

## Handout 2

### Periodic

[The red colored accounts netted equals cost of goods sold of \$100,000.]

Sales	449,000	
Purchase returns and allowances	9,000	
Purchase discounts	6,000	
Inventory [ending]	30,000	
Income Summary		494,000
Income Summary	456,000	
Inventory [beginning]		40,000
Sales returns and allowances		4,000
Sales discounts		5,000
Purchases		105,000
Rent expense		70,000
Salaries expense		150,000
Utilities expense		60,000
Depreciation expense		10,000
Income tax expense		12,000
Income Summary	38,000	
Retained Earnings		38,000
Retained Earnings	11,000	
Dividends		11,000

Or

[Net the beginning and ending inventory account balances.]

Sales	449,000	
Purchase returns and allowances	9,000	
Purchase discounts	6,000	
Income Summary		464,000
Income Summary	426,000	
Inventory [netted]		10,000
Sales returns and allowances		4,000
Sales discounts		5,000
Purchases		105,000
Rent expense		70,000
Salaries expense		150,000
Utilities expense		60,000
Depreciation expense		10,000
Income tax expense		12,000
Income Summary	38,000	
Retained Earnings		38,000
Retained Earnings	11,000	
Dividends		11,000

### Perpetual

Sales	449,000	
Income Summary		449,000
Income Summary	411,000	
Cost of Goods Sold		100,000
Sales returns and allowances		4,000
Sales discounts		5,000
Rent expense		70,000
Salaries expense		150,000
Utilities expense		60,000
Depreciation expense		10,000
Income tax expense		12,000
Income Summary	38,000	
Retained Earnings		38,000
Retained Earnings	11,000	
Dividends		11,000