

Financial Accounting
Chapter 5 Homework
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E5-2 Information related to Duffy Co. is presented below.

1. On April 5, purchased merchandise from Thomas Company for \$25,000, terms 2/10, net/30, FOB shipping point.
2. On April 6, paid freight costs of \$900 on merchandise purchased from Thomas.
3. On April 7, purchased equipment on account for \$26,000. Answer general questions about merchandisers.
4. On April 8, returned damaged merchandise to Thomas Company and was granted a \$2,600 credit for returned merchandise.
5. On April 15, paid the amount due to Thomas Company in full.

Instructions

(a) Prepare the journal entries to record these transactions on the books of Duffy Co. under a perpetual inventory system.

Date	Account Titles and Explanation	Debit	Credit
1. April 5	Merchandise Inventory	\$25,000	
	Account Payable		25,000
2. April 6	Merchandise Inventory	900	
	Cash		900
3. April 7	Equipment	26,000	
	Account Payable		26,000
4. April 8	Account Payable	2,600	
	Merchandise Inventory		2,600
5. April 15	Account Payable	22,400	
	Merchandise Inventory		448
	Cash		21,952

(b) Assume that Duffy Co. paid the balance due to Thomas Company on May 4 instead of April 15. Prepare the journal entry to record this payment.

Date	Account Titles and Explanation	Debit	Credit
May 4	Account Payable	22,400	
	Cash		22,400

E5-3 On September 1, Roshek Office Supply had an inventory of 30 calculators at a cost of €22 each. The company uses a perpetual inventory system. During September, the following transactions occurred.

Sept. 6 Purchased 90 calculators at €20 each from Harlow Co., terms 2/10, n/30.

9 Paid freight of €180 on calculators purchased from Harlow Co.

10 Returned 3 calculators to Harlow Co. for €66 credit (including freight) because they did not meet specifications.

12 Sold 26 calculators costing €22 (including freight) for €33 each to Village Book Store, terms n/30.

14 Granted credit of €33 to Village Book Store for the return of one calculator that was not ordered.

20 Sold 40 calculators costing €22 for €32 each to Holiday Card Shop, terms n/30.

Instructions

Journalize the September transactions.

Date	Account Titles and Explanation	Debit	Credit
Sep 6	Inventory (90x20)	1,800	
	Account Payable		1,800
9	Inventory	180	
	Cash		180
10	Account Payable	66	
	Inventory		66
12	Account Receivable (26x33)	858	
	Sales Revenue		858
	Cost of Good Sold (26x22)	572	
	Inventory		572
14	Sales Returns and Allowances	33	
	Account Receivable		33
	Inventory	22	
	Cost of Good Sold		22
20	Account Receivable (40x32)	1280	
	Sales Revenue		1280
	Cost of Good Sold (40x22)	880	
	Inventory		880

E5-4 On June 10, Rebecca Company purchased \$7,600 of merchandise from Clinton Company, FOB shipping point, terms 2/10, n/30. Rebecca pays the freight costs of \$400 on June 11. Damaged goods totaling \$300 are returned to Clinton for credit on June 12. The fair value of

these goods is \$70. On June 19, Rebecca pays Clinton Company in full, less the purchase discount. Both companies use a perpetual inventory system.

Instructions

(a) Prepare separate entries for each transaction on the books of Rebecca Company.

Date	Account Titles and Explanation	Debit	Credit
June 10	Inventory	7,600	
	Account Payable		7,600
11	Inventory	400	
	Cash		400
12	Account Payable	300	
	Inventory		300
19	Account Payable (7,600-300)	7,300	
	Inventory		146
	Cash		7,154

(b) Prepare separate entries for each transaction for Clinton Company. The merchandise purchased by Rebecca on June 10 had cost Clinton \$4,300.

Date	Account Titles and Explanation	Debit	Credit
June 10	Accounts Receivable	7,600	
	Sales Revenue		7,600
	Cost of Goods Sold	4,300	
	Inventory		4,300
12	Sales Returns and Allowances	300	
	Accounts Receivable		300
	Inventory	70	
	Cost of Goods Sold		70
19	Cash (\$7,300 – \$146)	7,154	
	Sales Discounts (\$7,300 X 2%)	146	
	Accounts Receivable (\$7,600 – \$300)		7,300

E5-5 Presented below are transactions related to Li Company.

1. On December 3, Li Company sold HK\$570,000 of merchandise to South China Co., terms 1/10, n/30, FOB shipping point. The cost of the merchandise sold was HK\$364,800.
2. On December 8, South China Co. was granted an allowance of HK\$20,000 for merchandise purchased on December 3.

3. On December 13, Li Company received the balance due from South China Co.

Instructions

(a) Prepare the journal entries to record these transactions on the books of Li Company using a perpetual inventory system.

Date	Account Titles and Explanation	Debit	Credit
1. Dec. 3	Accounts Receivable	570,000	
	Sales Revenue		570,000
	Cost of Goods Sold	364,800	
	Inventory		364,800
2. Dec. 8	Sales Returns and Allowances	20,000	
	Accounts Receivable		20,000
3. Dec. 13	Cash (HK\$550,000 – HK\$5,500)	544,500	
	Sales Discounts[570,000-20,000) X 1%]	5,500	
	Accounts Receivable (570,000-20,000)		550,000

(b) Assume that Li Company received the balance due from South China Co. on January 2 of the following year instead of December 13. Prepare the journal entry to record the receipt of payment on January 2.

Date	Account Titles and Explanation	Debit	Credit
Jan 2.	Cash	550,000	
	Account Receivable (570,000-20,000)		550,000

E5-7 Hezir Company had the following account balances at year-end: Cost of Goods Sold 60,000; Inventory 15,000; Operating Expenses 29,000; Sales Revenue 115,000; Sales Discounts 1,300; and Sales Returns and Allowances 1,700. A physical count of inventory determines that merchandise inventory on hand is 13,600.

Instructions

(a) Prepare the adjusting entry necessary as a result of the physical count.

Date	Account Titles and Explanation	Debit	Credit
	Cost of Goods Sold	1,400	
	Inventory		1,400

(b) Prepare closing entries.

Date	Account Titles and Explanation	Debit	Credit
	Closing Entries		
	(1)		
	Sales Revenue	115,000	
	Income Summary		115,000
	(To close revenue account)		
	(2)		
	Income Summary	93,400	
	Cost of Goods Sold (\$60,000 + \$1,400)		61,400
	Operating Expenses		29,000
	Sales Returns and Allowances		1,700
	Sales Discounts		1,300
	(To close expense accounts)		
	(3)		
	Income Summary	21,600	
	Retained Earnings		21,600

E5-8 Presented below is information related to Taylor Co. for the month of January 2014.

(a) Prepare the necessary adjusting entry for inventory.

Date	Account Titles and Explanation	Debit	Credit
	Cost of Good Sold (21,600-21,000)	600	
	Inventory		600

(b) Prepare the necessary closing entries.

Date	Account Titles and Explanation	Debit	Credit
Jan.2014	Closing Entries		
	(1)		
	Service Revenue	378,000	
	Income Summary		378,000

	(2)		0
	Income Summary	327,600	
	Cost of goods sold (208,000+600)		208,60
	Freight-out		0
	Insurance expense		7,000
	Rent expense		12,000
	Salaries and wages expense		20,000
	Sales discounts		59,00
	Sales returns and allowances		0
	(3)		8,000
	Income Summary	50,400	13,000
	Retained Earnings		
			50,400