

SOLUTIONS

Learning Goal 10

Multiple Choice

1. d
2. b
3. a
4. d
5. a There is no merchandise inventory to buy, and the customers pay in cash.
6. c A hardware store has inventory that it must sell.
7. b
8. d
9. c
10. d
11. a
12. b
13. c

Reinforcement Problems

LG 10-1.

| Business | Net Sales | Cost of Goods Sold | Gross Profit | Operating Expenses | Net Income (Loss) |
|----------------------|---------------|--------------------|--------------|--------------------|-------------------|
| Belleville Company | \$52,000 | \$29,000 | (a) \$23,000 | \$12,000 | (b) \$11,000 |
| Blackhawk Corp. | (c) \$197,000 | \$125,000 | \$72,000 | \$22,000 | (d) \$50,000 |
| Danville Enterprises | \$210,000 | (e) \$150,000 | (f) \$60,000 | \$45,000 | \$15,000 |
| Elgin Partnership | (g) \$168,000 | \$84,000 | (h) \$84,000 | \$99,000 | (\$15,000) |
| Sandberg Company | \$35,000 | (i) \$14,000 | \$21,000 | (j) \$16,000 | \$5,000 |
| Truman Company | (k) \$390,000 | \$210,000 | \$180,000 | (l) \$192,000 | (\$12,000) |
| Wright Corp. | \$97,000 | \$56,000 | (m) \$41,000 | (n) \$19,000 | \$22,000 |

LG 10-2.

- a. Periodic is most appropriate. It is the least expensive, and inventory control is less important with low-cost items.
- b. Perpetual is most important. It provides the greatest control over inventory because someone is required not only to keep a record of purchases, but also to keep a record of all decreases in inventory.
- c. You need more timely cost of goods sold and inventory information. The perpetual method is most appropriate.
- d. The periodic method will be sufficient in this case.