#### 1- Computation of Net Purchases/Cost of Goods Sold

Barkley Company uses a periodic inventory system and has the following account balances: Beginning Inventory $50,000, Ending Inventory $80,000, Freight-in $12,000, Purchases $300,000, Purchase Returns and Allowances $8,000, and Purchase Discounts $6,000.

**Instructions**

Compute each of the following:

(a) Net purchases

(b) Cost of goods available for sale

(c) Cost of goods sold

#### 2— Special Journals

Gordon Company maintains four special journals and a general journal to record its transactions. For each of the transactions listed below, place an ( X ) in the box which indicates the appropriate journal for recording that transaction.

Journal Code:

S = Sales journal

CR = Cash receipts journal

CP = Cash payments journal

P = One column purchases journal

G = General journal

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Journals | | | | |
| S | CR | CP | P | G |
| 1. Mr. Gordon invests cash in the business. |  |  |  |  |  |
| 2. Purchased office supplies on account. |  |  |  |  |  |
| 3. Purchased office equipment for cash. |  |  |  |  |  |
| 4. Mr. Gordon withdrew cash from the business for personal expenses. Purchased merchandise inventory on account. Purchased merchandise inventory on |  |  |  |  |  |
| 5. Sold merchandise to customers on account. |  |  |  |  |  |
| 6. Purchased merchandise inventory on account. |  |  |  |  |  |
| 7. Paid for office supplies previously purchased on account. |  |  |  |  |  |
| 8. Received a check from a customer as payment on account. Received a check from a customer as payment on account.Received a check from a customer as payment on account. |  |  |  |  |  |
| 9. Sold merchandise to customers for cash. |  |  |  |  |  |
| 10. Recorded depreciation expense on office equipment. |  |  |  |  |  |

#### 3 — Bank Reconciliation

Campbell Company received a bank statement for the month of October 2010, which showed a balance per bank of $3,600. The company's Cash account in the general ledger showed a balance of $1,204 at October 31. Other information that may be relevant in preparing a bank reconciliation for October follows:

1. The bank returned an NSF check from a customer for $480.

2. The company recorded cash receipts of $340 on October 31 but this amount does not appear on the bank statement.

3. A check correctly written and paid by the bank for $1,740 was incorrectly recorded in the cash payments journal for $1,470. The check was a payment on account.

4. Checks which were written in September but still had not been presented to the bank for payment at October 31 amounted to $780.

5. The bank included a credit memorandum for $1,526, which represents a collection of a customer's note by the bank for the company; principal amount of the note was $1,400 and the remainder was interest.

6. The bank included a $20 debit memorandum for service charges for the month of October.

7. Checks written in October which have not been paid by the bank at October 31 amounted to $1,200.

**Instructions**

1. Prepare a bank reconciliation for Campbell Company for October which reconciles the balance per books and the balance per bank to their adjusted correct balances.

2. Prepare the necessary adjusting entries for Campbell Company at October 31, 2010.

#### 4 — Periodic Inventories

Carson Company uses the periodic inventory method and had the following inventory information available for the month of November.

Date Transaction Units Unit Cost

11/1 Beginning inventory 500 $3

11/5 Purchase No. 1 500 $5

11/12 Sale No. 1 400

11/18 Purchase No. 2 500 $6

11/25 Sale No. 2 900

11/30 Purchase No. 3 500 $9

A physical count of units on November 30 revealed that 700 units were on hand.

Answer the following independent questions and show computations supporting your answers.

1. Assume that the company uses the average cost method. What is the dollar value of the ending inventory on November 30?

2. Assume that the company uses the LIFO inventory method. What is the dollar value of the cost of goods sold during November?

3. Assume that the company uses the FIFO inventory method. The dollar value of the ending inventory on November 30 is:

#### 5 — Accounts Receivable

Bennett Company uses the allowance method to account for uncollectible accounts. Prepare the appropriate journal entries to record the following transactions during 2010. You may omit journal entry explanations.

June 20 The account of Ken Watts for $1,000 was deemed to be uncollectible and is written off as a bad debt.

Oct. 14 Received a check for $1,000 from Ken Watts, whose account had previously been written off as uncollectible.

Dec. 31 Use the following information for year-end adjusting entries:

The balance of Accounts Receivable and Allowance for Doubtful Accounts at year end are $131,000 and $2,900, respectively. It is estimated that bad debts will be 4% of accounts receivable.

#### 6 — Correcting Entries

An inexperienced accountant for Easterly Company made the following incorrect entries.

1. Notes Receivable 21,600

Accounts Receivable 20,000

Interest Revenue 1,600

Facts: Accepted a $20,000, 1 year, 8% note from Joe Wood Company for balance due on

account.

2. Accounts Receivable 25,000

Sales 25,000

Facts: Accepted Visa credit card for $25,000; the service fee is 2%.

3. Allowance for Doubtful Accounts 12,300

Notes Receivable 12,000

Interest Revenue 300

Facts: M. Adler dishonored a $12,000, 10%, 3-month note because of bankruptcy. Adler is expected to pay. No interest had been accrued on the note.

**Instructions**

Prepare entries to correct Easterly Company's books based on the facts given. Do not reverse out incorrect entries that were recorded above, but rather correct the account balances so that they reflect the proper amounts.

#### 7 — Notes Receivable

**Instructions**

Prepare journal entries to record the following events, rounding to the nearest dollar if necessary.

Jul. 1 Klein Company accepted an 8%, 3-month, $40,000 note dated July 1 from Greer Company for account balance due.

Jul. 31 Klein accrued interest on the above note for the month of July.

Oct. 1 Collected Greer Company note in full. Assume interest was correctly accrued on August 31 and September 30.

Oct. 1 Assume instead that the note is dishonored and that no interest has been accrued. Greer Company is expected to eventually pay the amount owed.