

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.