

Assignment 1 – Template

Problem 5-2A (40 minutes)

July 1

Date	Particulars	DR	CR
Jul-01	Merchandise stock a/c	14800	
	to accounts payable- Jones Co.		14800

2

Jul-02	Account receivable a/c- Terra co	2600	
	To sales a/c		2600

2

Jul-02	Cost of goods sold a/c	1950	
	to merchandise inventory a/c		1950

3

Jul-03	Merchandise inventory a/c	450	
	to cash a/c		450

8

Jul-08	Cash a/c	5100	
	to sales a/c		5100

8

Jul-08	Cost of goods sold a/c	3825	
	to merchandise stock a/c		3825

9

Jul-09	Merchandise stock a/c	9100	
	To accounts payable-Keene Co		9100

12

Jul-12	Accounts payable-Keene Co	1500	
	To Merchandise stock a/c		1500

12

Jul-12	Cash a/c	2548	
	Sales discount a/c (2600*2%)	52	
	To accounts receivable a/c- Terra Co		2600

13

Jul-13	Office supplies a/c	960	
	To accounts payable a/c- East Co		960

16

Jul-16	Accounts payable a/c	14800	
	To Merchandise stock a/c (14800*1%)		148
	To cash a/c		14652

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Problem 5-2A (continued)

19

Jul-19	Accounts receivable a/c- Urban Co	3800	
	To sales a/c		3800

19

Jul-19	Cost of goods sold a/c	2850	
	To Merchandise stock a/c		2850

21

Jul-21	Sales return and allowance a/c	300	
	To accounts receivables- Urban Co		300

22

Jul-22	Sales a/c	200	
	To accounts receivables- Urban Co		200

29

Jul-29	Accounts payable-Keene Co	7600	
	To cash a/c (9100-1500)		7600

30

Jul-30	Cash a/c	3234	
	Sales discount a/c (3300*2%)	66	
	To accounts receivables- Urban Co (3800-200-300)		3300

31

Jul-31	Account receivable a/c- Terra co	10000	
	To sales a/c		10000

31

Jul-31	Cost of goods sold a/c	7500	
	To merchandise stock a/c		7500

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Problem 5-2A (continued)

Analysis component:

Email

To: Accounts Payable Department

From: Senior Purchaser, Belton Company

Re: Maximizing purchase discounts

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Problem 5-4A (80 minutes)

	Date	Account Titles and Explanation	Debit	Credit
	2023			
a.	Dec. 31	<i>Depreciation on equipment a/c</i>	3825	
		<i>To accumulated depreciation on equipment a/c</i>		3825
b.	Dec. 31	<i>Insurance expenses a/c (3355-260)</i>	3095	
		<i>To prepaid insurance a/c</i>		3095
c.	Dec. 31	<i>Supplies expense a/c</i>	1080	
		<i>To store supplies a/c (2465-2030)</i>		435
		<i>To office supplies a/c (785-140)</i>	645	
d.	Dec. 31	<i>Salaries a/c</i>	3095	
		<i>To salary payable a/c</i>		3095

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e. Dec. 31

<i>Cost of goods sold a/c (34700-33890)</i>	810	
<i>To merchandise stock a/c</i>		810

Problem 5-4A (continued)

Note: The following work sheet is not required for the question. Work sheet is presented to show the impact of the adjusting entries on the account balances.

ELECTRIC BIKE
Work Sheet
For Year Ended December 31, 2023

Account	Unadjusted trial balance		Adjustment		Adjusted trial balance		Income statement	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Cash	8,200				8200			
Accounts receivable	22,765				22765			
Merchandise inventory	34,700			810	33,890			
Store supplies	2,465			435	2,030			
Office supplies	785			645	140			
Prepaid insurance	3,355			3095	260			
Equipment	75,590				75,590			
Accumulated depreciation, equipment		13,755		6100		19855		
Accounts payable		8,100				8100		
Salaries payable				1850		1850		
Braeden Li, capital		1,70,715				170715		
Braeden Li, withdrawals	62,500				62500			
Interest income		320				320		320
Sales		5,29,500				529500		529500
Sales returns and allowances	5,170				5170		5170	
Cost of goods sold	3,81,260		810		382070		382070	

Salaries expense	96,400		1850		98250		98250	
Rent expense	29,200				29200		29200	
Supplies expense			1080		1080		1080	
Depreciation expense, equipment			6100		6100		6100	
Insurance expense			3095		3095		3095	
Totals	7,22,390	7,22,390	12,935	12,935	7,30,340	7,30,340	5,24,965	5,29,820
Profit							4,855	
Totals							5,29,820	5,29,820

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Problem 5-4A (concluded)

2. Multiple-step income statement:

ELECTRIC BIKE
Income Statement

For Year Ended December 31, 2023

Net sales ¹	524330
Cost of goods sold	382070
Gross profit from sales	142260
Operating expenses:	
Salaries expense	98250
Rent expense	29200
Supplies expense	1080
Depreciation expense, equipment	6100
Insurance expense	3095
Total operating expenses	137725
Income from operations	4535
Other revenues and expenses:	
Interest income	320
Profit	4855

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Problem 5-6A (20 minutes)

- a) The selling price for tank tops will be \$32.00 ($20 \times (1+0.60)$) and the selling price for pullovers will be \$48.00 ($\$30 \times (1+0.60)$).
- b) The mark-up on yoga pants is 75% ($\$100 \times (1-0.30) = \70 ; $((\$70 - \$40))/\$40 = 0.75$)
- c) Gross profit margin is calculated with the formula:

$$\text{Gross Profit Margin} = \frac{\text{Net Sales} - \text{Cost of Goods Sold}}{\text{Net Sales}}$$

	Tank Tops	Pullovers	Yoga Pants
Sale price	32.00	48.00	70.00
Cost	<u>20.00</u>	<u>30.00</u>	<u>40.00</u>
Gross Profit	12.00	18.00	30.00
Gross Profit %	37.50%	37.50%	42.86%
	$((32-20)/32)$	$((48-30)/48)$	$((70-40)/70)$

- d) The selling price for tank tops will be \$36.36 ($\$20 / (1-0.45)$). The selling price for pullovers will be \$54.55 ($\$30 / (1-0.45)$). The selling price for yoga pants will be \$72.73 ($\$40 / (1-0.45)$).

After assessing the competitors, you determine that Leah needs to price her products with a markup % of 60%.

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