

Problem 1

1. \$4,000 worth of merchandise should be included in Coldpac's inventory on 12/31.
2. \$5,000 worth of merchandise should be included in Marco's inventory on 12/31.

Problem 2

July 6	1 Purchases		\$ 8,000	
		Accounts Payable		\$ 8,000
		To record purchases by the Pro Shop of items for sale.		
	2 Merchandise Inventory		\$ 8,000	
		Accounts Payable		\$ 8,000
		To record purchases by the Pro Shop of items for sale.		
July 15	1 Cash		\$ 2,500	
		Sales		\$ 2,500
		To record sales by the Pro Shop.		
	2 Cash		\$ 2,500	
		Sales		\$ 2,500
		To record sales by the Pro Shop.		
	Cost of Goods Sold		\$ 1,400	
		Merchandise Inventory		\$ 1,400
		To adjust inventory to reflect sales.		

Problem 3

Beginning Inventory		\$	X
+ Purchases			32,400
– Ending Inventory			(59,000)
– Employee Meals			<u>(3,240)</u>
Cost of Goods Sold			<u>\$ 29,676</u>

$$X + \$32,400 - \$59,000 - \$3,240 = \$29,676$$

$$X = \$29,676 - \$32,400 + \$59,000 + \$3,240$$

$$X = \underline{\$59,516} \text{ beginning inventory}$$

Problem 4

1. True
2. False
3. True
4. True
5. True
6. False

Problem 5

Beginning Inventory	\$ 28,300
+ Purchases	<u>16,200</u>
= Cost of Food Available for Sale	\$ 44,500
- Ending Inventory	<u>(29,500)</u>
= Cost of Food Used	\$ 15,000
- Employee Meals—Rooms Department	(300)
- Employee Meals—Food & Beverage Department	<u>(500)</u>
= Cost of Food Sold	<u>\$ 14,200</u>

Problem 6

Beginning Inventory, April 1	\$ 15,240.00
+ Purchases	<u>60,500.00</u>
= Cost of Goods Available for Sale	\$ 75,740.00
- Sales × Cost of Goods Sold % (1-.48)	<u>(55,650.40)</u>
= Estimated ending inventory, April	<u>\$ 20,089.60</u>

Problem 7

1. Cost of goods sold is understated by \$10,000. Net income is overstated by \$10,000.
2. Cost of goods sold is understated by \$25,000. Net income is overstated by \$25,000.
3. Cost of goods sold is overstated by \$40,000. Net income is understated by \$40,000.
4. Cost of goods sold is correct. Net income is correct.

Problem 8

FIFO $35 \times \$6.85 = \239.75

$5 \times \$6.75 = \33.75

\$273.50

LIFO $30 \times \$6.00 = \180.00

$10 \times \$6.50 = \65.00

\$245.00

Problem 9

a.	<u>Purchase:</u>			
	Apr. 5	Purchases	\$ 5,800	
		Accounts Payable		\$ 5,800
		To record a purchase of 20 golf club sets.		
		<u>Sale:</u>		
	Apr. 5	Cash	\$ 9,900	
		Sales		\$ 9,900
		To record sale of 20 golf club sets at \$495 apiece.		
b.	<u>Purchase:</u>			
	Apr. 5	Merchandise Inventory	\$ 5,800	
		Accounts Payable		\$ 5,800
		To record a purchase of 20 golf club sets.		
		<u>Sale:</u>		
	Apr. 5	Cash	\$ 9,900	
		Sales		\$ 9,900
		To record sale of 20 golf club sets at \$495 apiece.		
	Apr. 5	Cost of Goods Sold	\$ 5,800	
		Merchandise Inventory		\$ 5,800
		To adjust inventory to reflect the sale.		

Problem 10

	<u>Error</u>	<u>Amount</u>	<u>Cost of Goods Sold</u>	<u>Net Income*</u>
1.	Ending Inventory Understated	\$ 50,000	Overstated \$50,000	Understated \$50,000
2.	Beginning Inventory Overstated	\$ 20,000	Overstated \$20,000	Understated \$20,000
3.	Ending Inventory Overstated	\$ 30,000	Understated \$30,000	Overstated \$30,000
4.	Beginning Inventory Understated	\$ 12,000	Understated \$12,000	Overstated \$12,000

*Ignores effect of income taxes

Problem 11

Weighted Average

$$\begin{aligned} \$10,048 \div 157 &= \$ 64 \\ \$64 \times 25 \text{ cases} &= \underline{\$1,600} \end{aligned}$$

LIFO

$$\begin{aligned} 20 \text{ cases @ } \$60 &= \$1,200 \\ 5 \text{ cases @ } \$61 &= \underline{\$ 305} \\ &= \underline{\underline{\$1,505}} \end{aligned}$$

FIFO

$$\begin{aligned} 20 \text{ cases @ } \$68 &= \$1,360 \\ 5 \text{ cases @ } \$67 &= \underline{\$ 335} \\ &= \underline{\underline{\$1,695}} \end{aligned}$$

Problem 12

1. Sales			\$ 28,215
	Beginning Inventory	\$ 1,250	
	+ Purchases	<u>22,980</u>	
	= Cost of Goods Available	\$ 24,230	
	- Ending Inventory	<u>8,620</u>	
-	Cost of Goods Sold		<u>15,610</u>
=	Gross Profit		<u>\$ 12,605</u>

Ending inventory: $(8 \times \$3000) + (18 \times \$290) + (4 \times \$250) = \$8,620$

2. Sales			\$ 28,215
	Beginning Inventory	\$ 1,250	
	+ Purchases	<u>22,980</u>	
	= Cost of Goods Available	\$ 24,230	
	- Ending Inventory	<u>8,355</u>	
-	Cost of Goods Sold		<u>15,875</u>
=	Gross Profit		<u>\$ 12,340</u>

Ending inventory: $30 \text{ sets} \times (\$24,230 / 87 \text{ sets}) = \$8,355$

Problem 13

1. Sales			\$ 28,215
	Beginning Inventory	\$ 1,250	
	+ Purchases	<u>22,980</u>	
	= Cost of Goods Available	\$ 24,230	
	- Ending Inventory	<u>8,800</u>	
-	Cost of Goods Sold		<u>15,430</u>
=	Gross Profit		<u>\$ 12,785</u>

Ending inventory: $(10 \times \$300) + (20 \times \$290) = \$8,800$

2. Sales			\$ 28,215
	Beginning Inventory	\$ 1,250	
	+ Purchases	<u>22,980</u>	
	= Cost of Goods Available	\$ 24,230	
	- Ending Inventory	<u>7,940</u>	
-	Cost of Goods Sold		<u>16,290</u>
=	Gross Profit		<u>\$ 11,925</u>

Ending inventory: $(5 \times \$250) + (12 \times \$265) + (13 \times \$270) = \$7,940$

Problem 14

<u>Inv. Item</u>	<u>Number of Units</u>	<u>Cost per Unit</u>	<u>Market Value per Unit</u>	<u>1 Cost</u>	<u>2 Market</u>	<u>3 LCM</u>
1	25	\$12.60	\$12.80	\$ 315.00	\$ 320.00	\$ 315.00
2	20	14.25	13.75	285.00	275.00	275.00
3	15	18.30	18.60	274.50	279.00	274.50
4	18	16.40	15.90	295.20	286.20	286.20
5	32	11.20	11.20	358.40	358.40	358.40
				<u>\$1,528.10</u>	<u>\$1,518.60</u>	<u>\$1,509.10</u>

Problem 15

The following shows the estimation of ending inventory at July 31, 20X3:

	<u>Cost</u>	<u>Retail Selling Price</u>
Beginning Inventory	\$ 18,000.00	\$ 35,500.00
Purchases	<u>12,000.00</u>	<u>23,600.00</u>
Cost of Goods Available	30,000.00	59,100.00
Cost percentage = $\$30,000 \div \$59,100 = 50.8\%$		
Subtract net sales at retail		<u>26,800.00</u>
Ending inventory at retail		<u>\$ 32,300.00</u>
Ending inventory at cost	\$ 32,300	
	× <u>0.508</u>	
		<u>\$ 16,408.40</u>