

2. Installment Sales Method.

Ruxton, Inc. accounts for all sales of its merchandise on the installment basis. Following is the unadjusted trial balance at 12/31/09:

Cash	\$ 90,200	
Installment Accounts Receivable—2007	170,000	
Installment Accounts Receivable—2008	400,000	
Installment Accounts Receivable—2009	750,000	
Inventory, 1/1/05	78,000	
Repossessed Merchandise	22,000	
Accounts Payable		\$ 136,000
Deferred Gross Profit—2003		84,000
Deferred Gross Profit—2004		195,000
Capital Stock		600,000
Retained Earnings		406,200
Installment Sales		1,000,000
Purchases	758,000	
Loss on Repossession	3,000	
Operating Expenses	150,000	
	<u>\$2,421,000</u>	<u>\$2,421,000</u>

Additional Data: 2007 Gross Profit Rate = 30%; Inventory 12/31/09 = \$158,000;
 Repossessed merchandise 12/31/09 = \$15,000;
 Merchandise sold in 2008 was repossessed in 2009 and the following entry was prepared (assume correctly):

Deferred Gross Profit—2008	15,000	
Repossessed Merchandise	22,000	
Loss on Repossession	3,000	
Installment Accounts Receivable—2008 ...		40,000