Comprehensive cycle problem: period system (Appendix)

The following trial balance pertains to Nate’s Grocery as January 1, 2012.

|  |
| --- |
| **Account Title Beginning Balances**Cash $26,000 Account receivable 4,000 Merchandise inventory 50,000Accounts payable 4,000 Common Stock 43,000 Retained earnings 33,000Totals $80,000 |

The following events occurred in 2012. Assume that Nate’s uses the periodic inventory method.

1. Purchased land for $9,000 cash
2. Purchased merchandise on account for $96,000, terms 1/10 n/45.
3. Paid freight of $1,000 cash on merchandise purchased FOB shipping point.
4. Returned $3,600 of defective merchandise purchased in Event 2.
5. Sold merchandise for$86,000
6. Sold merchandise on account for $90,000, terms 2/10 n/30.
7. Paid cash within the discount period on accounts payable due on merchandise purchased in Event 2.
8. Paid $11,600 cash for selling expenses.
9. Collected $50,000 of the accounts receivable from Event 6 within the discount period.
10. Collected $40,000 of the accounts receivable but not within the discount period.
11. Paid $6,400 of other operating expenses.
12. A physical count indicated that $47,600 of inventory was on hand at the end of the accounting period.

Required

1. Record the above transactions in a horizontal statements model on the template
2. Prepare a schedule of cost of goods sold and an income statement.