

**SOLUTIONS****Learning Goal 15****Multiple Choice**

1. a
2. b
3. d
4. c
5. a
6. d Because all the correct accounts and amounts are entered, the account balances are correct. The entries were simply recorded in a journal that is not supposed to be used for the original entry. This will result in the some entry type being “scattered” between two journals, but that is all.
7. c
8. d If a transaction involves any payment of cash, the entire transaction is recorded in the cash payments journal.
9. d Because “a” is a common beginner’s mistake, “b” would not be correct for cash purchases, and “c” would not be correct for cash sales.
10. c
11. c Recording a sale at the wrong amount will not cause the books to be out of balance in any way, but it will usually be noticed by the customer when the bill is received.
12. b Because the total debit posted to the controlling account will be \$450 greater than the total of the accounts in the subsidiary ledger. In this situation, we cannot rely on a customer to notify us when the statement shows an amount that is too low.
13. b In a manual system, transaction data used for journal entries are recorded directly into the special journals. In computerized systems, transaction data are entered into data entry screens instead of special journals. In both systems, special journals are used as transaction type summary reports.
14. d
15. a The only journal that both systems enter data directly into is the general journal. Whenever a general journal is used, knowledge of debits and credits is needed for that journal. Computerized systems use data entry screens (or scanners) for most transactions, and these screens do not require knowledge of debits and credits.
16. b The account is credited for the full amount even though less cash is received.
17. c
18. d However, if (c) is not adequately maintained, losses from theft and fraud could be extremely expensive.

SOLUTIONS

Learning Goal 15, continued

Reinforcement Problems

LG 15-1.

Transaction	Journal
1. Owner invested \$5,000 in her business.	CR
2. Sold \$1,000 of merchandise on account.	S
3. Sold \$300 of excess office supplies on account.	J
4. Paid \$2,000 cash to pay accounts payable.	CP
5. Bought \$3,000 of merchandise on account.	P
6. Made a \$500 cash sale of merchandise.	CR
7. Customer returned \$100 of defective merchandise.	J
8. Purchased computer for \$4,000; paid \$500 cash and signed a note payable for the balance.	CP
9. Sold the company van; received \$7,000 cash and a \$7,000 note receivable for the balance.	CR
10. Bought \$5,000 of merchandise, terms 2/10, n/30.	P
11. Bought \$250 of office supplies on account.	P
12. Sold \$275 of merchandise, terms 2/10, n/30.	S
13. Returned the merchandise purchased in transaction #12, above.	J
14. A business paid \$4,000 in dividends	CP
15. Received \$650 payment from customer for amount owing from previous month's sale.	CR
16. Bought \$100 of supplies for cash.	CP
17. Made adjusting and closing entries.	J

**SOLUTIONS****Learning Goal 15, continued****LG 15-2.**

Perpetual inventory system:

Sales Journal						page xxx
Date	Customer Account	Invoice Number	Post. Ref.	Dr. Accounts Receivable Cr. Sales	Dr. Cost of Goods Sold Cr. Merchandise Inventory	
2017						
March 3	Tupelo Partnership	152		2,400	1,800	
15	Magnolia Enterprises	153		3,800	2,500	
21	Oxford Company	154		5,500	3,600	
				11,700	7,900	

Cash Receipts Journal										page xxx
Date	Other Accounts		Debits			Credits				Dr. Cost of Goods Sold Cr. Inventory
	Account Name	Post. Ref.	Cash	Sales Discount	Other Accounts	Accounts Receiv.	Sales	Sales Tax Payable	Other Accounts	
2017										
Mar. 8	Common Stock		10,000						10,000	
11			945				900	45		600
14	Tupelo Partnership		2,352	48		2,400				
27	Magnolia Enterpr.		3,724	76		3,800				
28			525				500	25		250
31	Unearned Revenue		4,200						4,200	
			21,746	124		6,200	1,400	70	14,200	850

SOLUTIONS

Learning Goal 15, continued

LG 15-2, continued

Periodic inventory system:

Sales Journal					page xxx
Date	Customer Account	Invoice Number	Post. Ref.	Dr. Accounts Receivable Cr. Sales	
2017					
March 3	Tupelo Partnership	152		2,400	
15	Magnolia Enterprises	153		3,800	
21	Oxford Company	154		5,500	
				11,700	

Cash Receipts Journal									page xxx
Date	Other Accounts		Debits			Credits			
	Account Name	Post. Ref.	Cash	Sales Discount	Other Accounts	Accounts Receivable	Sales	Sales Tax Payable	Other Accounts
2017									
Mar. 8	Common Stock		10,000						10,000
11			945				900	45	
14	Tupelo Partnership		2,352	48		2,400			
27	Magnolia Enterpr.		3,724	76		3,800			
28			525				500	25	
31	Unearned Revenue		4,200						4,200
			21,746	124		6,200	1,400	70	14,200

**SOLUTIONS****Learning Goal 15, continued****LG 15-3.**

Perpetual inventory system:

Purchases Journal								
				Credit	Debits			
Date	Account Credited	Terms	Post. Ref.	Accounts Payable	Inventory	Other Accounts		
						Name	Ref.	Amount
2017								
Oct. 4	Rock Springs Corp.	2/10, n/30		3,900	3,900			
11	Laramie Corp.	1/10, n/30		5,000	5,000			
19	Riverton Enterprises	2/10, n/30		11,000	11,000			
27	Torrington Supplies	1/15, n/30		900		Supplies		900
				20,800	19,900			900

Cash Payments Journal								
				Debits		Credits		
Date	Ck. No.	Account Name	Post. Ref.	Other Accounts	Accounts Payable	Other Accounts	Inventory	Cash
2017								
Oct. 6	455	Equipment		10,000				3,000
		Notes Payable				7,000		
14	456	Rock Springs Corp.			3,900		78	3,822
17	457	Wages Expense		4,000				4,000
21	458	Laramie Corp.			5,000		50	4,950
30	459	Inventory		520				520
				14,520	8,900		128	23,292

SOLUTIONS

Learning Goal 15, continued

LG 15-3, continued

Periodic inventory system:

Purchases Journal								
				Credit	Debits			
Date	Account Credited	Terms	Post. Ref.	Accounts Payable	Purchases	Other Accounts		
						Name	Ref.	Amount
2017								
Oct. 4	Rock Springs Corp.	2/10, n/30		3,900	3,900			
11	Laramie Corp.	1/10, n/30		5,000	5,000			
19	Riverton Enterprises	2/10, n/30		11,000	11,000			
27	Torrington Supplies	1/15, n/30		900		Supplies		900
				20,800	19,900			900

Cash Payments Journal								
Date	Ck. No.	Account Name	Post. Ref.	Debits		Credits		
				Other Accounts	Accounts Payable	Other Accounts	Purchases Discounts	Cash
2017								
Oct. 6	455	Equipment		10,000				3,000
		Notes Payable						7,000
14	456	Rock Springs Corp.			3,900		78	3,822
17	457	Wages Expense		4,000				4,000
21	458	Laramie Corp.			5,000		50	4,950
30	459	Freight-in		520				520
				14,520	8,900		128	23,292

**SOLUTIONS****Learning Goal 15, continued****LG 15-4.**

<b>Cash Receipts Journal</b>										
Date	Other Accounts		Debits			Credits				Dr. Cost of Goods Sold Cr. Inventory
	Account Name	Post. Ref.	Cash	Sales Discount	Other Accounts	Accounts Receivable	Sales	Sales Tax Payable	Other Accounts	
Mar. 1			530				500	30		350
4	R. Donlevy	✓	784	16		800				
8	J. Akers	✓	900			900				
13	Notes Payable	250	10,000						10,000	
17	C. Tran	✓	1,960	40		2,000				
22	Notes Receivable	150	7,500						7,000	
	Interest Revenue	605							500	
30			954				900	54		600
	Totals		22,628	56		3,700	1,400	84	17,500	950
			(102)	(415)		(125)	(410)	(210)	(X)	(520/135)

*Periodic Method:* The far right column is omitted because cost of goods sold is not recorded with each sale

SOLUTIONS

Learning Goal 15, continued

LG 15-5.

Perpetual method:

Cash Payments Journal								
Date	Ck. No.	Account Name	Post. Ref.	Debits		Other Accounts	Credits	
				Other Accounts	Accounts Payable		Inventory	Cash
Oct. 2	1184	Office Supplies	120	1,100				1,100
5	1185	Rent Expense	615	4,500				4,500
9	1186	Hammond Company	✓		900		18	882
15	1187	Notes Payable	250	10,000				10,500
		Interest Expense	710	500				
21	1188	Moreno Wholesale, Inc.	✓		2,500		50	2,450
25	1189	Pine Bluff Supply Company	✓		2,700			2,700
31	1190	Inventory	145	750				750
		Totals		16,850	6,100		68	22,882
				(X)	(210)		(145)	(101)

Periodic method:

Cash Payments Journal								
Date	Ck. No.	Account Name	Post. Ref.	Debits		Credits		
				Other Accounts	Accounts Payable	Other Accounts	Purchase Discounts	Cash
Oct. 2	1184	Office Supplies	120	1,100				1,100
5	1185	Rent Expense	615	4,500				4,500
9	1186	Hammond Company	✓		900		18	882
15	1187	Notes Payable	250	10,000				10,500
		Interest Expense	710	500				
21	1188	Moreno Wholesale, Inc.	✓		2,500		50	2,450
25	1189	Pine Bluff Supply Company	✓		2,700			2,700
31	1190	Freight-in	650	750				750
		Totals		16,850	6,100		68	22,882
				(X)	(210)		(612)	(101)



**SOLUTIONS****Learning Goal 15, continued****LG 15-6.**

Perpetual method:

<b>Purchases Journal</b>								
				<b>Credit</b>	<b>Debits</b>			
<b>Date</b>	<b>Account Credited</b>	<b>Terms</b>	<b>Post. Ref.</b>	<b>Accounts Payable</b>	<b>Inventory</b>	<b>Other Accounts</b>		
						<b>Name</b>	<b>Ref.</b>	<b>Amount</b>
Dec. 1	Bizzell Supply Company	1/10, n/30		3,100	3,100			
4	Coast Corportion	2/10, n/30		2,650	2,650			
12	East Asia Imports	3/10, n/30		15,200		Furniture	175	15,200
19	Weintraub Supply, Inc.	2/10, n/45		900	900			
22	Gupta Enterprises	3/10, n/30		1,750	1,270	Supplies	124	480
28	O'Keefe Company	2/10, n/30		2,500	2,500			
	Totals			26,100	10,420			15,680
				(215)	(155)			(X)

Periodic method:

<b>Purchases Journal</b>								
				<b>Credit</b>	<b>Debits</b>			
<b>Date</b>	<b>Account Credited</b>	<b>Terms</b>	<b>Post. Ref.</b>	<b>Accounts Payable</b>	<b>Purchases</b>	<b>Other Accounts</b>		
						<b>Name</b>	<b>Ref.</b>	<b>Amount</b>
Dec. 1	Bizzell Supply Company	1/10, n/30		3,100	3,100			
4	Coast Corportion	2/10, n/30		2,650	2,650			
12	East Asia Imports	3/10, n/30		15,200		Furniture	175	15,200
19	Weintraub Supply, Inc.	2/10, n/45		900	900			
22	Gupta Enterprises	3/10, n/30		1,750	1,270	Supplies	124	480
28	O'Keefe Company	2/10, n/30		2,500	2,500			
	Totals			26,100	10,420			15,680
				(215)	(610)			(X)

## SOLUTIONS

## Learning Goal 15, continued

## LG 15-7.

Sales Journal					
Date	Customer Account	Invoice Number	Post. Ref.	Dr. Accounts Receivable Cr. Sales	Dr. Cost of Goods Sold Cr. Inventory
2017					
Jan. 3	Carson City Company	125	✓	3,500	2,750
11	Las Vegas, Inc.	126	✓	20,000	15,000
23	Ely Company	127	✓	2,800	1,900
29	Virginia City Co.	128	✓	880	610
				27,180	20,260
				(110/410)	(505/115)

Cash Receipts Journal										
Date	Other Accounts		Debits			Credits				Dr. Cost of Goods Sold Cr. Inventory
	Account Name	Post. Ref.	Cash	Sales Discount	Other Accounts	Accounts Receivable	Sales	Sales Tax Payable	Other Accounts	
2017										
Jan. 4	Elko Enterprises	✓	9,405	95		9,500				
5			795				750	45		460
11	Carson City Co.	✓	3,465	35		3,500				
19	Reno Company	✓	4,750			4,750				
25	Supplies	112	300						300	
26	Las Vegas Inc.	✓	19,800	200		20,000				
30			424				400	24		275
			38,939	330		37,750	1,150	69	300	735
			(105)	(411)		(110)	(410)	(220)	(X)	(505/115)

## Comments:

1. To determine if a discount should apply, be sure to identify the date of the sale to see if the payment is received within the number of days allowed.
2. Also remember to enter the posting references for the “other” accounts and for subsidiary accounts.

**SOLUTIONS****Learning Goal 15, continued****LG 15-8.**

Perpetual method:

Purchases Journal								
Date	Account Credited	Terms	Post. Ref.	Credit	Debits			
				Accounts Payable	Inventory	Other Accounts		
						Name	Ref.	Amount
2017								
Nov. 3	Baltimore Enterprises	2/10, n/30	✓	2,750	2,750			
7	Rockville Co.	n/30	✓	275		Supplies	108	275
12	Silver Spring, Inc.	2/15, n/30	✓	4,800	4,800			
22	Largo Company	2/10, n/30	✓	7,500	7,500			
29	Cumberland Agency	n/30	✓	500		Ad. Expense	580	500
				15,825	15,050			775
				(205)	(110)			(X)

Cash Payments Journal								
Date	Ck. No.	Account Name	Post. Ref.	Debits		Credits		
				Other Accounts	Accounts Payable	Other Accounts	Inventory	Cash
2017								
Nov. 5	521	Annapolis Company	✓		500		5	495
13	522	Baltimore Enterprises	✓		2,750		55	2,695
19	523	Abell Company	✓		2,200			2,200
27	524	Prepaid Insurance	120	2,330				2,330
27	525	Silver Spring, Inc	✓		4,800		96	4,704
30	526	Sales Tax Payable	208	1,210				1,210
30	527	Inventory	110	500				500
				4,040	10,250		156	14,134
				(X)	(205)		(110)	(103)

*Comments:*

1. To determine if a discount should apply, be sure to identify the date of the purchase to see if the payment is made within the number of days allowed. In the case of an “eom” (end of month) discount, verify that the payment was made within the designated number of days from the end of the month. (In this problem, Annapolis Company allowed a 1% discount for payment made within 5 days from end of the month of sale.)
2. The November 5 credit to Accounts Payable is determined by calculating:  $\$495 / .99 = \$500$ . Because you know the payment is within the discount period, the \$495 paid must be 99% of the total payable.
3. This problem accrues an expense (Nov. 29) as a reminder that a purchases journal can also be used to record accrued expenses (unpaid services). However, many companies prefer to keep all accruals on the general journal, especially if reversing entries procedures are used (see disk).
4. Also remember to enter the posting references for the “other” accounts and for subsidiary accounts.

## SOLUTIONS

## Learning Goal 15, continued

## LG 15-8, continued

Periodic method:

Purchases Journal								
				Credit	Debits			
Date	Account Credited	Terms	Post. Ref.	Accounts Payable	Purchases	Other Accounts		
						Name	Ref.	Amount
2017								
Nov. 3	Baltimore Enterprises	2/10, n/30	✓	2,750	2,750			
7	Rockville Co.	n/30	✓	275		Supplies	108	275
12	Silver Spring, Inc.	2/15, n/30	✓	4,800	4,800			
22	Largo Company	2/10, n/30	✓	7,500	7,500			
29	Cumberland Agency	n 30	✓	500		Ad. Expense	580	500
				15,825	15,050			775
				(205)	(508)			(X)

Cash Payments Journal								
				Debits		Credits		
Date	Ck. No.	Account Name	Post. Ref.	Other Account	Accounts Payable	Other Account	Purchase Discounts	Cash
2017								
Nov. 5	521	Annapolis Company	✓		500		5	495
13	522	Baltimore Enterprises	✓		2,750		55	2,695
19	523	Abell Company	✓		2,200			2,200
27	524	Prepaid Insurance	120	2,330				2,330
27	525	Silver Spring, Inc.	✓		4,800		96	4,704
30	526	Sales Tax Payable	208	1,210				1,210
30	527	Freight-in	512	500				500
				4,040	10,250		156	14,134
				(X)	(205)		(510)	(103)

Comments:

1. To determine if a discount should apply, be sure to identify the date of the purchase to see if the payment is made within the number of days allowed. In the case of an “eom” (end of month) discount, verify that the payment was made within the designated number of days from the end of the month. (In this problem, Annapolis Company allowed a 1% discount for payment made within 5 days from end of the month of sale.)
2. The November 5 credit to Accounts Payable is determined by calculating:  $\$495/.99 = \$500$ . Because you know the payment is within the discount period, the \$495 paid must be 99% of the total payable.
3. This problem accrues an expense (Nov. 29) as a reminder that a purchases journal can also be used to record accrued expenses (unpaid services). However, many companies prefer to keep all accruals in the general journal.
4. Also remember to enter the posting references for the “other” accounts and for subsidiary accounts.

**SOLUTIONS****Learning Goal 15, continued****LG 15-9.**

Perpetual method:

<b>Purchases Journal</b>								page 5
Date	Account Credited	Terms	Post. Ref.	Credit	Merchandise Inventory	Debits		
				Accounts Payable		Other Accounts		
						Name	Ref.	Amount
2017								
May 2	Enid Wholesale	1/15, n/30	✓	3,200	3,200			
3	Stillwater Supply	2/10, n/30	✓	1,700		Supplies	132	1,700
8	Norman Resources	2/10, n/30	✓	5,600	5,600			
10	OK City Enterprises	2/10, n/30	✓	4,900	4,900			
15	Enid Wholesale	1/15, n/30	✓	4,700	4,700			
16	OK City Enterprises	2/10, n/30	✓	5,200	5,200			
17	Stillwater Supply	2/10, n/30	✓	9,100		Off. Equip.	170	9,100
25	Norman Resources	2/10, n/30	✓	7,200	7,200			
28	OK City Enterprises	2/10, n/30	✓	1,400	1,400			
				43,000	32,200			10,800
				(210)	(145)			(X)

<b>General Journal</b>					page 3
Date	Account Name and Explanation		Dr.	Cr.	
2017					
May 11	Accounts Payable, Norman Resources	210//✓	250		
	Merchandise Inventory	145		250	
	Returned merchandise				
20	Merchandise Inventory	145	400		
	Accounts Payable, Tulsa Freight Company	210//✓		400	
	Received freight bill				
29	Accounts Payable, Stillwater Supply	210//✓	1,700		
	Merchandise Inventory	145		1,700	
	Returned merchandise				

## SOLUTIONS

## Learning Goal 15, continued

## LG 15-9, continued

Periodic method:

Purchases Journal								page 5
				Credit	Debits			
Date	Account Credited	Terms	Post. Ref.	Accounts Payable	Purchases	Other Accounts		
						Name	Ref.	Amount
2017								
May 2	Enid Wholesale	1/15, n/30	✓	3,200	3,200			
3	Stillwater Supply	2/10, n/30	✓	1,700		Supplies	132	1,700
8	Norman Resources	2/15, n/30	✓	5,600	5,600			
10	OK City Enterprises	2/10, n/30	✓	4,900	4,900			
15	Enid Wholesale	1/15, n/30	✓	4,700	4,700			
16	OK City Enterprises	2/10, n/30	✓	5,200	5,200			
17	Stillwater Supply	2/10, n/30	✓	9,100		Off. Equip.	170	9,100
25	Norman Resources	2/10, n/30	✓	7,200	7,200			
28	OK City Enterprises	2/10, n/30	✓	1,400	1,400			
				43,000	32,200			10,800
				(210)	(500)			(X)

General Journal				page 3
Date	Account Name and Explanation		Dr.	Cr.
2017				
May 11	Accounts Payable, Norman Resources	210//✓	250	
	purchase Returns and Allowances	510		250
	Returned merchandise			
20	Freight-in	511	400	
	Accounts Payable, Tulsa Freight Company	210//✓		400
	Received freight bill			
29	Accounts Payable, Stillwater Supply	210//✓	1,700	
	purchase Returns and Allowances	510		1,700
	Returned merchandise			

## SOLUTIONS

## Learning Goal 15, continued

## LG 15-10.

- a. Total sales: \$27,650 credit sales + \$2,480 cash sales = \$30,130. The three biggest customers this month: Scott Company, \$7,000 at 23.2% of total sales; Nguyen Company, \$5,500 at 18.3% of total sales; Anwen Enterprises, \$5,250 at 17.4% of total sales.

b.

Sale Type	Total Sales	Cost of Goods Sold	Gross Profit	Gross Profit Percentage
Credit sales	\$27,650	\$11,240	\$16,410	59.3%
Cash sales	2,480	1,275	1,205	48.6%

There is clearly a difference between the gross profit percent of cash and credit sales. This should be investigated to determine if there is a business reason, and the effect on total sales.

- c. Compare the November sales dates on the sales journal to the cash receipt dates on the cash receipts journal. By doing this, we see a sale made to Cabot Company on November 12. We received payment from Cabot Company on November 30, net of an \$86 dollar discount. Payment was received 8 days after the discount payment date.
- d. To determine the unpaid November purchases, we compare the purchases journal and Accounts Payable payments made on the cash payments journal. The remaining unpaid November purchases are Office Suppliers for \$5,500; Computer Supply Company for \$9,750; Greenspan Company for \$4,360; and Canyon Wholesale for \$1,500. No discount is offered by Office Suppliers. For a discount, Computer Supply Company is due on December 3. Greenspan Company is due on December 2. Canyon Wholesale is due on December 7.

*Note:* If we had a subsidiary ledger, it would be much easier to simply review each accounts payable subsidiary account to determine the balance due, the credit terms, and the payment due dates for each outstanding payable.

- e. Total November inventory purchases are \$19,410 + \$1,340 = \$20,750. The three biggest inventory suppliers are Greenspan Company at \$8,010 (38.6%), Ontario Enterprises at \$5,100 (24.6%), and Bernanke Company at \$4,800 (23.1%).
- f. The top three sources of cash receipts for November were collections from accounts receivable of \$18,523, a loan of \$15,000, and an owner investment of \$12,000. The loan and investment are not likely to recur in December.
- g. Discounts do appear to be important to our customers. Of the five different cash receipts from credit customers in November, four of them took discounts (although Cabot Company paid after the discount period). The actual effective discount percentage taken was  $\$327/\$18,850 = 1.74\%$  (see cash receipts journal).
- h. Total discounts taken on November purchases can be calculated by looking at the cash payments journal and calculating discounts taken as a percentage of the accounts payable that are paid.

Creditor Paid	\$ Amount of Payable	Discount taken	% Discount taken
Roosevelt Corporation	\$1,200	36	
Ontario Enterprises	5,100	–0–	
Greenspan Company	3,650	73	
Bernanke Company	4,800	50	
Washington Company	800	–0–	
Total	\$15,550	\$159	1%

The overall discount percentage is  $\$159/\$15,550 = 1\%$ . Clearly, something is wrong because we can see on the purchases journal that most terms are 2%. To investigate this further, we should compare each purchase and each payment over a period of time.

**SOLUTIONS****Learning Goal 15, continued****LG 15-10, continued**

- i. Total November cash receipts are \$52,627. The cash receipts that are probably non-recurring are the loan of \$15,000, the owner's investment of \$12,000, and the sale of equipment that provided \$4,500 cash. We can make a rough estimate of the "recurring" cash receipts as  $\$52,627 - (\$15,000 \text{ loan} + \$12,000 + \$4,500) = \$21,127$ . Total November cash payments are \$30,481. The cash payment that is probably non-recurring is the purchase of land that required a cash payment of \$7,000. We can make a rough estimate of the "recurring" cash payments as  $\$30,481 - \$7,000 = \$23,481$ . It appears that November total recurring cash receipts of \$21,127 are less than total recurring cash payments of \$23,481. This means that we should be very cautious about the December cash inflows and outflows.

**LG 15-11.**

Perpetual system:.

General Journal					page 5
Date	Account Name and Explanation		Dr.	Cr.	
2017					
Jan. 14	Sales Returns and Allowances	412	1,000		
	Accounts Receivable, Elizabeth, Inc.	115/✓		1,000	
	Merchandise Inventory	126	400		
	Cost of Goods Sold	512		400	
	Inventory returned from Elizabeth, Inc.				
22	Accounts Payable, Plainfield Supply Co.	215/✓	650		
	Merchandise Inventory	126		650	
	Inventory returned to Plainfield Supply Co.				
28	Casualty Loss	650	1,500		
	Merchandise Inventory	126		1,500	
31	Merchandise Inventory	126	700		
	Accounts Payable, Superior Freight Company	215/✓		700	



**SOLUTIONS****Learning Goal 15, continued****LG 15-11, continued**Perpetual system solution, *continued*

<b>Sales Journal</b>						page 11
Date	Customer Account	Invoice Number	Post. Ref.	Dr. Accounts Receivable Cr. Sales	Dr. Cost of Goods Sold Cr. Merchandise Inventory	
2017						
Jan. 4	Trenton Co.	844	✓	800	320	
10	Elizabeth, Inc.	845	✓	2,750	1,100	
11	New Brunswick, Inc.	846	✓	5,900	2,360	
14	Camden Co.	847	✓	3,250	1,300	
24	Trenton Co.	848	✓	7,180	2,870	
	Totals			19,880	7,950	
				(115/410)	(512/126)	

<b>Purchases Journal</b>								page 14
				Credit	Debits			
Date	Account Credited	Terms	Post. Ref.	Accounts Payable	Merchandise Inventory	Other Accounts		
						Name	Ref.	Amount
2017								
Jan. 2	Plainfield Supply Co.	2/10, n/30	✓	3,500	3,500			
6	Diamond Resources	1/10, n/15	✓	8,000	8,000			
17	Orange Office Supply	—	✓	1,620		Supplies	122	1,620
18	Plainfield Supply Co.	2/10, n/30	✓	2,800	2,800			
30	Patterson Equipment	—	✓	5,000		Equipment	140	5,000
	Totals			20,920	14,300			6,620
				(215)	(126)			(X)

## SOLUTIONS

## Learning Goal 15, continued

## LG 15-11, continued

Perpetual system solution, continued

Cash Receipts Journal										page 18
Date	Other Accounts		Debits			Credits				Dr. Cost of Goods Sold Cr. Inventory
	Account Name	Post. Ref.	Cash	Sales Discount	Other Accounts	Accounts Receivable	Sales	Sales Tax Payable	Other Accounts	
2017										
Jan. 5			424				400	24		160
9	New Brunswick	✓	1,470	30		1,500				
13	Trenton Co.	✓	784	16		800				
19	Supplies	122	1,500						1,170	
	Gain on Sale	710							330	
20	Elizabeth, Inc.	✓	1,715	35		1,750				
21	New Brunswick	✓	2,450	50		2,500				
27	Camden Co.	✓	3,250			3,250				
27			1,802				1,700	102		735
	Totals		13,395	131		9,800	2,100	126	1,500	895
			(103)	(415)		(115)	(410)	(220)	(X)	(512/126)

Cash Payments Journal									page 20
Date	Ck. No.	Account Name	Post. Ref.	Debits		Credits			Cash
				Other Accounts	Accounts Payable	Other Accounts	Merchandise Inventory		
2017									
Jan. 8	301	Rent Expense	550	4,800					4,800
10	302	Orange Office Supply	✓		5,000				5,000
12	303	Equipment	140	12,000					2,400
		Notes Payable	280			9,600			
12	304	Plainfield Supply Co.	✓		3,500		70		3,430
16	305	Diamond Resources	✓		8,000		80		7,920
31	306	Wages Expense	525	10,500					10,500
31	307	Internet Expenses	570	830					830
31	308	A. Torelli, Drawing	302	1,000					1,000
		Totals		29,130	16,500	9,600	150		35,880
				(X)	(215)	(X)	(126)		(103)

**SOLUTIONS****Learning Goal 15, continued****LG 15-11, continued****General Ledger**Perpetual system solution, *continued*

<b>Cash</b> 103				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			36,200
31	CR18	13,395		49,595
31	CP20		35,880	13,715

<b>Accounts Receivable</b> 115				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			1,500
14	GJ5		1,000	500
31	S11	19,880		20,380
31	CR18		9,800	10,580

<b>Supplies</b> 122				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			250
17	P14	1,620		1,870
19	CR18		1,170	700

<b>Merchandise Inventory</b> 126				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			15,650
14	GJ5	400		16,050
22	GJ5		650	15,400
28	GJ5		1,500	13,900
31	S11		7,950	5,950
31	P14	14,300		20,250
31	CR18		895	19,355
31	CP20		150	19,205
31	GJ5	700		19,905

<b>Equipment</b> 140				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			8,600
12	CP20	12,000		20,600
30	P14	5,000		25,600

<b>Accounts Payable</b> 215				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			5,000
22	GJ5	650		4,350
31	P14		20,920	25,270
31	CP20	16,500		8,770
31	GJ5		700	9,470

<b>Sales Tax Payable</b> 220				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			445
31	CR18		126	571

<b>Notes Payable</b> 280				
Date	Ref.	Debit	Credit	Balance
Jan. 12	CP20		9,600	9,600

<b>A. Torelli, Capital</b> 301				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			56,755

<b>A. Torelli, Drawing</b> 302				
Date	Ref.	Debit	Credit	Balance
Jan. 31	CP20	1,000		1,000

<b>Sales Revenue</b> 410				
Date	Ref.	Debit	Credit	Balance
Jan. 31	S11		19,880	19,880
31	CR18		2,100	21,980

<b>Sales Returns &amp; Allow.</b> 412				
Date	Ref.	Debit	Credit	Balance
Jan. 14	GJ5	1,000		1,000

<b>Sales Discounts</b> 415				
Date	Ref.	Debit	Credit	Balance
Jan. 31	CR18	131		131

<b>Cost of Goods Sold</b> 512				
Date	Ref.	Debit	Credit	Balance
Jan. 14	GJ5		400	(400)
31	S11	7,950		7,550
31	CR18	895		8,445

<b>Wages Expense</b> 525				
Date	Ref.	Debit	Credit	Balance
Jan. 31	CP20	10,500		10,500

## SOLUTIONS

## Learning Goal 15, continued

## LG 15-11, continued

## General Ledger, continued

Perpetual system solution, continued

Rent Expense 550				
Date	Ref.	Debit	Credit	Balance
Jan. 8	CP20	4,800		4,800

Internet Expenses 570				
Date	Ref.	Debit	Credit	Balance
Jan. 31	CP20	830		830

Casualty Loss 650				
Date	Ref.	Debit	Credit	Balance
Jan. 28	GJ5	1,500		1,500

Gain on Sale 710				
Date	Ref.	Debit	Credit	Balance
Jan. 19	CR18		330	330

## A/R Subsidiary Ledger

Elizabeth, Inc.				
Date	Ref.	Debit	Credit	Balance
Jan. 10	S11	2,750		2,750
14	GJ5		1,000	1,750
20	CR18		1,750	—0—

Camden Co.				
Date	Ref.	Debit	Credit	Balance
Jan. 14	S11	3,250		3,250
27	CR18		3,250	—0—

New Brunswick, Inc.				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			1,500
9	CR18		1,500	—0—
11	S11	5,900		5,900
21	CR18		2,500	3,400

Trenton Co.				
Date	Ref.	Debit	Credit	Balance
Jan. 4	S11	800		800
13	CR18		800	—0—
24	S11	7,180		7,180

## A/P Subsidiary Ledger

Diamond Resources				
Date	Ref.	Debit	Credit	Balance
Jan. 6	P14		8,000	8,000
16	CP20	8,000		—0—

Orange Office Supply				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			5,000
10	CP20	5,000		—0—
17	P14		1,620	1,620

Patterson Equipment				
Date	Ref.	Debit	Credit	Balance
Jan. 30	P14		5,000	5,000

Plainfield Supply Co.				
Date	Ref.	Debit	Credit	Balance
Jan. 2	P14		3,500	3,500
12	CP20	3,500		—0—
18	P14		2,800	2,800
22	GJ5	650		2,150

Superior Freight Company				
Date	Ref.	Debit	Credit	Balance
Jan. 31	GJ5		700	700

**SOLUTIONS****Learning Goal 15, continued****LG 15-11, continued***Comments:*

1. The total of final balances in Accounts Receivable subsidiary accounts should equal the controlling account balance: \$10,580.
2. The total of final balances in Accounts Payable subsidiary accounts should equal the controlling account balance: \$9,470.
3. The January 9 “for the balance due” payment from New Brunswick Company is within the discount period. The balance due is \$1,500; however, this is reduced by a 2% discount. This applies to all other customers paying within the discount period.
4. Even though New Brunswick Company made only a partial (short) payment on January 21 of the balance due, the payment was made within the discount period. Therefore, the payment is considered to be net of the 2% discount. So the amount of the Accounts Receivable to credit is  $\$2,450 / .98 = \$2,500$ .
5. All checks are written in sequence, so the check number for the January 12 payment is #303.
6. In the ledger accounts, individual items are posted daily and are recorded in the ledger as of the date of the transaction. Journal column totals are posted at the end of the month (January 31), so there is no particular order in which they are recorded into a ledger account. (They all have the same date: January 31.)
7. There is a double posting reference in the general journal for accounts receivable and accounts payable. (Posting to both controlling and subsidiary accounts.)

## Periodic system solution:

<b>General Journal</b>				<b>page 5</b>
<b>Date</b>	<b>Account Name and Explanation</b>		<b>Dr.</b>	<b>Cr.</b>
2017				
Jan. 14	Sales Returns and Allowances	412	1,000	
	Accounts Receivable, Elizabeth, Inc.	115/✓		1,000
22	Accounts Payable, Plainfield Supply Co.	215/✓	650	
	Purchase Returns and Allowances	511		650
	Inventory returned to Plainfield Supply Co.			
28	Casualty Loss	650	1,500	
	Merchandise Inventory	126		1,500
31	Freight-in	512	700	
	Accounts Payable, Superior Freight Company	215/✓		700

**SOLUTIONS****Learning Goal 15, continued****LG 15-11, continued**Periodic system solution, *continued*

Sales Journal					page 11
Date	Customer Account	Invoice Number	Post. Ref.	Dr. Accounts Receivable Cr. Sales	
2017					
Jan. 4	Trenton Co.	844	✓	800	
10	Elizabeth, Inc.	845	✓	2,750	
11	New Brunswick, Inc.	846	✓	5,900	
14	Camden Co.	847	✓	3,250	
24	Trenton Co.	848	✓	7,180	
	Totals			19,880	
				(115/410)	

Purchases Journal								page 14
				Credit	Debits			
Date	Account Credited	Terms	Post. Ref.	Accounts Payable	Purchases	Other Accounts		
						Name	Ref.	Amount
2017								
Jan. 2	Plainfield Supply Co.	2/10, n/30	✓	3,500	3,500			
6	Diamond Resources	1/10, n/15	✓	8,000	8,000			
17	Orange Office Supply	—	✓	1,620		Supplies	122	1,620
18	Plainfield Supply Co.	2/10, n/30	✓	2,800	2,800			
30	Patterson Equipment	—	✓	5,000		Equipment	140	5,000
	Totals			20,920	14,300			6,620
				(215)	(508)			(X)

**SOLUTIONS****Learning Goal 15, continued****LG 15-11, continued**Periodic system solution, *continued*

<b>Cash Receipts Journal</b>										<b>page 18</b>
<b>Date</b>	<b>Other Accounts</b>		<b>Debits</b>			<b>Credits</b>				
	<b>Account Name</b>	<b>Post. Ref.</b>	<b>Cash</b>	<b>Sales Discount</b>	<b>Other Accounts</b>	<b>Accounts Receivable</b>	<b>Sales</b>	<b>Sales Tax Payable</b>	<b>Other Accounts</b>	
2017										
Jan. 5			424				400	24		
9	New Brunswick	✓	1,470	30		1,500				
13	Trenton Co.	✓	784	16		800				
19	Supplies	122	1,500						1,170	
	Gain on Sale	710							330	
20	Elizabeth, Inc.	✓	1,715	35		1,750				
21	New Brunswick	✓	2,450	50		2,500				
27	Camden Co.	✓	3,250			3,250				
27			1,802				1,700	102		
	Totals		13,395	131		9,800	2,100	126	1,500	
			(103)	(415)		(115)	(410)	(220)	(X)	

<b>Cash Payments Journal</b>									<b>page 20</b>
<b>Date</b>	<b>Ck. No.</b>	<b>Account Name</b>	<b>Post. Ref.</b>	<b>Debits</b>		<b>Credits</b>			
				<b>Other Accounts</b>	<b>Accounts Payable</b>	<b>Other Accounts</b>	<b>Purchase Inventory</b>	<b>Cash</b>	
2017									
Jan. 8	301	Rent Expense	550	4,800				4,800	
10	302	Orange Office Supply	✓		5,000			5,000	
12	303	Equipment	140	12,000				2,400	
		Notes Payable	280			9,600			
12	304	Plainfield Supply Co.	✓		3,500		70	3,430	
16	305	Diamond Resources	✓		8,000		80	7,920	
31	306	Wages Expense	525	10,500				10,500	
31	307	Internet Expenses	570	830				830	
31	308	A. Torelli, Drawing	302	1,000				1,000	
		Totals		29,130	16,500	9,600	150	35,880	
				(X)	(215)	(X)	(510)	(103)	

## SOLUTIONS

## Learning Goal 15, continued

## LG 15-11, continued

## General Ledger

Periodic system solution, continued

Cash 103				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			36,200
31	CR18	13,395		49,595
31	CP20		35,880	13,715

Accounts Receivable 115				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			1,500
14	GJ5		1,000	500
31	S11	19,880		20,380
31	CR18		9,800	10,580

Supplies 122				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			250
17	P14	1,620		1,870
19	CR18		1,170	700

Merchandise Inventory 126				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			15,650
28	GJ5		1,500	14,150

Equipment 140				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			8,600
12	CP20	12,000		20,600
30	P14	5,000		25,600

Accounts Payable 215				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			5,000
22	GJ5	650		4,350
31	P14		20,920	25,270
31	CP20	16,500		8,770
31	GJ5		700	9,470

Sales Tax Payable 220				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			445
31	CR18		126	571

Notes Payable 280				
Date	Ref.	Debit	Credit	Balance
Jan. 12	CP20		9,600	9,600

A. Torelli, Capital 301				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			56,755

A. Torelli, Drawing 302				
Date	Ref.	Debit	Credit	Balance
Jan. 31	CP20	1,000		1,000

Sales Revenue 410				
Date	Ref.	Debit	Credit	Balance
Jan. 31	S11		19,880	19,880
31	CR18		2,100	21,980

Sales Returns & Allow. 412				
Date	Ref.	Debit	Credit	Balance
Jan. 14	GJ5	1,000		1,000

Sales Discounts 415				
Date	Ref.	Debit	Credit	Balance
Jan. 31	CR18	131		131

Purchases 508				
Date	Ref.	Debit	Credit	Balance
Jan. 31	P14	14,300		14,300

Purchase Discounts 510				
Date	Ref.	Debit	Credit	Balance
Jan. 31	CP20		150	150

Purchase Returns & Allow. 511				
Date	Ref.	Debit	Credit	Balance
Jan. 22	GJ5		650	650



**SOLUTIONS****Learning Goal 15, continued****LG 15-11, continued****General Ledger, continued**Periodic system solution, *continued*

Freight-in 512				
Date	Ref.	Debit	Credit	Balance
Jan. 31	GJ5	700		700

Wages Expense 525				
Date	Ref.	Debit	Credit	Balance
Jan. 31	CP20	10,500		10,500

Rent Expense 550				
Date	Ref.	Debit	Credit	Balance
Jan. 8	CP20	4,800		4,800

Internet Expenses 570				
Date	Ref.	Debit	Credit	Balance
Jan. 31	CP20	830		830

Casualty Loss 650				
Date	Ref.	Debit	Credit	Balance
Jan. 28	GJ5	1,500		1,500

Gain on Sale 710				
Date	Ref.	Debit	Credit	Balance
Jan. 19	CR18		330	330

**A/R Subsidiary Ledger**

Elizabeth, Inc.				
Date	Ref.	Debit	Credit	Balance
Jan. 10	S11	2,750		2,750
14	GJ5		1,000	1,750
20	CR18		1,750	—0—

Camden Co.				
Date	Ref.	Debit	Credit	Balance
Jan. 14	S11	3,250		3,250
27	CR18		3,250	—0—

New Brunswick, Inc.				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			1,500
9	CR18		1,500	—0—
11	S11	5,900		5,900
21	CR18		2,500	3,400

Trenton Co.				
Date	Ref.	Debit	Credit	Balance
Jan. 4	S11	800		800
13	CR18		800	—0—
24	S11	7,180		7,180

**A/P Subsidiary Ledger**

Diamond Resources				
Date	Ref.	Debit	Credit	Balance
Jan. 6	P14		8,000	8,000
16	CP20	8,000		—0—

Orange Office Supply				
Date	Ref.	Debit	Credit	Balance
Jan. 1	Bal.			5,000
10	CP20	5,000		—0—
17	P14		1,620	1,620

Patterson Equipment				
Date	Ref.	Debit	Credit	Balance
Jan. 30	P14		5,000	5,000

Plainfield Supply Co.				
Date	Ref.	Debit	Credit	Balance
Jan. 2	P14		3,500	3,500
12	CP20	3,500		—0—
18	P14		2,800	2,800
22	GJ5	650		2,150

Superior Freight Company				
Date	Ref.	Debit	Credit	Balance
Jan. 31	GJ5		700	700

**SOLUTIONS****Learning Goal 15, continued****LG 15-11, continued***Comments:*

1. The total of final balances in Accounts Receivable subsidiary accounts should equal the controlling account balance: \$10,580.
  2. The total of final balances in Accounts Payable subsidiary accounts should equal the controlling account balance: \$9,470.
  3. The January 9 “for the balance due” payment from New Brunswick Company is within the discount period. The balance due is \$1,500; however, this is reduced by a 2% discount. This applies to all other customers paying within the discount period.
  4. Even though New Brunswick Company made only a partial (short) payment on January 21 of the balance due, the payment was made within the discount period. Therefore, the payment is considered to be net of the 2% discount. So the amount of the Accounts Receivable to credit is  $\$2,450 / .98 = \$2,500$ .
  5. All checks are written in sequence, so the check number for the January 12 payment is #303.
  6. In the ledger accounts, individual items are posted daily and are recorded in the ledger as of the date of the transaction. Journal column totals are posted at the end of the month (January 31), so there is no particular order in which they are recorded into a ledger account. (They all have the same date: January 31.)
  7. There is a double posting reference in the general journal for accounts receivable and accounts payable. (Posting to both controlling and subsidiary accounts.)
  8. Except for the casualty loss, the Merchandise Inventory account has no activity and the Cost of Goods Sold account is not used because with the periodic method, the inventory balance is not updated until the end of the period when the inventory is counted and cost of goods sold for the period is calculated.
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