

PRINCIPLES OF FINANCIAL ACCOUNTING I  
 Fall 2013  
Chapter 5 – Periodic Inventory

"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."

- Purchased \$2,000 worth of merchandise, FOB shipping point, 2/10,n/30, using the periodic inventory method; shipping charges were \$50. Make journal entries for (a) the purchase and (b) the shipping charges. (4 points) Please ship a line between each entry.


- At the end of the year, the merchandise inventory was \$34,500; during the year, Purchases was \$168,000, Purchases Returns and Allowances \$1,000, Purchase Discounts \$4,000; transportation charges (FOB shipping point) were \$2,000; the inventory of merchandise at the beginning of the year was \$23,000. Determine COST OF GOODS SOLD, showing and labeling your computations in good form. (4 points)
- For the fiscal year, there was \$200,000 in Sales; \$10,000 in Sales Returns and Allowances; \$5,000 in Sales Discounts; and the cost of the goods sold was \$90,000. Determine GROSS PROFIT, showing and labeling your computations in good form. (2 points)

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1. Purchased \$2,000 worth of merchandise, FOB shipping point, 2/10,n/30, using the periodic inventory method; shipping charges were \$50. Make journal entries for (a) the purchase and (b) the shipping charges. (4 points) Please ship a line between each entry.

Purchases	2,000	
Accounts Payable		2,000
Freight In	50	
Cash (or Accounts Payable)		50

2. At the end of the year, the Merchandise Inventory was \$34,500; during the year, Purchases was \$168,000, Purchases Returns and Allowances \$1,000, Purchase Discounts \$4,000; transportation charges (FOB shipping point) were \$2,000; the inventory of merchandise at the beginning of the year was \$23,000. Determine COST OF GOODS SOLD, showing and labeling your computations in good form. (4 points)

Beginning inventory			\$ 23,000
Purchases		\$168,000	
Less: Pur Ret & Allow	\$1,000		
Pur Discounts	<u>4,000</u>	<u>5,000</u>	
Net Purchases		\$163,000	
Add: Freight-In		<u>2,000</u>	<u>165,000</u>
Goods Available for Sale			\$188,000
Less: Ending inventory			<u>34,500</u>
COST OF GOODS SOLD			\$153,500

3. For the fiscal year, there was \$200,000 in Sales; \$10,000 in Sales Returns and Allowances; \$5,000 in Sales Discounts; and the cost of the goods sold was \$90,000. Determine GROSS PROFIT, showing and labeling your computations in good form. (2 points)

Sales			\$200,000
Less: Sales Ret & Allow		\$10,000	
Sales Discounts		<u>5,000</u>	<u>15,000</u>
Net Sales			\$185,000
Cost of Goods Sold			<u>90,000</u>
GROSS PROFIT			\$95,000