Chapter 4 Alternate Demonstration Problem #1

**The following data was taken from ledger account balances and supplementary data for the Whisk Company. Whisk Company uses periodic inventory method to account for its inventory.**

|  |  |
| --- | --- |
| **Merchandise inventory, beginning**  | **$ 20,000** |
| **Merchandise inventory, ending**  | **23,000** |
| **Purchases**  | **215,000** |
| **Purchases discounts**  | **6,000** |
| **Purchases returns and allowances**  | **3,000** |
| **Sales**  | **400,000** |
| **Sales discounts**  | **3,200** |
| **Sales returns and allowances**  | **1,800** |
| **Transportation-in**  | **10,000** |

**Required:**

**Show the computation, in Income Statement format, of net sales, cost of goods sold, and gross profit for the year ended December 31, 2022.**

Chapter 4 Solution: Alternate Demonstration Problem #1

|  |
| --- |
| WHISK COMPANYIncome StatementFor the Year Ended December 31, 2022 |
|  |  |  |  |  |
| **Revenue from sales:** |  |  |  |  |
|  **Sales**  |  |  |  | **$400,000** |
|  **Less: Sales discounts**  |  |  | **$ 3,200** |  |
|  **Sales returns and allowances**  |  |  |  **1,800** |  **5,000** |
|  **Net sales**  |  |  |  | **395,000** |
|  |  |  |  |  |
| **Cost of goods sold:** |  |  |  |  |
|  **Merchandise inventory, 1/1/22**  |  |  |  **20,000** |  |
|  **Purchases**  |  | **$215,000** |  |  |
|  **Less: Purchase discounts**  | **$6,000** |  |  |  |
|  **Purchases returns and allowances**  |  **3,000** |  **9,000** |  |  |
|  **Net purchases**  |  | **206,000** |  |  |
|  **Add transportation-in**  |  |  **10,000** |  |  |
|  **Cost of goods purchased**  |  |  |  **216,000** |  |
|  **Goods available for sale**  |  |  | **236,000** |  |
|  **Merchandise inventory, 12/31/22** |  |  |  **23,000** |  |
| **Cost of goods sold**  |  |  |  |  **213,000** |
| **Gross profit from sales**  |  |  |  | **$182,000** |
|  |  |  |  |  |

Chapter 4 Alternate Demonstration Problem #2

**Koda Company is a wholesale company that had the following purchase and sales transactions related to its merchandise inventory during the month of May.**

|  |  |
| --- | --- |
| **May 1** | **Purchased $20,000 of merchandise on account from Webber Mfg. Co. Credit terms: 2/10, n/30. FOB shipping point** |
|  |  |
| **2** | **Received and paid the $1,000 shipping bill from Interstate Shipping for the goods purchased on May 1** |
|  |  |
| **6** | **Received a credit memo for the return of $5,000 of the goods purchased on May 1, which had arrived damaged.** |
|  |  |
| **10** | **Paid Webber Mfg. Co. the amount due.** |
|  |  |
| **15** | **Sold merchandise on account to Dover Company for $5,000. The cost of the merchandise was $3,000 (cost is 60% of the retail value). Terms: 2/10, n/30; FOB Destination** |
|  |  |
| **16** | **Paid Crosstown Shipping $100 to deliver the goods sold on May 15** |
|  |  |
| **17** | **Dover returned $1,000 of the goods they purchased on May 15. You had sent them the wrong merchandise.** |
|  |  |
| **24** | **Received the amount due from Dover Co.** |

**Requirement 1: Record the transactions assuming Koda Company uses perpetual inventory system**

**Requirement 2: Record the transactions assuming that Koda Company uses periodic system.**

Chapter 4 Solution: Alternate Demonstration Problem #2

|  |  |  |
| --- | --- | --- |
| **PERPETUAL INVENTORY SYSTEM** |  | **PERIODIC INVENTORY SYSTEM** |
| **5-1** | **Inventory** | **20,000** |  |  | **5-1** | **Purchases** | **20,000** |  |
|  |  **Accounts Payable** |  | **20,000** |  |  |  **Accounts Payable** |  | **20,000** |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **2** | **Inventory** | **1,000** |  |  | **2** | **Freight-In** | **1,000** |  |
|  |  **Cash** |  | **1,000** |  |  |  **Cash** |  | **1,000** |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **6** | **Accounts Payable** | **5,000** |  |  | **6** | **Accounts Payable** | **5,000** |  |
|  |  **Inventory** |  | **5,000** |  |  |  **Purchase R & A** |  | **5,000** |
|  |  |  |  |  |  |  |  |  |
| **10** | **Accounts Payable** | **15,000** |  |  | **10** | **Accounts Payable** | **18,000** |  |
|  |  **Inventory** |  | **300** |  |  |  **Purch. Discount** |  | **300** |
|  |  **Cash** |  | **14,700** |  |  |  **Cash** |  | **14,700** |
|  |  |  |  |  |  |  |  |  |
| **15** | **Accts Receivable** | **5,000** |  |  | **15** | **Accts Receivable** | **5,000** |  |
|  |  **Sales** |  | **5,000** |  |  |  **Sales** |  | **5,000** |
|  |  |  |  |  |  |  |  |  |
| **15** | **Cost of Goods Sold** | **3,000** |  |  |  |  |  |  |
|  |  **Inventory** |  | **3,000** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **16** | **Delivery Expense** | **100** |  |  | **16** | **Delivery Expense** | **100** |  |
|  |  **Cash** |  | **100** |  |  |  **Cash** |  | **100** |
|  |  |  |  |  |  |  |  |  |
| **17** | **Sales R & A** | **1,000** |  |  | **17** | **Sales R & A** | **1,000** |  |
|  |  **Accts Receivable** |  | **1,000** |  |  |  **Accts Receivable** |  | **1,000** |
|  |  |  |  |  |  |  |  |  |
| **17** | **Inventory** | **600** |  |  |  |  |  |  |
|  |  **Cost of Goods sold** |  | **600** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **24** | **Cash** | **3,920** |  |  | **24** | **Cash** | **3,920** |  |
|  | **Sales Discount** | **80** |  |  |  | **Sales Discount** | **80** |  |
|  |  **Accts Receivable** |  | **4,000** |  |  |  **Accts Receivable** |  | **4,000** |