

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 Income Statement for a Merchandising Business

Fill in any missing information (numbers or account names) in the proper location on the following Income Statement for the merchandising firm. There are ten 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, 2017

<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.Scordia, \$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