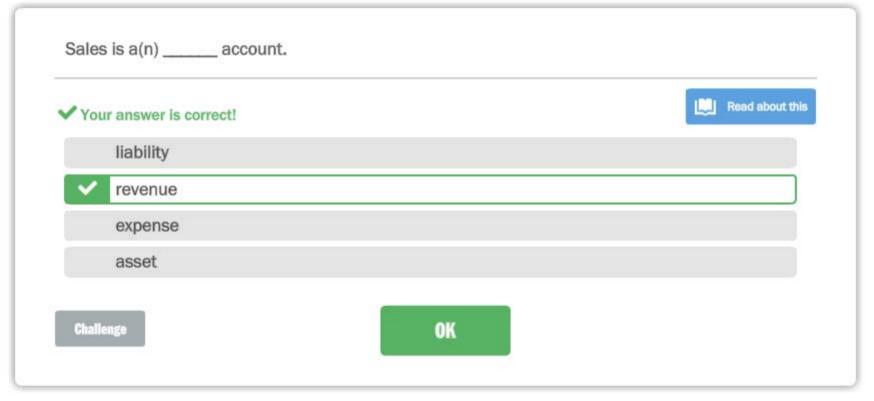
The buyer and seller of merchandise must agree on who is responsible for paying freight terms. Show your understanding of freight terms by selecting *all* of the correct statements below. (Check all that apply.)

Read about this Your answer is correct! 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.

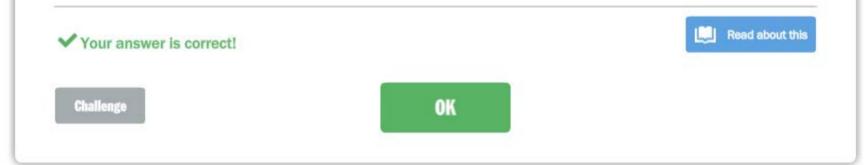






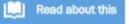
Show your understanding of a merchandiser by completing the following statement.

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



Determine which of the definitions below describes gross profit.

✓ Your answer is correct!



The amount of money received on the sale of goods

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

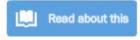
The original cost of the merchandise when purchased from the supplier

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



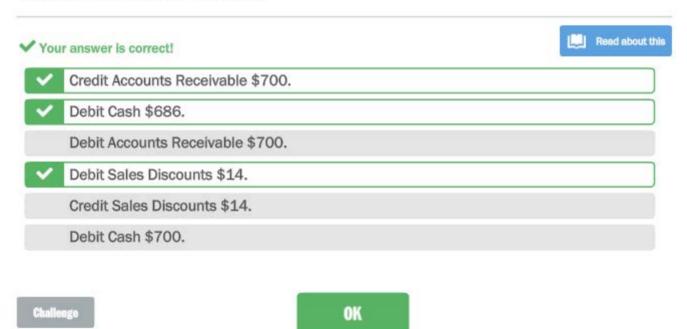
A cash discount can be summarized as a discount given to buyers (buyers/creditors/sellers) to encourage them to pay earlier(earlier/later/less/more).







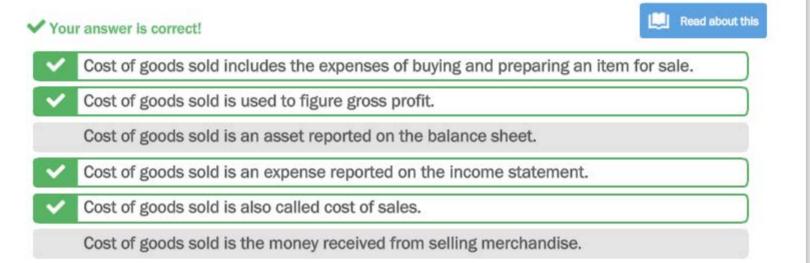
Sally Beauty Warehouse uses the perpetual inventory system to account for its merchandise. On Nov 2, it sold \$700 of merchandise on credit with terms of 2/15,n/30. Demonstrate the required journal entry to record the receipt of payment from the customer on Nov 13, by selecting *all* of the correct actions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



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.



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





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.

Vour 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.

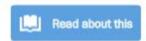


Sales Discounts is a _____ account.

	contra-revenue	 	
	revenue		
1000	expense		
	contra-asset		
1000	asset		

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.







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.



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.





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.









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.







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.



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.)

V You	ur 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.	



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

	FOB start			
/	FOB destination			
	FOB factory			
	FOB shipping point			
	_	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.

\$8	
\$40	
\$0	
\$12	

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.

~	1 Sales	
~	2 Cost of goods sold	
~	3 Gross profit	
~	4 Operating expenses	
~	5 Income from operations	
~	6 Other revenues and expenses	

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.





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



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).





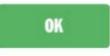




Dogs R US uses the perpetual inventory system to account for its merchandise. On May 1, it returned \$50 of merchandise due to a defect. Assuming that the purchase was originally bought on credit, demonstrate the required journal entry to record the return by selecting *all* of the correct actions below.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







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!







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 thi
3/15,eom/45		
3/10,n/45		
✓ 3/15,n/45		
3/45, n/15		
Challenge	ОК	

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

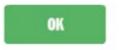
Read about this Your answer is correct! The seller wants to keep a customer happy. Sold merchandise was defective or unacceptable. The buyer purchased a large amount of merchandise and was eligible for a reduced purchase price. In order to entice a customer to keep damaged or defective merchandise, the 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.



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

V You	Ir 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.	





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

Vour answer is correct!

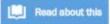
credit to Income Summary, \$30,500.

credit to Income Summary, \$30,000.

credit to Income Summary, \$19,500.

credit to Income Summary, \$20,000.





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.)

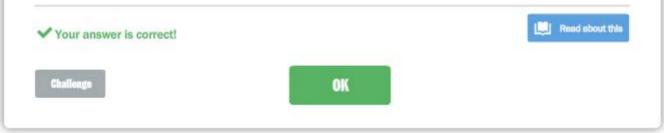
You	r answer is correct!	Read about this
V	Debit Cost of Goods Sold \$500.	
	Debit Merchandise Inventory \$500.	
	Debit Sales \$1,400.	
~	Credit Sales \$1,400.	
~	Debit Accounts Receivable \$1,400.	
~	Credit Merchandise Inventory \$500.	
	Credit Accounts Receivable \$1,400.	
	Credit Cost of Goods Sold \$500.	





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.



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	l.	
Owner, Capital		\$10,000	

VYour answer is correct!

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.





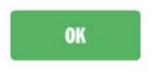
Read about this

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).



Challenge



Read about this

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.







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

Vour answer is correct!

Read about this

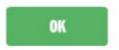
A high gross margin ratio measures the efficiency of capital spending.

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.





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





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.



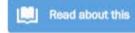
Purchases of merchandise are accounted for identically.





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

✓ Your answer is correct!



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

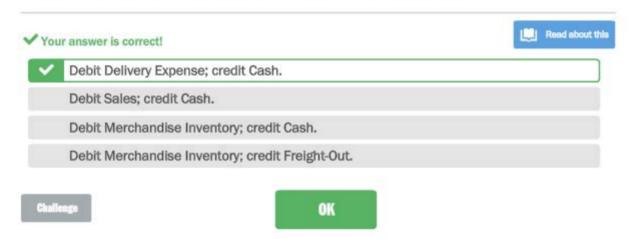
LOL Music Store uses the periodic inventory system to account for its merchandise. On November 17, it purchased \$1,000 of merchandise with terms of 2/5,n/60. If payment is made on November 21, demonstrate the required journal entry to record the payment by selecting *all* of the correct actions below.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

V You	ur 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.	





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.



The correct answer is shown

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

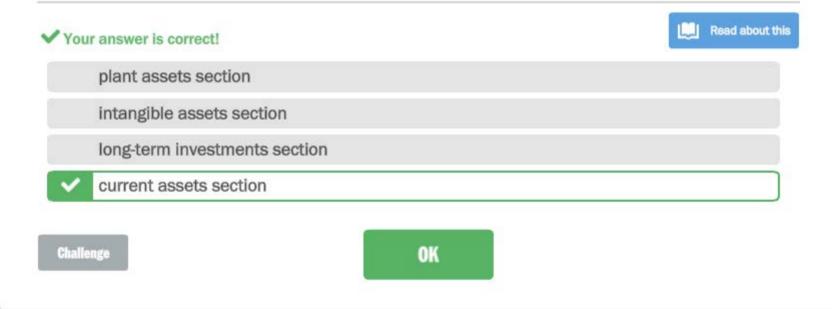
When a seller grants an allowance on a previous sale, the seller (customer/creditor/seller) issues a credit memorandum to inform the customer (customer/seller) of a credit made to the buyer's Account Receivable in the seller's records.



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.

Cash	
Merchandise inventory	
Accounts payable	
Owner, Capital	
Accounts receivable	

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



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.

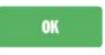
They are less liquid than others in their industry

~

They are more liquid than others in their industry.

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





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.

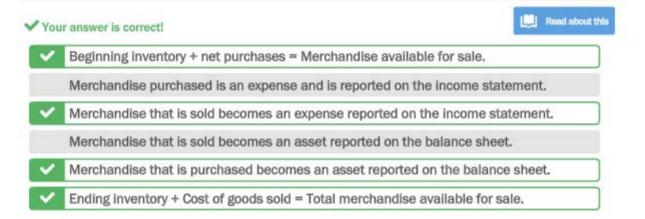
It is an inventory system that continually updates accounting records for merchandise transactions.

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.



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







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.



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

Vyour 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

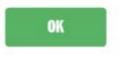




Identify the items or sub-headings below that would appear on a multiple-step income statement. (Check all that apply.)

You	Ir 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	





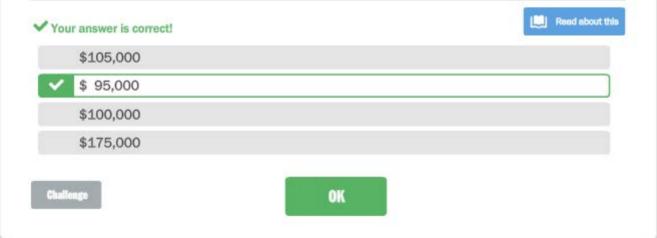
Explain how to determine gross profit on an income statement by selecting the correct statement below.





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



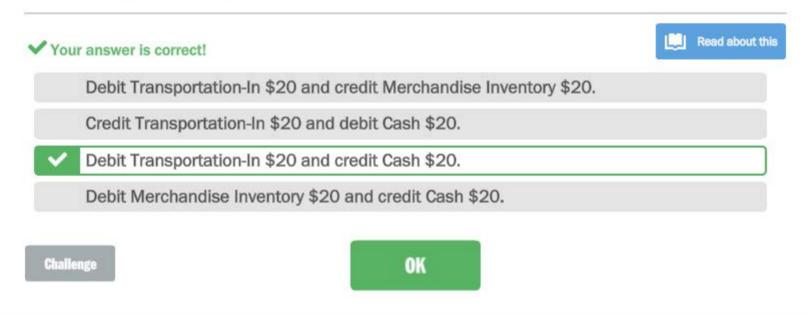
X-Mart uses the perpetual inventory system to account for its merchandise. A customer who purchased merchandise on account requested an allowance on a merchandise purchase due to its poor quality, but he did not return the goods back to X-Mart. Assuming that X-mart gives an allowance of \$50 on the merchandise, 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.)



_		
16.7		



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.



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







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.)

You	Ir 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	





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

~	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.





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

Vour answer is correct!

Current assets/Total assets

(CashShort-term investmentsCurrent receivables)/Current liabilities

(Cash<u>Short-term investments</u>Current receivables+Inventory)/

Current liabilities

Merchandise inventory/Total assets





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.)

You	ir answer is correcti	E Read abou
	Credit Merchandise Inventory \$50.	
1	Credit Accounts Receivable \$400.	
1	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.	
1	Debit Loss from Defective Merchandise \$70.	

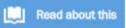
The merchandise had an original cost of \$100 but needs to be written down to \$30.





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





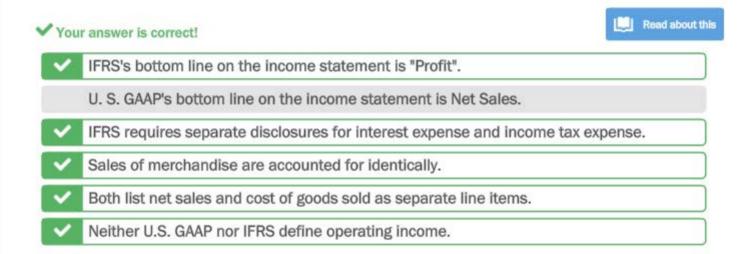
Shrinkage is the discount received against the purchase price of merchandise.

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.



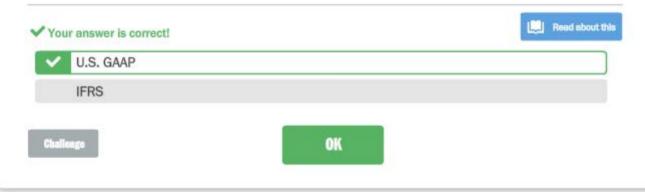
Recall the differences and/or similarities of income statement presentation under U.S. GAAP and IFRS.



		1.1
Challe	111	1.2

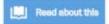


Under which method of accounting are current assets listed in order from most liquid to least liquid required?



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

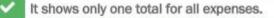
Your answer is correct!



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.







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

Read about this

✓ Your answer is correct!

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.



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.)

Yo	ur 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.	





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.)

You	r answer is correct!	Reed about th
~	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.	
1	Credit Merchandise Inventory \$500.	
1	Debit Cost of Goods Sold \$500.	





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



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.



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

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

68%	
32%	
100%	

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

Your answer is correct!

Read about this

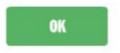
The credit period ends on the 15th of the month.

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.





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.)

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.	



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	

✓ Y	our answer is correct!		Read about this
	\$90,100		
~	\$91,100		
	\$91,900		
	\$109,900		
Ch	llenge	ОК	

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

Read about this

Your answer is correct!

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.





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.)

answer is correct!	Read about thi
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.	
	Debit Cash \$343. Credit Accounts Receivable \$400. Debit Sales Discounts \$8. Credit Accounts Payable \$350. Debit Sales Discounts \$7. Credit Accounts Receivable \$350.





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



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





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

Your answer is correct!

Read about this

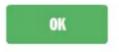
Buyers should take advantage of early payment discounts.

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

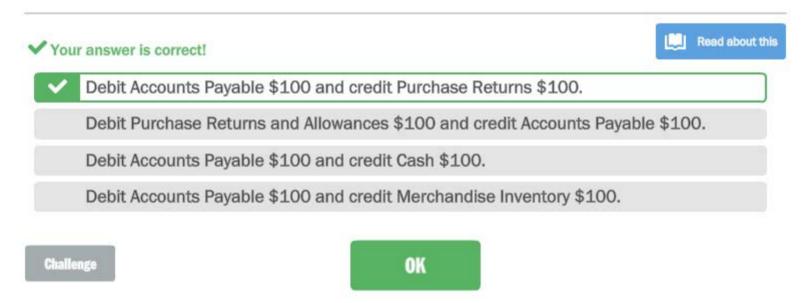
Inventory should be purchased with cash whenever possible.

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





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.



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

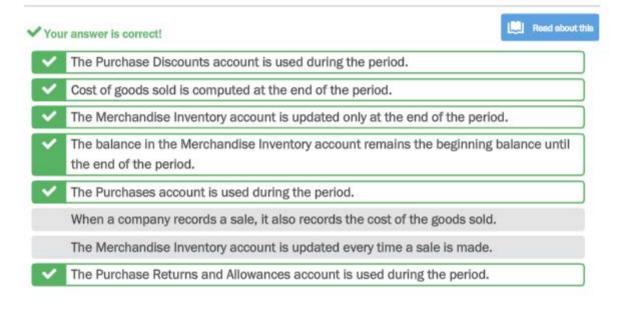


Name the temporary accounts used to record the costs of merchandise purchased in a periodic inventory system. (Check all that apply.)

Purchase discounts	
Merchandise inventory	
Purchases	
Transportation-in	_
Damaged purchases	
Cost of goods sold	
Purchase returns and allowances	

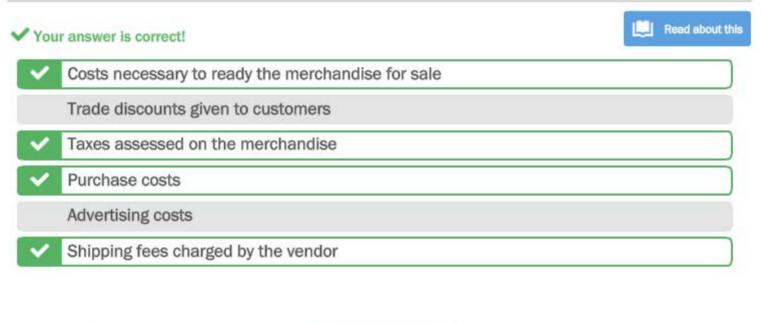


Summarize a periodic inventory system by selecting all of the correct statements below. (Check all that apply.)





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





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%



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

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Their gross margin ratio has improved since 2013.

Their gross margin has decreased since last year.

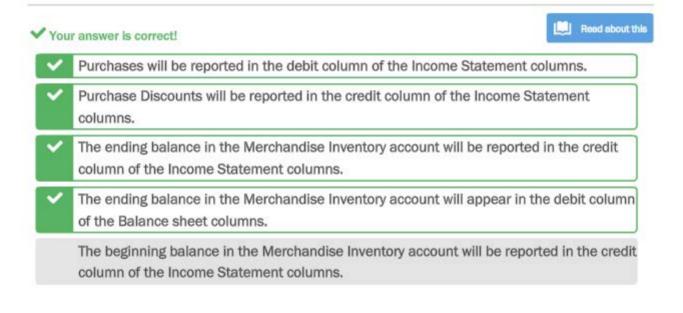
They are not making any profit on the sales of their merchandise.

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





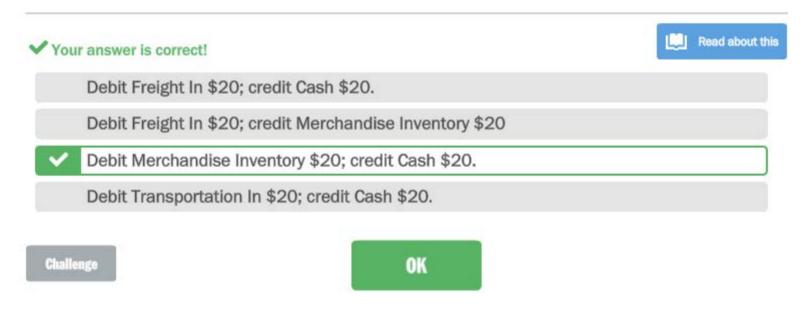
Determine which of the statements below are *correct*, when a company, using the periodic inventory system, completes a worksheet. (Check all that apply.)







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.



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.

Read about this

Vour answer is correct!

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

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

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

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

