Accounting Terminology

1.Merchandise not sold and still on hand is listed as a ________________________ (type of account) on the (financial statement).

2.The cost of ending inventory is calculated by adding the cost of the ________________________ to the cost of the ______________________________ and subtracting the _____________________.

3.The only time that the value of the inventory is updated if the ________________________ inventory method is used is when a physical count of the merchandise is taken.

4.When merchandise for resale is purchased, the account debited is ________________________ .

5.The difference between the Sales figure and the Cost of Goods Sold is referred to as the ________________________.

6.The expense of shipping in goods for sale is recorded by debiting __________________________ ; the expense of shipping out goods already sold is recorded by debiting ________________________ .

7.On the worksheet, the Merchandise Inventory figure from the trial balance is extended to the ________________________ column of the _______________________.

8.On the worksheet, the ending inventory figure is found in the _________________________ column and the ___________________________ column.

9.On the worksheet, the Freight-in and Purchases figures are extended to the ____________________ column of the _____________________________ .

10. The opening Merchandise Inventory figure is closed by debiting ________________ and crediting ; the ending Merchandise Inventory figure is closed by debiting ____________________ and crediting .

11. The Purchases account is closed by debiting _______________________ .

12. The source document issued when goods are returned is a _______________________ .

13. Sales Returns and Allowances and Purchase Returns and Allowances are examples of ________________________ accounts.

14. When merchandise sold on account is returned, the seller will debit _______________________ and credit __________________________ .

15. Constant updating of the Merchandise Inventory account is a feature of the __________________ inventory system.

16. The formula for gross margin percentage is ______________________ divided by ________________________.

17. A _______________________ income statement shows amounts expressed as percentages of net sales.

The Bank Reconciliation

Assume that the bank statement as of July 31, prepared for ***Café Blazina*** shows a final balance of $997.15, while Ms. Blazina's Cash account (and cheque book balance) as of July 31 shows $1098.42. Assume Ms.Blazina writes down the following information after comparing all items shown on the bank statement with the accounting records.

- ❑ Outstanding cheques: #25, $135.80; #27, $296.10; #32, $1025.80.
- ❑ Debit memo for annual safety deposit box rental: $13.50.
- ❑ Late deposit, March 31: $1485.
- ❑ Bank service charges: $3.
- ❑ Interest earned on the savings account: $1.50.
- ❑ NSF Cheque from W. Parker for 58.97

a) Prepare a bank reconciliation statement from the above information.
b) Prepare General Journal entries that the business should make after preparing the bank reconciliation.

Date		Particulars	PR	D R	C R

The Income Statement for a Merchandising Business

Prepare the income statement (to gross profit) for Andras Enterprises for the year ended August 31, 2018, using the information below.

Merchandise Inventory (Sep. 1)	$ 44 000
Merchandise Inventory (Aug. 31)	20 000
Sales	178 000
Sales Returns and Allowances	2 000
Discounts Allowed	3 000
Purchases	112 500
Purchase Returns and Allowances	2 000
Discounts Earned	4 000
Freight-in	4 500

<u>The Income Statement for a Merchandising Business</u>

Fill in any missing information (numbers or account names) in the proper location on the following Income Statement for the merchandising firm. There are <u>ten</u> pieces of missing information to be filled in on the following statement.

Nav-E-Joe-T Promotions

INCOME STATEMENT

FOR THE MONTH ENDED JULY 31, 2018

<u>REVENUE:</u>			
Sales			
Sales Returns & Allowances		25,000.00	
			725,000.00
<u>Cost of Goods Sold</u>			
Merchandise Inventory, July 1			
	150,000.00		
Less:Purchase Returns and Allowances	12,500.00		
Net Purchases			
Freight In		2,250.00	
		514,750.00	
Merchandise Inventory, July 31		125,985.00	
Gross Profit			336,235.00
<u>OPERATING EXPENSES</u>			
Heat, Light & Power		2,500.00	
Rent		35,000.00	
Telephone		750.00	
Wages		58,000.00	
Total Operating Expenses			
NET INCOME/NET LOSS			

Adjusting Entries

1. Prepare adjusting entries for each of the following for the end of the month of January 2017

(a) The Office Supplies account had a balance of \$8850 at the beginning of the fiscal period. Supplies on hand at the end of the period were worth \$7229.

(b) Rent totaling \$4500 was paid on January 1 for three months.

(c) A 12-month insurance policy was purchased on January 1 for \$3600.

(d) The company's Equipment account balance is \$80 000. The balance in the Accumulated Depreciation—Equipment account is \$16 000. The equipment depreciates 20 percent per year. Record the January depreciation using the declining-balance method.

2. Office furniture was purchased on January 1 of Year 1. The furniture cost \$40 000 and was expected to last four years, at which time it would have a trade-in value of \$5000. The straight line method of depreciation was used. Indicate the dollar amount of depreciation for each of the furniture's four years of service and the journal entries required.

Year 1 __________

Year 2 __________

Year 3 __________

Year 4 __________

Journal Entries for a Merchandising Business

Journalize the following transactions for Fiocco's I ♥ Mac merchandising company. Fiocco uses a returns and allowances account and a discounts account. The business operates in Ontario and the HST rate is 13%.

June 1 *Cash Receipt*
Fiocco deposited \$10,000 of her personal funds into the business account

2 *Sales Invoice*
Sold merchandise on account to Ms. McKay , \$625.00 plus HST terms 2/10 net 30.

9 *Purchase Invoice*
Purchased merchandise on account, \$4 360.00 plus HST terms 2/10 net 30

11 *Credit Invoice Issued*
A credit customer returned defective goods, \$900.00 plus HST

16 *Purchase Invoice*
From Transport Trucking for charges on incoming merchandise, \$257.00 plus HST.

25 *Cash Receipt*
Payment from Ms. McKay, 692.13 for June 1 sale (less 2% discount).

27 *Credit Invoice Received*
Received an allowance for damaged merchandise that was originally purchased on account, \$930.00 plus HST.

28 *Cheque Copy*
Payment for June 9 purchase, 4828.26 (less 2% discount)

29 *Cash Sales Slip*
Sold merchandise to Mr.Scorcia, \$1000.00 plus HST

30 *Cheque Copy*
To Establish a petty cash fund \$300.00

30 *Cheque Copy*
To replenish the petty cash fund \$231.65 (\$30.00 Misc. Expense, \$80.00 gas for company truck, \$35.00 for office supplies, \$60.00 for owner's personal use, \$26.65 total HST on the purchases)

30 *Cheque Copy*
To increase the petty cash fund to \$500.00