

The buyer and seller of merchandise must agree on who is responsible for paying freight terms. Show your understanding of freight terms by selecting *all* of the correct statements below. (Check all that apply.)

✓ Your answer is correct!



Read about this

✓ When the shipping costs are the responsibility of the buyer, then the Merchandise Inventory account is debited for the freight charges.

When the shipping costs are the responsibility of the seller, then the Merchandise Inventory account is debited.

✓ Revenue for the sale will be recorded after the goods reach their destination, if the goods are shipped FOB destination.

Terms FOB shipping point means the seller of the goods is responsible for freight charges.

✓ Terms FOB shipping point means the buyer accepts ownership when the goods depart the seller's place of business.

✓ Terms FOB destination means that the seller is responsible for shipping costs.

Challenge

OK

Sales is a(n) _____ account.

✔ Your answer is correct!



Read about this

liability



revenue

expense

asset

Challenge

OK

The correct answer is shown

Show your understanding of a merchandiser by completing the following statement.

Merchandisers earn net income by (buying/manufacturing) **buying** and (selling/purchasing) **selling** merchandise.

✓ Your answer is correct!



Read about this

Challenge

OK

Determine which of the definitions below describes gross profit.

✓ Your answer is correct!



Read about this

The amount of money received on the sale of goods

The total money paid by the merchandiser to its supplier including freight costs

The original cost of the merchandise when purchased from the supplier



The difference between sales price and the cost of the goods sold

Challenge

OK

The correct answer is shown

A cash discount can be summarized as a discount given to **buyers** (buyers/creditors/sellers) to encourage them to pay **earlier**(earlier/later/less/more).

✓ **Your answer is correct!**



Read about this

Challenge

OK

Sally Beauty Warehouse uses the perpetual inventory system to account for its merchandise. On Nov 2, it sold \$700 of merchandise on credit with terms of 2/15,n/30. Demonstrate the required journal entry to record the receipt of payment from the customer on Nov 13, by selecting *all* of the correct actions below. (Check all that apply.)

✓ Your answer is correct!

 Read about this

✓ Credit Accounts Receivable \$700.

✓ Debit Cash \$686.

Debit Accounts Receivable \$700.

✓ Debit Sales Discounts \$14.

Credit Sales Discounts \$14.

Debit Cash \$700.

Challenge

OK

The correct answer is shown

Toys R Fun purchased \$4,000 of merchandise for resale and paid immediately. To record this transaction, Toys R Fun's accountant would debit the **Merchandise Inventory** (Merchandise Inventory/Accounts Payable/Cash) account and credit the **Cash** (Cash/Merchandise Inventory/Accounts Payable) account.

✓ Your answer is correct!



Read about this

Challenge

OK

Cost of goods sold is characterized by which of the following statements? (Check all that apply.)

✓ Your answer is correct!



Read about this



Cost of goods sold includes the expenses of buying and preparing an item for sale.



Cost of goods sold is used to figure gross profit.

Cost of goods sold is an asset reported on the balance sheet.



Cost of goods sold is an expense reported on the income statement.



Cost of goods sold is also called cost of sales.


Cost of goods sold is the money received from selling merchandise.

Challenge

OK

On Jan 5, a customer returned merchandise that had been purchased earlier on credit. The original sale was for \$500, and the cost to the seller was \$150. Demonstrate the required journal entry to record the return on the books of the seller, assuming the goods can be sold to another customer.

✓ Your answer is correct!

 Read about this

✓ Debit Sales Returns and Allowances \$500; debit Merchandise Inventory \$150; credit Accounts Receivable \$500; and credit Cost of Goods Sold \$150.

Debit Accounts Receivable \$500 and credit Cash \$500.

Debit Accounts Receivable \$500; credit Sales Returns and Allowances \$500; credit Merchandise inventory \$150; and credit Cost of Goods Sold \$150.

Debit Sales Returns and Allowances \$150; credit Accounts Receivable \$150.

Challenge

OK

Sales Discounts is a _____ account.

✓ Your answer is correct!



Read about this



contra-revenue

revenue

expense

contra-asset

asset

Challenge

OK

The correct answer is shown

A sales return refers to merchandise that **customers** (customers/sellers/creditors) return to the **seller** (customer/seller/creditor) after a sale for a refund of the purchase price or reduction in the amount owed.

✓ Your answer is correct!



Read about this

Challenge

OK

On Dec. 7, Toys R Fun purchased \$1,000 of merchandise with terms of 2/10,n/30. If payment is made on December 16, demonstrate the required journal entry for Toys R Fun to record the payment under the perpetual inventory system.

✓ Your answer is correct!



Read about this

Debit Accounts Payable \$1,000; credit Cash \$1,000; credit Purchase Discounts \$20.



Debit Accounts Payable \$1,000; credit Cash \$980; credit Merchandise Inventory \$20.

Debit Accounts Payable \$1,000; credit Cash \$1,000.

Debit Merchandise Inventory \$20; debit Cash \$980; credit Accounts Payable \$1,000.

Challenge

OK

The correct answer is shown

Show your understanding of what merchandise is by completing the following sentence.

Merchandise consists of **goods** that a company acquires to resell to **customers**. Use one word for each blank.

✓ Your answer is correct!



Read about this

Challenge

OK

The correct answer is shown

The discount period is the time **between** (before/between) the invoice date and a specified date on which the payment amount owed can be **reduced** (increased/reduced) because of early payment.

✓ **Your answer is correct!**



Read about this

Challenge

OK

What is a purchase return?

✓ Your answer is correct!



Read about this



A purchase return refers to merchandise a buyer acquires, but then returns to the seller.

A purchase return is designed to shorten the payment period between the buyer and the seller.

A purchase return is the cash discount given for early payment of an invoice.

A purchase return refers to merchandise a seller acquires, but then returns to the buyer.

Challenge

OK

X-Mart uses the perpetual inventory system to account for its merchandise. On May 1, it sold \$1,400 of merchandise on credit with terms of 1/10,n/40. Demonstrate the required journal entry to record the receipt of payment on *May 25* by selecting *all* of the correct actions below. (Check all that apply.)

✓ Your answer is correct!



Read about this

Credit Sales Discounts \$14.

Credit Accounts Receivable \$1,400.

Debit Sales Discounts \$14.

Credit Cash \$1,400.

Debit Cash \$1,400.

Debit Accounts Receivable \$1,400.

Challenge

OK

If the seller is responsible for the shipping costs of merchandise sold, the shipping terms will be specified as:

✓ Your answer is correct!



Read about this

FOB start



FOB destination

FOB factory

FOB shipping point

Challenge

OK

On June 5, X-Mart purchased \$400 of merchandise with terms of 2/10,n/30. If payment is made on June 11, calculate the purchase discount that may be taken by X-Mart.

✓ Your answer is correct!



Read about this



\$8

\$40

\$0

\$12

Challenge

OK

Demonstrate how to prepare a multiple-step income statement by ranking the items below in the order they would appear on a multiple-step income statement of a merchandiser.

✓ Your answer is correct!

 Read about this

✓ 1 Sales

✓ 2 Cost of goods sold

✓ 3 Gross profit

✓ 4 Operating expenses

✓ 5 Income from operations

✓ 6 Other revenues and expenses

Challenge

OK

Which statement below *correctly* explains what merchandise inventory is?

✓ Your answer is correct!



Read about this



Merchandise inventory is an asset reported on the balance sheet and contains the cost of products purchased for sale.

Merchandise inventory is subtracted from net sales on the income statement to determine gross profit for the period.

Merchandise inventory is increased when products are sold to customers.

Merchandise inventory is an expense account reported on the income statement and contains the cost of products purchased for sale.

Challenge

OK

Jello's Market purchased \$1,000 of goods on account with terms of 2/10,n/30. They returned \$200 of the goods due to defect the next day. If the company pays for the purchase within the discount period and uses the perpetual inventory system, the required journal entry to record the payment would:

✓ Your answer is correct!



Read about this



debit Accounts Payable \$800; credit Merchandise Inventory \$16; and credit Cash \$784

debit Accounts Payable \$1,000; credit Cash 980; and credit Purchase Discounts \$20

debit Accounts Payable \$800; credit Cash \$780; and credit Merchandise Inventory \$20

debit Accounts Payable \$800 and credit Cash \$800

Challenge

OK

The correct answer is shown

A **periodic** (periodic/perpetual) inventory system can be described as an inventory system that updates the inventory account only at the end of the **period** (purchase/period).

✓ Your answer is correct!



Read about this

Challenge

OK

Dogs R US uses the perpetual inventory system to account for its merchandise. On May 1, it returned \$50 of merchandise due to a defect. Assuming that the purchase was originally bought on credit, demonstrate the required journal entry to record the return by selecting *all* of the correct actions below. (Check all that apply.)

✓ Your answer is correct!



Read about this

Debit Cash \$50.

✓ Credit Merchandise Inventory \$50.

Debit Merchandise Inventory \$50.

Credit Accounts Payable \$50.

Credit Purchase Returns \$50.

✓ Debit Accounts Payable \$50.

Challenge

OK

The correct answer is shown

To compute net income for a merchandiser, you will start with net sales, subtract cost of goods sold and subtract other **expenses**.

✓ Your answer is correct!



Read about this

Challenge

OK

Review the following credit terms and identify the one that states that the buyer will receive a 3% discount if the payment is made within 15 days. Otherwise, full payment is expected within 45 days of the invoice date.

✓ Your answer is correct!



Read about this

3/15,eom/45

3/10,n/45



3/15,n/45


3/45, n/15

Challenge

OK

Which of the statements below summarize why a seller would give a sales allowance? (Check all that apply.)

✓ Your answer is correct!

 Read about this

✓ The seller wants to keep a customer happy.

✓ Sold merchandise was defective or unacceptable.

The buyer purchased a large amount of merchandise and was eligible for a reduced purchase price.

✓ In order to entice a customer to keep damaged or defective merchandise, the seller is willing to decrease the selling price.

✓ The seller wants to avoid future lost sales.

The buyer could not pay within the discount period.

Challenge

OK

A merchandiser has four closing journal entries at the end of an accounting cycle. Select the correct entries below. (Check all that apply.)

✓ Your answer is correct!



Read about this

Close asset accounts.



Close the withdrawals account.



Close the income summary account.



Close expense accounts.



Close revenue accounts.

Close the merchandise inventory account.

Challenge

OK

Given the partial list of accounts below, the entry to close the temporary credit balance accounts would include a:

Account	Debit	Credit
Sales		\$20,000
Sales Discounts	\$ 500	
Cost of Goods Sold	\$1,900	
Merchandise Inventory	\$5,000	
Accounts Payable		\$ 500
Owner, Capital		\$10,000

✔ Your answer is correct!



Read about this

credit to Income Summary, \$30,500.

credit to Income Summary, \$30,000.

credit to Income Summary, \$19,500.



credit to Income Summary, \$20,000.

Challenge

OK

X-Mart uses the perpetual inventory system to account for its merchandise. On May 1, it sold \$1,400 of merchandise on credit. The original cost of the merchandise to X-Mart was \$500. Demonstrate the required journal entry to record the sale and the cost of the sale by selecting *all* of the correct actions below. (Check all that apply.)

✓ Your answer is correct!

 Read about this

✓ Debit Cost of Goods Sold \$500.

Debit Merchandise Inventory \$500.

Debit Sales \$1,400.

✓ Credit Sales \$1,400.

✓ Debit Accounts Receivable \$1,400.

✓ Credit Merchandise Inventory \$500.

Credit Accounts Receivable \$1,400.

Credit Cost of Goods Sold \$500.

Challenge

OK

The correct answer is shown

Explain what a debit memorandum is by completing the following sentence.

When a buyer returns or takes an allowance on merchandise, the **buyer** (buyer/creditor/seller) issues a debit memorandum to inform the **seller** (buyer/creditor/seller) of a debit made to the seller's account in the buyer's records.

✓ Your answer is correct!



Read about this

Challenge

OK

Q-mart uses the periodic inventory system. A physical count of inventory revealed it had \$6,000 of inventory remaining at year end. Given the partial list of accounts below, the entry to close the temporary credit balance accounts and update the Merchandise Inventory account would include *all* of the following. (Check all that apply.)

Account	Debit	Credit
Sales		\$20,000
Purchase Discounts		\$ 1,000
Merchandise Inventory (Beg. Balance)	\$5,000	
Owner, Capital		\$10,000

✓ Your answer is correct!

 Read about this

✓ Debit Merchandise Inventory (ending balance) \$6,000.

Credit Sales for \$20,000.

✓ Debit Purchase Discounts \$1,000.

Credit Purchases Discounts for \$1,000.

Credit Merchandise Inventory (ending balance) \$6,000.

✓ Debit Sales \$20,000.

Challenge

OK

The correct answer is shown

Complete the following statement.

Merchandise inventory that is still available for sale is considered a(n) **asset** (asset/expense/revenue) and is reported on the **balance sheet** (balance sheet/income statement) and merchandise that is sold during the period is considered a(n) **expense** (asset/expense/liability) and reported on the **income statement** (balance sheet/income statement).

✓ Your answer is correct!



Read about this

Challenge

OK

The correct answer is shown

Recall that Merchandise Inventory is considered a(n) (current/plan/intangible)**current** asset on the (balance/income) **balance** (sheet/statement)**sheet** of a merchandiser using the periodic inventory system.

✓ **Your answer is correct!**



Read about this

Challenge

OK

Why is it important for a business's success to have a high gross margin?

✓ Your answer is correct!



Read about this

A high gross margin ratio measures the efficiency of capital spending.



A merchandiser must make a sufficient profit on the sale of its merchandise to cover the other expenses of its business.

A high gross margin helps creditors determine if debt can be repaid on time.

Without sufficient gross profit on the sale of its merchandise, a business's inventory level will be too low to maintain sales demands.

Challenge

OK

Recall the differences and/or similarities of accounting for merchandise purchases and sales using U.S. GAAP and IFRS. (Check all that apply.)

✓ Your answer is correct!



Read about this

Merchandise inventory is valued at FMV under IFRS and any gain is recognized in the current reporting period.

✓ Sales of merchandise are accounted for identically.

Sales Discounts and Sales Returns are not recognized under IFRS.

✓ The closing process for merchandisers is identical under both U.S. GAAP and IFRS.

✓ Purchases of merchandise are accounted for identically.

Challenge

OK

Determine which of the definitions on the right go with the entity on the left.

✓ Your answer is correct!

 Read about this

✓ Retailer



An intermediary that buys products from manufacturers or wholesalers and sells them to consumers

✓ Wholesaler



An intermediary that buys products from manufacturers and sells them to retailers or wholesalers

✓ Merchandiser



Earns net income by buying and selling products

Challenge

OK

LOL Music Store uses the periodic inventory system to account for its merchandise. On November 17, it purchased \$1,000 of merchandise with terms of 2/5,n/60. If payment is made on November 21, demonstrate the required journal entry to record the payment by selecting *all* of the correct actions below. (Check all that apply.)

✓ Your answer is correct!

 Read about this

Credit Accounts Payable \$1,000.

Credit Cash \$980.

Credit Purchase Discounts \$20.

Credit Cash \$1,000.

Debit Accounts Payable \$1,000.

Debit Purchase Discounts \$20.


Credit Merchandise Inventory \$20.

Challenge

OK

Jerry's Flowers sold and shipped merchandise across the country to a buyer. The terms were FOB destination. Assuming it paid the bill immediately, demonstrate the journal entry required by Jerry's Flowers under the perpetual inventory system to record the freight charges.

✓ Your answer is correct!

 Read about this



Debit Delivery Expense; credit Cash.

Debit Sales; credit Cash.

Debit Merchandise Inventory; credit Cash.

Debit Merchandise Inventory; credit Freight-Out.

Challenge

OK

The correct answer is shown

Explain what a credit memorandum is by completing the following sentence.

When a seller grants an allowance on a previous sale, the **seller** (customer/creditor/seller) issues a credit memorandum to inform the **customer** (customer/seller) of a credit made to the buyer's Account Receivable in the seller's records.

✓ Your answer is correct!



Read about this

Challenge

OK

The balance sheet of a merchandiser and a service business have one major difference. Select the item below that would appear *only* on a merchandiser's balance sheet.

✓ Your answer is correct!



Read about this

Cash



Merchandise inventory

Accounts payable

Owner, Capital

Accounts receivable

Challenge

OK

The Merchandise Inventory account on a classified balance sheet is reported in the:

✔ Your answer is correct!



Read about this

plant assets section

intangible assets section

long-term investments section



current assets section

Challenge

OK

Given the following information, analyze XYZ Company's liquidity. (Check all that apply.)

	Year 2013
Total quick assets	\$30,000
Total current assets	\$40,000
Total current liabilities	\$22,000
Acid-test ratio	1.36
Current ratio	1.82
Industry acid-test ratio	.70
Industry current ratio	1.65

✔ Your answer is correct!



Read about this

They don't have sufficient liquid assets to pay off short-term debt if needed.

They are less liquid than others in their industry

They are more liquid than others in their industry.

They have sufficient quick assets to pay off short-term debt if needed.

Challenge

OK

Review the statements below and select the one that *accurately* describes a perpetual inventory system.

✓ Your answer is correct!



Read about this

It is an inventory system that automatically orders inventory from suppliers when it reaches a certain level.



It is an inventory system that continually updates accounting records for merchandise transactions.

It is an inventory system that maintains a continuous level of inventory on the shelves of a merchandiser.

It is an inventory system that updates the accounting records for merchandise transactions only at the end of a period.

Challenge

OK

Select the statements below that correctly describe the flow of costs in a merchandiser's accounting cycle. (Check all that apply.)

✓ Your answer is correct!



Read about this



Beginning inventory + net purchases = Merchandise available for sale.

Merchandise purchased is an expense and is reported on the income statement.



Merchandise that is sold becomes an expense reported on the income statement.

Merchandise that is sold becomes an asset reported on the balance sheet.



Merchandise that is purchased becomes an asset reported on the balance sheet.



Ending inventory + Cost of goods sold = Total merchandise available for sale.

Challenge

OK

Which of the statements below summarizes what the acid-test ratio measures?

✓ Your answer is correct!



Read about this

The acid-test ratio measures the marketability of a company's merchandise.

The acid-test ratio measures the profitability of a company.

The acid-test ratio measures the efficiency of capital spending.



The acid-test ratio measures a merchandiser's ability to pay its current liabilities.

Challenge

OK

Identify the two types of inventory systems from the choices below.

✓ Your answer is correct!



Read about this



Perpetual inventory system and periodic inventory system

Tracking inventory system and tagged inventory system

Cost inventory system and profit inventory system

Challenge

OK

Identify the items or sub-headings below that would appear on a multiple-step income statement.
(Check all that apply.)

✓ Your answer is correct!



Read about this



Net sales



Income from operations



Cost of goods sold



General and administrative expenses



Selling expenses

Total assets



Gross profit

Challenge

OK

Explain how to determine gross profit on an income statement by selecting the *correct* statement below.

✓ Your answer is correct!



Read about this

Cost of goods sold is added to net sales.

Sales is subtracted from cost of goods sold.



Cost of goods sold is subtracted from net sales.

Cost of goods sold is added to sales discounts.

Challenge

OK

Given the following information for Q-mart, calculate its cost of goods sold during the period.

Beginning Inventory	\$35,000
Cost of goods purchased	100,000
Ending Inventory	\$40,000

✓ Your answer is correct!



Read about this

\$105,000



\$ 95,000

\$100,000

\$175,000

Challenge

OK

X-Mart uses the perpetual inventory system to account for its merchandise. A customer who purchased merchandise on account requested an allowance on a merchandise purchase due to its poor quality, but he did not return the goods back to X-Mart. Assuming that X-Mart gives an allowance of \$50 on the merchandise, demonstrate the required journal entry on X-Mart's books to record the allowance by selecting *all* of the correct actions below. (Check all that apply.)

✓ Your answer is correct!



Read about this

Debit Cost of Goods Sold \$50.

Credit Merchandise Inventory \$50.

Debit Merchandise Inventory \$50.

Credit Cash \$50.

Credit Sales Returns and Allowances \$50.

Credit Cost of Goods Sold \$50.

✓ Debit Sales Returns and Allowances \$50.

✓ Credit Accounts Receivable \$50.

Challenge

OK

ABC Mart received a \$20 freight bill for merchandise it purchased with freight terms of FOB shipping point. Assuming it paid the bill immediately, demonstrate the journal entry required to record the freight charges, assuming the *periodic* inventory system is used.

✓ Your answer is correct!



Read about this

Debit Transportation-In \$20 and credit Merchandise Inventory \$20.

Credit Transportation-In \$20 and debit Cash \$20.



Debit Transportation-In \$20 and credit Cash \$20.

Debit Merchandise Inventory \$20 and credit Cash \$20.

Challenge

OK

Identify the financial statements of a merchandiser. (Check all that apply.)

✓ Your answer is correct!

 [Read about this](#)

✓ Income statement

✓ Balance sheet

✓ Statement of owner's equity

Merchandise profit statement

Statement of merchandise inventory

Challenge

OK

Which of the following items are included in a merchandising company's income statement *but are not* included in a service company's income statement? (Check all that apply.)

✓ Your answer is correct!



Read about this



Gross profit

Depreciation expense



Cost of goods sold



Sales returns

Rent expense

Wages expense



Sales discounts



Loss from defective merchandise

Challenge

OK

Determine which of the statements below are *correct*, when a company, using the perpetual inventory system, completes a work sheet. (Check all that apply.)

✔ Your answer is correct!



Read about this

- ✔ the Sales Discounts account will appear in the debit column of the Income Statement columns.
- ✔ depreciation Expense will be reported in the debit column of the Income Statement columns.
- ✔ cost of goods sold will be reported in the debit column of the Income Statement columns.
- ✔ net income will be reported when the credit column total is larger than the debit column total of the Income Statement columns.
- the beginning balance in the Merchandise Inventory account will be reported in the debit column of the Balance Sheet columns.
- the ending balance in the Merchandise Inventory account will be reported in the debit column of the Income Statement columns.

Challenge

OK

Recall the formula for calculating a company's acid-test ratio.

✓ Your answer is correct!



Read about this

Current assets/Total assets



(Cash Short-term investments Current receivables)/Current liabilities

(Cash Short-term investments Current receivables + Inventory)/
Current liabilities


Merchandise inventory/Total assets

Challenge

OK

Dogs R US uses the perpetual inventory system to account for its merchandise. A customer returned merchandise due to a defect. Assuming that the purchase was originally bought on credit for \$400 with a cost to Dogs R US of \$100, and the defective, returned merchandise is only estimated to be worth \$30, demonstrate the required journal entry to record the return and to write down the defective merchandise by selecting *all* of the correct actions below. (Check all that apply.)

✓ Your answer is correct!

 Read about this

Credit Merchandise Inventory \$50.

Credit Accounts Receivable \$400.

Credit Cost of Goods Sold \$100.

Debit Sales Returns and Allowances \$400.

Debit Merchandise Inventory \$30.

Debit Accounts Payable \$400.

Credit Sales Returns and Allowances \$400.

Credit Cash \$400.

Debit Loss from Defective Merchandise \$70.

The merchandise had an original cost of \$100 but needs to be written down to \$30.

Challenge

OK

Identify the statement below that is the *correct* definition of "shrinkage".

✓ Your answer is correct!



Read about this

Shrinkage is the discount received against the purchase price of merchandise.

Shrinkage is the term used to describe the diminished floor space that an inventory item has in a store.



Shrinkage is the term used to refer to the loss of inventory due to theft, breakage or deterioration.

Challenge

OK

Recall the differences and/or similarities of income statement presentation under U.S. GAAP and IFRS.

✓ Your answer is correct!



Read about this



IFRS's bottom line on the income statement is "Profit".

U. S. GAAP's bottom line on the income statement is Net Sales.



IFRS requires separate disclosures for interest expense and income tax expense.



Sales of merchandise are accounted for identically.



Both list net sales and cost of goods sold as separate line items.



Neither U.S. GAAP nor IFRS define operating income.

Challenge

OK

Under which method of accounting are current assets listed in order from most liquid to least liquid required?

✓ Your answer is correct!



Read about this



U.S. GAAP

IFRS

Challenge

OK

A single-step income statement can be identified by which of the following formats?

✔ Your answer is correct!



Read about this

It shows subheadings for operating and non-operating items.

It lists a figure for gross profit.

It shows cost of goods sold as a subtraction from net sales to determine the subtotal cost of goods sold.



It shows only one total for all expenses.

Challenge

OK

Review the statements below and select the one that explains the purpose of a sales discount.

✓ Your answer is correct!



Read about this



They decrease the time that the seller has to wait for payment.

They increase the amount of money collected by the seller.

They increase the credit period allowed to customers.


They increase the time that the customer has to make payment.

Challenge

OK

X-Mart uses the periodic inventory system to account for its merchandise. On May 1, it sold \$1,400 of merchandise on credit. The original cost of the merchandise to X-Mart was \$500. Demonstrate the required journal entry to record the sale by selecting *all* of the correct actions below. (Check all that apply.)

✔ Your answer is correct!

 Read about this

Credit Accounts Receivable \$1,400.

Debit Sales \$1,400.

Credit Sales \$1,400.

Credit Merchandise Inventory \$500.

Debit Merchandise Inventory \$500.

Credit Cost of Goods Sold \$500.

Debit Cost of Goods Sold \$500.


Debit Accounts Receivable \$1,400.

Challenge

OK

X-Mart uses the perpetual inventory system to account for its merchandise. On June 1, it sold \$7,000 of merchandise for cash. The original cost of the merchandise to X-Mart was \$500. Demonstrate the required journal entry to record the sale and the cost of the sale by selecting *all* of the correct actions below. (Check all that apply.)

✓ Your answer is correct!

 Read about this

✓ Credit Sales \$7,000.

✓ Debit Cash \$7,000.

Credit Cash \$7,000.

Debit Sales \$7,000.

Credit Cost of Goods Sold \$500.

Debit Merchandise Inventory \$500.

✓ Credit Merchandise Inventory \$500.

✓ Debit Cost of Goods Sold \$500.

Challenge

OK

Which are the two classifications of operating expenses on a multiple-step income statement?

✓ Your answer is correct!



Read about this

Selling; costs of goods sold



Selling; general and administrative

Selling; managerial

Operating; non-operating

Challenge

OK

Which of the statements below explain why perpetual inventory systems are becoming more popular?
(Check all that apply.)

✓ Your answer is correct!



Read about this



Technological advances have made it easier to use.



Managers have immediate access to detailed information on sales and inventory levels.

Managers are incurring less pressure to use it because of purchasing trends.

It is more cost effective as it decreases the cost of goods sold reported on the income statement.

Challenge

OK

Given the following information for Q-mart, calculate its gross margin ratio.

Net sales	\$10,000
Cost of goods sold	\$3,200

✓ Your answer is correct!



Read about this



68%

32%


100%

Challenge

OK

Credit terms of n/15 EOM were printed on an invoice. Explain what this means.

✓ Your answer is correct!

 [Read about this](#)

The credit period ends on the 15th of the month.

The buyer will receive a 15% discount if the invoice is paid by the 15 of the month.

✓ The credit terms stand for net 15 days after end of month.

The discount period lasts only 15 days from the invoice date.

Challenge

OK

Dogs R US uses the **periodic** inventory system to account for its merchandise. A customer returned some of the merchandise purchased. Assuming that the purchase was originally purchased on credit for \$400 with a cost to Dogs R US of \$100 and the returned merchandise can be sold to other customers, demonstrate the required journal entry to record the return by selecting *all* of the correct actions below. (Check all that apply.)

✓ Your answer is correct!

 Read about this

Debit Accounts Payable \$400.

✓ Credit Accounts Receivable \$400.

Credit Sales Returns and Allowances \$400.

Debit Merchandise Inventory \$100.

Credit Cost of Goods Sold \$100.

Debit Cost of Goods Sold \$100.

Credit Merchandise Inventory \$100.

✓ Debit Sales Returns and Allowances \$400.

Credit Cash \$400.

Challenge

OK

Jerry's Flowers had the following cost information related to its purchases of merchandise. Calculate the total cost of merchandise purchased using the information below:

Invoice cost of merchandise purchases	\$100,000
Purchase discounts received	\$ 9,000
Cost of transportation-in (shipping)	\$ 500
Costs of purchase returns and allowances	\$ 400

✓ Your answer is correct!



Read about this

\$90,100



\$91,100

\$91,900

\$109,900

Challenge

OK

Determine which of the following statements are *correct* regarding the adjusting entries for a merchandiser and a service business. (Check all that apply.)

✓ Your answer is correct!



Read about this



Both types of businesses make adjustments for depreciation.

Service businesses make adjustments for shrinkage.



Merchandise businesses make adjustments for shrinkage.



Both types of businesses make adjustments for accrued expenses.




Both types of businesses make adjustments for accrued revenues.

Challenge

OK

X-Mart uses the periodic inventory system to account for its merchandise. On May 1, it sold \$400 of merchandise on account with terms of 2/15, n/40. On May 3, its customer returned \$50 of merchandise due to defect. On May 11, its customer paid the remaining balance due. Demonstrate the required journal entry to record the receipt of payment by selecting *all* of the correct actions below. (Check all that apply.)

✓ Your answer is correct!

 Read about this

✓ Debit Cash \$343.

Credit Accounts Receivable \$400.

Debit Sales Discounts \$8.

Credit Accounts Payable \$350.

✓ Debit Sales Discounts \$7.

✓ Credit Accounts Receivable \$350.

Debit Cash \$392.

Challenge

OK

Determine which statements below are *correct* regarding merchandise available for sale during a period.(Check all that apply.)

✓ Your answer is correct!



Read about this

Cost of goods sold + Beginning inventory = Merchandise available for sale



Ending inventory + Cost of goods sold = Merchandise available for sale

Beginning inventory + Ending inventory = Merchandise available for sale




Beginning inventory + Net purchases = Merchandise available for sale

Challenge

OK

Describe good cash management practices involving inventory purchases. (Check all that apply.)

✓ Your answer is correct!

 [Read about this](#)

✓ Buyers should take advantage of early payment discounts.

✓ Invoices should be paid on the last day of the discount period.

Inventory should be purchased with cash whenever possible.

Invoices should be paid on the first day of the discount period.

Challenge

OK

On Dec. 20, X-Mart returned \$100 of defective merchandise to its supplier. Demonstrate the required journal entry that X-Mart will record for the return, assuming the purchase was made on account and that X-Mart uses the *periodic* inventory system.

✓ Your answer is correct!



Read about this



Debit Accounts Payable \$100 and credit Purchase Returns \$100.

Debit Purchase Returns and Allowances \$100 and credit Accounts Payable \$100.

Debit Accounts Payable \$100 and credit Cash \$100.

Debit Accounts Payable \$100 and credit Merchandise Inventory \$100.

Challenge

OK

Given the following information, calculate the acid-test ratio for XYZ Company:

	Year 2013
Cash	\$ 8,000
Short-term investments	\$10,000
Current receivables	\$12,000
Total current assets	\$40,000
Total current liabilities	\$22,000
Total liabilities	\$28,000

✔ Your answer is correct!



Read about this

1.82

.55



1.36

Challenge

OK

Name the temporary accounts used to record the costs of merchandise purchased in a periodic inventory system. (Check all that apply.)

✓ Your answer is correct!



Read about this



Purchase discounts

Merchandise inventory



Purchases



Transportation-in

Damaged purchases

Cost of goods sold



Purchase returns and allowances

Challenge

OK

Summarize a periodic inventory system by selecting *all* of the correct statements below. (Check all that apply.)

✓ Your answer is correct!



Read about this



The Purchase Discounts account is used during the period.



Cost of goods sold is computed at the end of the period.



The Merchandise Inventory account is updated only at the end of the period.



The balance in the Merchandise Inventory account remains the beginning balance until the end of the period.



The Purchases account is used during the period.

When a company records a sale, it also records the cost of the goods sold.

The Merchandise Inventory account is updated every time a sale is made.



The Purchase Returns and Allowances account is used during the period.

Challenge

OK

Which of the following costs are included in merchandise inventory? (Check all that apply.)

✓ Your answer is correct!



Read about this

✓ Costs necessary to ready the merchandise for sale

Trade discounts given to customers

✓ Taxes assessed on the merchandise

✓ Purchase costs

Advertising costs

✓ Shipping fees charged by the vendor

Challenge

OK

Given the following information, analyze XYZ Company's gross margin ratio. (Check all that apply.)

	Year 2014	2013
Gross margin	\$3,200	\$3,210
Net sales	\$10,400	\$11,200
Gross margin ratio	30.7%	28.7%

✓ Your answer is correct!

 Read about this

✓ In 2014, they have approximately 30.7 cents of every dollar of sales to help cover the other expenses of running the business.

✓ Their gross margin ratio has improved since 2013.

✓ Their gross margin has decreased since last year.

They are not making any profit on the sales of their merchandise.

Their gross margin has decreased, but their gross margin ratio has increased.

Challenge

OK

Determine which of the statements below are *correct*, when a company, using the periodic inventory system, completes a worksheet. (Check all that apply.)

✓ Your answer is correct!



Read about this

- ✓ Purchases will be reported in the debit column of the Income Statement columns.
- ✓ Purchase Discounts will be reported in the credit column of the Income Statement columns.
- ✓ The ending balance in the Merchandise Inventory account will be reported in the credit column of the Income Statement columns.
- ✓ The ending balance in the Merchandise Inventory account will appear in the debit column of the Balance sheet columns.
- The beginning balance in the Merchandise Inventory account will be reported in the credit column of the Income Statement columns.

Challenge

OK

ABC Mart received a \$20 freight bill for merchandise it purchased with freight terms of FOB shipping point. ABC Mart uses a perpetual inventory system. Assuming it paid the bill immediately, demonstrate the journal entry required to record the freight charges.

✓ Your answer is correct!



Read about this

Debit Freight In \$20; credit Cash \$20.

Debit Freight In \$20; credit Merchandise Inventory \$20



Debit Merchandise Inventory \$20; credit Cash \$20.

Debit Transportation In \$20; credit Cash \$20.

Challenge

OK

X-Mart purchased \$300 of merchandise on account for resale. Demonstrate the journal entry to record this transaction, assuming the periodic inventory system is used.

✓ Your answer is correct!



Read about this

Credit Merchandise Inventory \$300 and debit Accounts Payable \$300.

Debit Merchandise Inventory \$300 and credit Accounts Payable \$300.

Debit Merchandise Inventory \$300 and credit Sales \$300.



Debit Purchases \$300 and credit Accounts Payable \$300.

Challenge

OK