

## Quiz 2

### Section P

#### Ex. 1

Presented below are selected transactions for Maritime Corporation during July.

- |      |    |  |
|------|----|--|
| July | 1  | Sold merchandise to Brunswick Inc. for \$800, terms 3/10, n/30. The merchandise sold cost \$400. |
|      | 2  | Purchased merchandise from Scotia Corporation for \$4,500, terms 4/10, n/30.                     |
|      | 3  | Paid freight charges of \$100 on items purchased on July 2.                                      |
|      | 4  | Purchased merchandise from Edward Company Ltd. for \$5,000, n/30.                                |
|      | 10 | Received payment from Brunswick Inc. for purchase of July 1.                                     |

#### Instructions

- (a) Record the above transactions for Maritime Corporation, assuming a perpetual inventory system is used. The cost of goods sold on July 1 was determined to be \$400.
- (b) Record the above transactions for Maritime Corporation, assuming a periodic inventory system is used.

#### Solution

(a) Perpetual

July	1	Accounts Receivable .....	800	
		Sales .....		800
		Cost of Goods Sold .....	400	
		Merchandise Inventory .....		400
	2	Merchandise Inventory .....	4,500	

	Accounts Payable .....		4,500
3	Merchandise Inventory .....	100	
	Cash .....		100
4	Merchandise Inventory .....	5,000	
	Accounts Payable .....		5,000
10	Cash (\$800 x 97%) .....	776	
	Sales Discounts (\$800 x 3%) .....	24	
	Accounts Receivable.....		800

\* (b) Periodic

July	1	Accounts Receivable .....	800	
		Sales .....		800
	2	Purchases .....	4,500	
		Accounts Payable .....		4,500
	3	Freight-in .....	100	
		Cash .....		100
	4	Purchases .....	5,000	
		Accounts Payable .....		5,000
	10	Cash (\$800 x 97%) .....	776	
		Sales Discounts (\$800 x 3%) .....	24	
		Accounts Receivable.....		800

**Ex. 2**

Rover Ltd. sells many products. Woof is one of its popular items. Below is an analysis of the inventory purchases and sales of Woof for the month of March. Rover uses the perpetual inventory system.

		<u>Purchases</u>		<u>Sales</u>	
		<u>Units</u>	<u>Unit Cost</u>	<u>Units</u>	<u>Selling Price/Unit</u>
March	1	Beginning inventory	200	\$60	
	3	Purchase	60	75	
	4	Sales			70      \$120
	10	Purchase	200	82	
	16	Sales			80      130
	19	Sales			80      130
	25	Sales			50      130
	30	Purchase	40	90	

**Instructions**

- (a) Using the FIFO cost formula, calculate the cost of goods sold for March. Show calculations.
- (b) Using the average cost formula, calculate the ending inventory at March 31. Show calculations and use unrounded numbers in your calculations but round to the nearest cent for presentation purposes in your answer.

**Solution****(a) FIFO**

<i>Date</i>	<i>Description</i>	<i>Purchases</i>			<i>COGS</i>		
Mar. 1	Beginning						
3	Purchase	60	\$75	\$ 4,500			
4	Sale				70	\$60	\$ 4,200
10	Purchase	200	82	16,400			
16	Sale				80	60	4,800

19	Sale				50	60	
					30	75	5,250
25	Sale				30	75	
					20	82	3,890
30	Purchase	40	90	3,600			
30	Ending				280		<b>\$18,140</b>

(b) Average

Date	Description	Purchases			COGS			Ending Inventory		
Mar. 1	Beginning							200	\$60.00	\$12,000.00
3	Purchase	60	\$75	\$ 4,500.00				260	63.46	16,500.00
4	Sale				70	\$63.46	\$ 4,442.31	190	63.46	12,057.69
10	Purchase	200	82	16,400.00				390	72.97	28,457.69
16	Sale				80	72.97	5,837.47	310	72.97	22,620.22
19	Sale				80	72.97	5,837.47	230	72.97	16,782.75
25	Sale				50	72.97	3,648.42	180	72.97	13,134.33
30	Purchase	40	90	3,600.00				220	76.07	16,734.33
30	Ending				280		\$19,765.67	220	,	<b>\$16,734.33</b>