Handout 4

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 | , 3 | 11,000 |
| | | |

Or

[Net the beginning and ending inventory account balances.]

| Sales Purchase returns and allowances Purchase discounts Income Summary | 449,000 9,000 6,000 | 464,000 |
|--|---------------------------|--|
| Income Summary Inventory [netted] Sales returns and allowances Sales discounts Purchases Rent expense Salaries expense Utilities expense Depreciation expense Income tax expense | 426,000 | 10,000 4,000 5,000 105,000 70,000 150,000 60,000 10,000 12,000 |
| Income Summary Retained Earnings | 38,000 | 38,000 |
| Retained Earnings Dividends | 11,000 | 11,000 |
| <u>Perpe</u> | <u>tual</u> | |
| Sales Income Summary | 449,000 | 449,000 |
| Cost of Goods Sold Sales returns and allowances Sales discounts Rent expense Salaries expense Utilities expense Depreciation expense Income tax expense | 411,000 | 100,000 4,000 5,000 70,000 150,000 60,000 10,000 12,000 |
| Income Summary Retained Earnings | 38,000 | 38,000 |
| Retained Earnings Dividends | 11,000 | 11,000 |