1. Sales/Inventory Cutoff.

Your client took a complete physical inventory count under your observation as of December 15 and adjusted the inventory control account (perpetual inventory method) to agree with the physical inventory. After considering the count adjustments as of December 15 and after reviewing the transactions recorded from December 16 to December 31, you are almost ready to accept the inventory balance as fairly stated. However, your review of the sales cutoff as of December 15 and December 31 disclosed the following items previously considered:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| SALES DATE | | | | |
| COST | PRICE | SHIPPED | BILLED | CREDITED TO INVENTORY CONTROL |
| 28,400 | 36,900 | 12/14 | 12/16 | 12/16 |
| 39,100 | 50,200 | 12/10 | 12/19 | 12/10 |
| 18,900 | 21,300 | 1/2 | 12/31 | 12/31 |

What adjusting journal entries, if any, would you make for each of these items? Explain why each adjustment is necessary.

**Here is my question:::: Do we only need to adjust for the last transaction, which was shipped on ½ and therefore should not be counted for this year?**

1. Audit Simulation: Purchasing Cutoff.

When tracing using the cutoff information from the Deember 31 inventory count of Thermo-Tempur Mattresses, you note the following information:

|  |  |  |
| --- | --- | --- |
| Receiving Report Number | Date Received | Total Cost |
| 1179 | 12/28 | 12,433.61 |
| 1180 | 12/28 | 8,923.34 |
| 1181 | 12/29 | 15,448.22 |
| 1182 | 12/31 | 14,109.33 |
| 1183 | 12/31 | 11,482.57 |
| 1184 | 1/2 | 17,852.56 |
| 1185 | 1/3 | 8,753.95 |

The purchases list shows that the following items were recorded in December.

|  |  |  |
| --- | --- | --- |
| Receiving Report Number | Date Received | Total Cost |
| 1179 | 12/28 | 12,433.61 |
| 1180 | 12/28 | 8,923.34 |
| 1181 | 12/29 | 15,448.22 |
| 1182 | 12/31 | 14,109.33 |
| 1184 | 1/2 | 17,852.56 |

Prepare a correcting journal entry assuming that Thermo-Tempur uses

1. A periodic inventory system
2. A perpetual inventory system that was updated for the inventory count.