#1

Please review Illustration below. Comparative Entries between these systems and state what the major difference is based on your observation.

Perpetual Inventory System Periodic Inventory System

**1. Beginning inventory, 100 units at $6:**

The inventory account shows the inventory The inventory account shows the inventory

on hand at $600. on hand at $600.

**2. Purchase 900 units at $6:**

Inventory 5,400 Purchases 5,400

 Accounts Payable 5,400 Accounts Payable 5,400

**3. Sale of 600 units at $12:**

Accounts Receivable 7,200 Accounts Receivable 7,200

Sales 7,200 Sales 7,200

Cost of Goods Sold 3,600 (No entry)

#2

On January 1, 2006, Phantom Company acquires $200,000 of Spiderman Products, Inc., 9% bonds at a price of $185,589. The interest is payable each December 31, and the bonds mature December 31, 2008. The investment will provide Phantom Company a 12% yield. The bonds are classified as held-to-maturity.

Prepare a three-year schedule of interest revenue and bond discount amortization, applying the effective-interest method.

#3

**(Periodic versus Perpetual Entries)** Fong Sai-Yuk Company sells one product. Presented below is information for January for Fong Sai-Yuk Company.

|  |  |  |
| --- | --- | --- |
| Jan.  1 | Inventory | 100 units at $5 each |
| 4 | Sale |  80 units at $8 each |
| 11 | Purchase | 150 units at $6 each |
| 13 | Sale | 120 units at $8.75 each |
| 20 | Purchase | 160 units at $7 each |
| 27 | Sale | 100 units at $9 each |

Fong Sai-Yuk uses the FIFO cost flow assumption. All purchases and sales are on account.

**Instructions**

1.     Assume Fong Sai-Yuk uses a periodic system. Prepare all necessary journal entries, including the end-of-month closing entry to record cost of goods sold. A physical count indicates that the ending inventory for January is 110 units.

2.     Assume Fong Sai-Yuk uses a perpetual system. Prepare all necessary journal entries.