-VAT registered.

5 Received furniture from Angs's Furniture Mart P134,400. Terms: 2/10, n/30. FOB shipping point, Freight collect. Cash was paid for the freight, p6,160.
10 Paid half of the amount owing to Ang's furniture.
14 sold toDanilo's Apartelle furniture worth P69,440 on account. FOB Destination.
15 Paid Ang's furniture the account that is due.
16 Paid for shipment of furniture to Danilo's apartelle, P1,680.
17 P2,632 worth of furniture was returned for credit by Danilo's Apartelle.
24 Danilo's Apartelle paid its account in full.
25 Purchased furniture from Hill Furnishings, P101,360. Terms: 50% down, balance 2/10, n/30. FOB Shipping point, P5,600 Freight collect.
29 Sold Furniture to Mr. Ramos of Ayala Alabang P64,400. Terms: Down payment of P25,000, balance on account. FOB Destination, Freight Prepaid P560.
31 Paid Hill Furnishings the account that is due.

DATE	ACCOUNT TITLE	DEBIT	CREDIT
May		134,40	
. 5	Ang's Furniture	P 0	
	Freight Cost	6,160	
	Accounts		134,40
	Payable		P 0
	Cash		6,160
1			
0	Accounts Payable	67,200	
	Cash		67,200
1	Accounts		
4	Receivable	69,440	

		Income		69.44
15	Accounts Payable		67,200	
		Cash		67,200
16	Danilo's Credit		2,632	
		Cash		2,632
17	Cash		2,632	
		Danilo's Credit		2,632
24	Cash Income		69,440	
		Accounts Payable		69,440
25	Hill's Furniture		101,360	
	Freighht Cost		5,600	
		Accounts Payable		50,680
		Cash		56,280
29	Cash Income		25,000	
	Accounts Receivable		39,400	
	Freight Cost		560	
		Income		64,400
		Cash		560
31	Accounts Payable		50,680	
		Cash		50,680

23. The data for August are given below for Pretty Carpets. The Company honors BDO Express Card for a 3% service fee. Journalize in a 2-column journal and post to customers and suppliers subsidiary ledger cards. Using T accounts post the accounts receivable and accounts payable

entries. Reconcile the balances of the subsidiary ledgers with the balances of the control accounts. The company is Non- Vat registered.

1	Pretty Carpets of Cebu was organized with the owner Vic Feria investing P550,000 cash and P100,000 worth of merchandise. P300,000 was immediately deposited with BDO.
3	Carpets were purchased for P135,000 including freight of P2,500. Issued a check for this.
10	Sold merchandise to Rustan's of Manila, P92,000. Terms: 2/10, n/30. FOB Shipping Point, 2,000 freight prepaid was included in the invoice.
12	The company sold goods on account to Robinson's Cebu, P72,000 2/EOM, n/30.
16	P2,900 worth of goods were returned by Rustan's for credit.
20	Salaries paid: office employees P9,500 and salesmen P26,000 less 5% withholding tax.
22	Collected in full the account of Rustan's
24	The company returned merchandise purchased on June 3 and was given a cash refund of P8,000.
26	Purchased goods from Bess Carpets, P105,000. Terms: 2/10, n/30, FOB Shipping Point.
27	Paid foresight of P3,000 on the Bess shipment.
28	Robinson's paid its account in full.
28	Paid Bess Carpet P55,000.
29	Cash sales, P54,000 including P14,000 on credit cards. Cash deposited with BDO.
30	Issued a check for store rent P15,000. BDO's bank statement showed the bank charged 3% for the month.
31	Paid for salaries less withholding tax. Additional deductions were made for 3% SS, 1.5% Philhealth and 2% pag-ibig premiums. Paid in cash for utilities, P6,000 (one-fourth is considered administrative).

24. Using the balances of Exercise 23, prepare an income statement assuming that stock on hand amounted to P195,000. A 3% percentage tax should be set-up based on net sales. Determine the profitability of the company. Bank's prime rate of return is 6% on investments.

25. The following information were taken from the books of Aqua- Land Sport store which sells all kinds of swimming gears:

Sales Returns & Allowances	4,000	Purchase Discount	6,000
Freight In	8,000	Communication Expense	45,000
Commission Expense	30,000	Sales	368,000
Purchase Returns & Allowances	7,500	Purchases	112,000
Merchandise Inventory, Dec 31	95,000	Sales Discount	25,000
Transportation Out	11,000	Rent Expense	120,000
Merchandise Inventory, Jan 1	78,500	Sales Salaries Expense	91,300
Pag-ibig Premium Expense	1,826	Taxes & Licenses	10,170
SS & EC Premium Expense	3,088	Depreciation Expense	16,500

Loss from sale of Land 43,000

Required: Prepare an Income Statement using the multi-step form Rent and Communications Expenses are 25% allocated to General and Administrative Expenses.

Fernando, Hardware			
Statement of Comprehensive Income			
For the Year Ended Dec. XX, XXX			
Sales Revenue			
Less: Sales Return & Allowances		368,000	
Sales Discount		-4,000	
Net Sales		-25,000	
			339,000
Less: Cost of Good Sold			
Beginning Inventory(Jan. 1)		78,500	
Net Purchases			
Purchases	112,000		
Freight In	8,000		
Purchase Returns & Allowances	-7,500		
Purchase Discount	-6,000	106,500	
Cost of Good Sold Available for Sale		185,000	
Ending Inventory(Dec. 31)		-95,000	90,000
Gross Profit			249,000
Less: Operating Expenses			
Selling Expense			
Commision Expenses	30,000		
Transportation Out	11,000		
Communications Expense (75%)	33,750		
Rent Expense (75%)	90,000		
Sales Salaries Expense	91,300	256,050	
General and Administrative Expense			
Pag-Ibig Premium Expense	1,826		
SS & EC Premium Expense	3,088		
Philhealth Premium Expense	12,000		
Communication Expense (25%)	11,250		
Rent Expense (25%)	30,000		
Depreciation Expense	16,500	74,664	330,714
Operating Iincome			-81,714
Less: Non-Operating or Other Expense			

Loss from Sale of Land	43,000	
Taxes and Licenses	10,170	53,170
NET INCOME (LOSS)		-134,884

26. Rio Fernando opened a hardware store on July 1, 2010. After three years of operation the accounts of your Hardware, including the owner's additional cash investment of P60,000 on August 1, 2013 appears as follows:

Accounts Receivable	P 43,750	Office Equipment	P 48, 680
Accounts Payable	16,950	Purchases	364,000
Accum. Depn - Office Equipment	22,450	R. Florendo, Drawings	49,000
Purchase Discount	1,900	Notes Payable	45,000
Accum. Depn.- Office Equipment	16,000	Purchase Returns	3,400
R. Florendo, Capital	124,620	VAT Payable	2,840
Cash	57,890	Sales	719,800
Office Salaries Expense	20,000	Sales Discount	10,400
Store Utilities Expense	30,600	Sales Returns	18,030
Bad debts	15,000	Freight Out	22,000
Interest Expense	5,400	Advertising Expense	40,000
Interest Payable	1,100	Sales Commission	40,000
Inventory, July 1, 2013	69,350	Office Supplies Used	2,300
Inventory, June 30,2014	81,520	Store Equipment	68,000
Sales Salaries Expense	19,000	Store Supplies Used	9,160
Depreciation Expense - Office Equip.	6,500	Depreciation Expense- Store Equip.	15,000

Required: a) applying PAS i revised 2007, prepare properly classified financial statements, including a capital statement.

b) Evaluate the company's profitability using profit ratio and ROE, liquidity using current ratio and stability using debt ratio and equity ratio. Refer to Chapter 11.

c) Evaluate company's efficiency in handling collection by computing for the receivable Turnover. Assume collection policy of the company is 45 to 60 days and accounts receivable beginning is P35,000. Half of the sales are on credit.

27. Cherry Lopez runs the Wear Ever Store which sells ladies' wear. The company is VAT registered. All sales and freight are inclusive of 12% VAT. She carries charge accounts for a few customers. To encourage prompt payment she offers cash discounts of 2/10, n/30, FOB Shipping Point. She invested on January 1 merchandise worth P200,000. She also

invested P500,000 cash of which P400,000 was deposited with Citibank for the account of the business. The following are the transactions for the month of January:

2 Issued a check for rent deposit, P25,000.
3 Purchased merchandise from a Hong kong distributor for $44,800. Terms: FOB Shipping Point, 2/10, n/30 with prepaid freight of $280 added to the invoice. The exchange rate is P5.5 to a Hong Kong Dollar. Add 12% VAT on the purchase price including freight.
4 Purchased merchandise from Folks Wear, P39,200 less 2% and 1% trade discounts. Terms: FOB Shipping Point, 2/10, n/30. Add 12% VAT to the gross invoice price.
5 Paid cash for freight of Folks Wear shipment, P1,440.
6 Sold merchandise on account to the Sari-sari store, P8,960. Freight collect, P504.
7 Returned merchandise to Folks Wear who credited the account for P1,800.
11 Issued a check in payment of the Hong Kong account.
14 Summary of cash sales P15,680 which was immediately deposited.
15 Paid cash for salaries P14,000 less a 5% withholding tax.
16 Issued a check in payment of Folks Wear account.
17 Received cash in full from the Sari account. This was immediately deposited with Citibank.
18 Sold merchandise for cash, P16,800. This was immediately deposited with Citibank.
19 Cash refund to customers amounted to P12,320.
20 Sold merchandise on account to Robinson's P33,600 plus prepaid freight P1,456.
21 Sold merchandise to Citibank credit cardholders, P9,520. (Considered as cash sales. Use cash in a bank account).
22 Received merchandise returned by Robinson's, P4,704. VAT included.
23 Service fee charged by Citibank, P1,125. (Use the title bank service charges and decrease cash in the bank).
24 Paid for Utilities in cash P5,650 and rent P15,000.
25 Paid for salaries less 5% withholding tax, 3% SS, 1.5% Philhealth and 2% Pag-ibig.
28 Issued a check in payment of the rent p12,500.
30 A physical count of inventory showed P553,000 still unsold.

Required: a. Journalize the transactions.
b. Open the creditors' and customers' subsidiary ledger and post the entries.
c. Post the entries to control accounts. Prove the balances of the subsidiary ledgers Against the control accounts.
d. Determine the gross profit for the month and the gross profit ratio.

28. The following selected adjusted account balances were taken from the worksheet of Simply Divine, distributor of crafts and frames, for the year ended December 31, 2014:

Account title	Debit	Credit
C. Celis, Capital		P220,000
C. Celis, withdrawals	P 35,000	
Sales		550,000
Sales Returns and Allowances	7,000	
Sales Discounts	13,000	
Purchases	200,000	
Transportation In	10,000	
Purchases Returns and Allowances		14,000
Purchases Discounts		16,000
Delivery Expense	45,000	
Commission Expense	85,000	
Sales Salaries Expense	130,000	
Pag-ibig Premium Expense, Sales	2,400	
SS & EC Premium Expense, Sales	8,248	
Philhealth Premium Expense, Sales	1,500	
Bad Debts	5,500	
Insurance Expense	12,000	
Office Salaries Expense	75,000	
Pag-ibig Premium Expense, Office	1,200	
SS & EC Premium Expense, office	5,668	
PhilHealth Premium Expense, Office	900	
Interest Income		8,000
Interest Expense	5,000	

Beginning and closing stocks are P50,000 and P60,000, respectively.

Required: a. Prepare an income statement using the function of expense presentation format.

b. Prepare a capital statement.

c. Is the return on investment attractive considering that other investment alternatives carry an ROE of 5% to 8%?