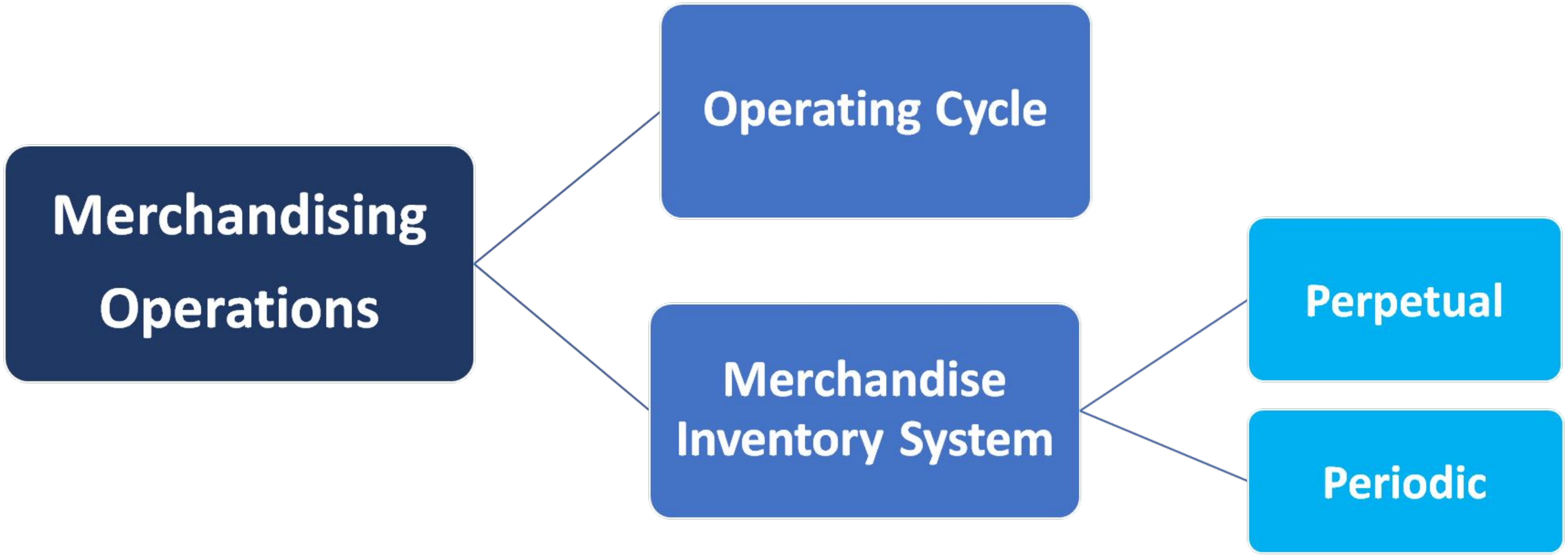
Horngren's Accounting

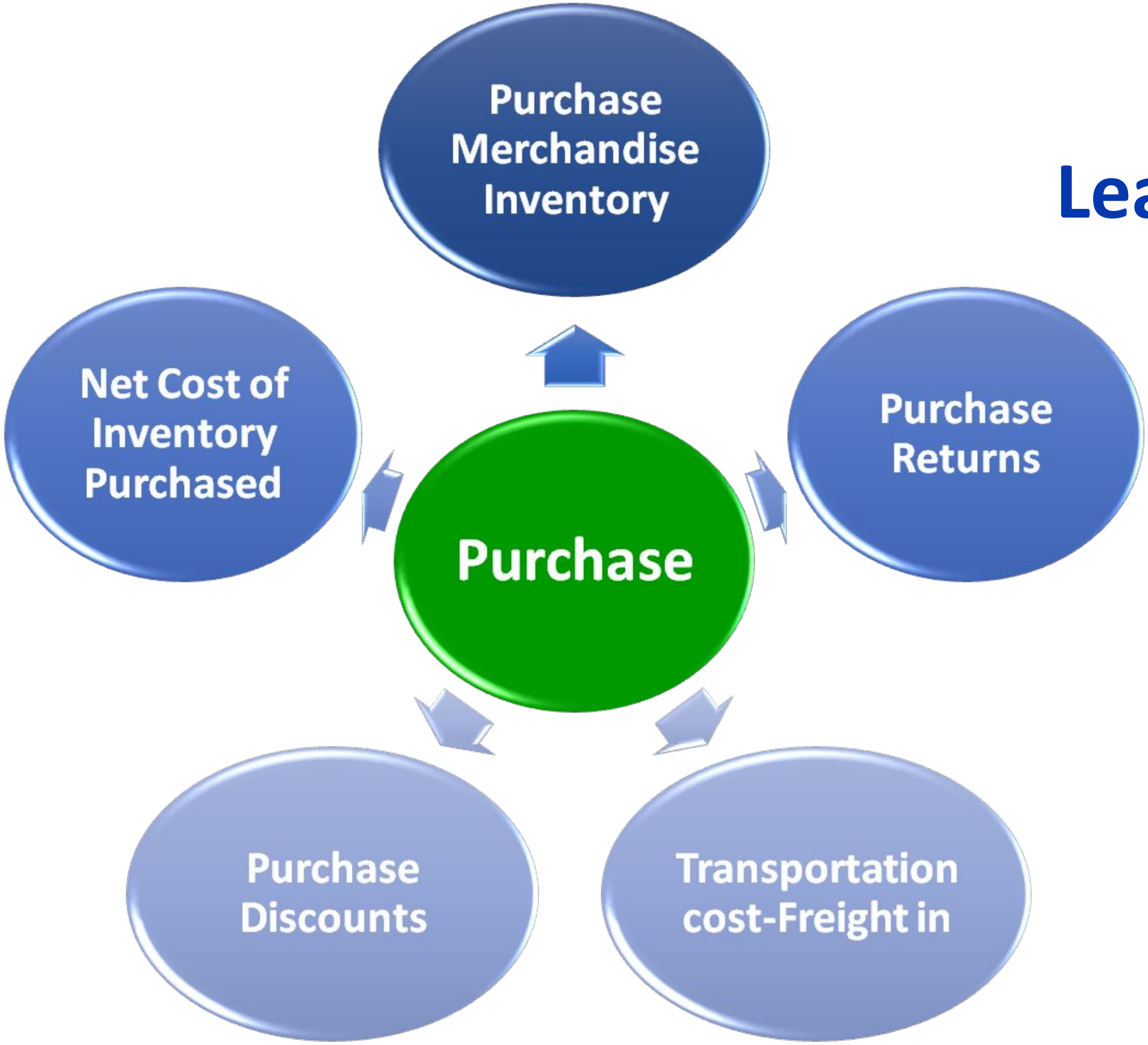
Merchandising Operations

Lecture Twelve

Lisa, Li

Merchandising Operations- Objective 1



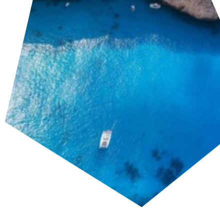


Learning Objectives 2

Purchase of merchandise inventory using perpetual inventory system

Learning Objectives 3

Account for the sale of merchandise inventory using a perpetual inventory system



Homework

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> Try It!

7. Click Computers has the following transactions in July related to the purchase of merchandise inventory.

July 1	Purchase of $20,500 worth of computers on account, terms of 2/10, n/30.
3	Return of $4,000 of the computers to the vendor.
9	Payment made on account.

Journalize the purchase transactions for Click Computers.

Check your answer at the end of the chapter.

Homework

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Date	Accounts and Explanation	Debit	Credit
Jul. 1	Merchandise Inventory	20,500	
	Accounts Payable		20,500
	Purchased inventory on account.		
3	Accounts Payable	4,000	
	Merchandise Inventory		4,000
	Returned inventory to seller (vendor).		
9	Accounts Payable ($20,500 − $4,000)	16,500	
	Cash ($16,500 − $330)		16,170
	Merchandise Inventory ($16,500 × 0.02)		330
	Paid within discount period net of return.		

Try It!

7. Click Computers has the following transactions in July related to the purchase of merchandise inventory.

July 1	Purchase of $20,500 worth of computers on account, terms of 2/10, n/30.
3	Return of $4,000 of the computers to the vendor.
9	Payment made on account.

Journalize the purchase transactions for Click Computers.

Check your answer at the end of the chapter.

Homework

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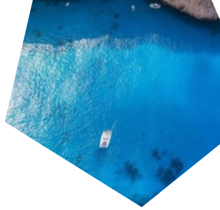
S5-5 Journalizing purchase and sales transactions

Suppose Piranha.com sells 2,500 books on account for $15 each (cost of these books is $22,500), credit terms 2/15, n/60 on October 10, 2015, to The Textbook Store. One hundred of these books (cost $900) were damaged in shipment, so Piranha.com later received the damaged goods from The Textbook Store as sales returns on October 13, 2015. The Textbook Store paid the balance to Piranha.com on October 22, 2015.

Requirements

1. Journalize The Textbook Store's October 2015 transactions.
2. Journalize Piranha.com's October 2015 transactions.



Homework

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Accounting book for The Textbook Store

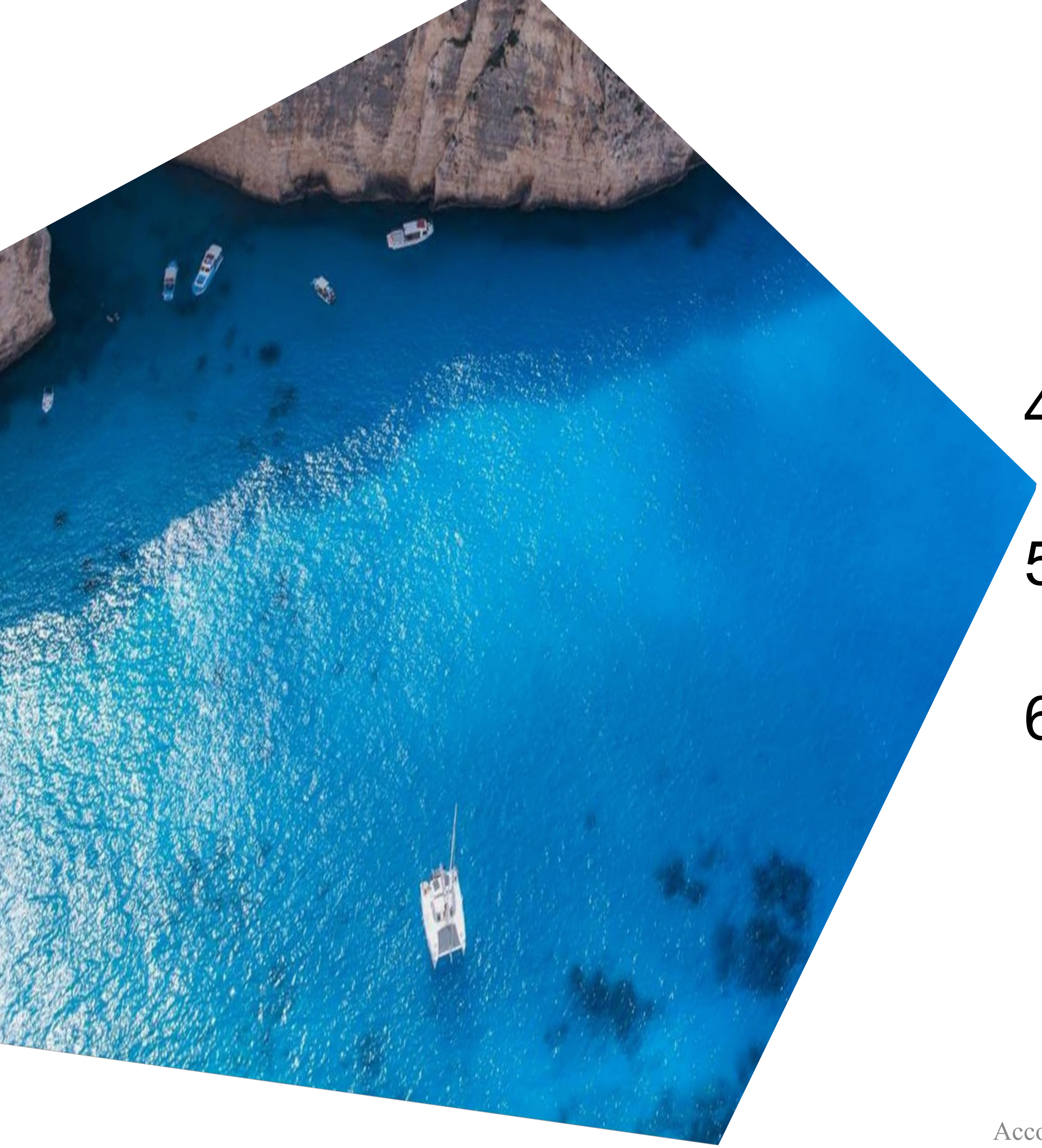
Date	Accounts and Explanation	Debit	Credit
Oct. 10	Merchandise Inventory (2,500 × $15)	37,500	
	Accounts Payable		37,500
	Purchased inventory on account		
Oct. 13	Accounts Payable (100 × $15)	1,500	
	Merchandise Inventory		1,500
	Returned inventory to seller		
Oct. 22	Accounts Payable ($37,500 − $1,500)	36,000	
	Cash ($36,000 – $720)		35,280
	Merchandise Inventory ($36,000 × 0.02)		720
	Paid within discount period net of return		

Accounting book for Piranha(seller)

Date	Accounts and Explanation	Debit	Credit
Oct. 10	Accounts Receivable (2,500 × $15)	37,500	
	Sales Revenue		37,500
	Sale on account		
	Cost of Goods Sold	22,500	
	Merchandise Inventory		22,500
	Record cost of goods sold		
Oct. 13	Sales Returns and Allowances (100 × $15)	1,500	
	Accounts Receivable		1,500
	Received returned goods		
	Merchandise Inventory	900	
	Cost of Goods Sold		900
	Placed goods back in inventory		
Oct. 22	Cash ($36,000 − $720)	35,280	
	Sales Discounts ($36,000 × 0.02)	720	
	Accounts Receivable ($37,500 − $1,500)		36,000

Learning Objectives – Chapter 5

1. Describe merchandising operations and the two types of merchandise inventory systems
2. Account for the purchase of merchandise inventory using a perpetual inventory system
3. Account for the sale of merchandise inventory using a perpetual inventory system



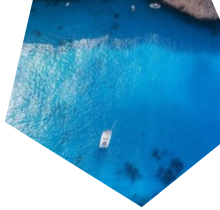
Learning Objectives – Chapter 5

4. Adjust and close the accounts of a merchandising business
5. Prepare a merchandiser's financial statements
6. Use the gross profit percentage to evaluate business performance

Learning Objectives 3

Account for the sale of merchandise inventory using a perpetual inventory system

4. Transportation Cost - Freight Out



- The **freight in** is part of the inventory cost for the buyer.
- The **freight out** is a delivery expense to the seller.
- Smart Touch Learning pays $30 to ship the June 21 sale to the customer.

Date	Accounts and Explanation	Debit	Credit
June 21	Delivery Expense	30	
	Cash		30
	Paid a freight bill.		

5. Net Sales Revenue

For the year, Smart Touch Learning sells $297,500 of merchandise inventory. They process $11,200 of sales returns and allowances, and they award $5,600 of sales discounts.

What is Net Sales Revenue for the year?

Net Sales Revenue = Sales Revenue - Sales Returns and Allowances - Sales Discounts

5. Net Sales Revenue

For the year, Smart Touch Learning sells $297,500 of merchandise inventory. They process $11,200 of sales returns and allowances, and they award $5,600 of sales discounts.

What is Net Sales Revenue for the year?

Sales Revenue	$ 297,500
Less: Sales Returns and Allowances	11,200
Sales Discounts	5,600
Net Sales Revenue	$ 280,700

6. Gross Profit

- The difference between **Net Sales Revenues** and **Cost of Goods Sold**
- Indicates the amount available to cover operating expenses
- For this example, assume Smart Touch Learning's Cost of Goods Sold is $199,500; its gross profit is calculated as follows:

Net Sales Revenue	$ 280,700
Less: Cost of Goods Sold	199,500
Gross Profit	$ 81,200

Practice Questions

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> Try It!

8. Click Computers has the following transactions in July related to the sale of merchandise inventory.

July 12	Sold computers on account for $8,000 to a customer, terms 3/15, n/30. The cost of the computers is $4,800.
21	Accepted a $1,000 return from a customer. The computer returned had a cost of $600.
26	Received payment from customer on balance due.

Journalize the sales transactions for Click Computers.

Practice Question Solutions

Date	Accounts and Explanation	Debit	Credit
Jul. 12	Accounts Receivable	8,000	
	Sales Revenue		8,000
	Sale on account.		
12	Cost of Goods Sold	4,800	
	Merchandise Inventory		4,800
	Recorded the cost of goods sold.		
21	Sales Returns and Allowances	1,000	
	Accounts Receivable		1,000
	Received returned goods.		
21	Merchandise Inventory	600	
	Cost of Goods Sold		600
	Placed goods back in inventory.		
26	Cash ($7,000 − $210)	6,790	
	Sales Discounts ($7,000 × 0.03)	210	
	Accounts Receivable ($8,000 − $1,000)		7,000
	Cash collection within discount period net of return.		

Try It!

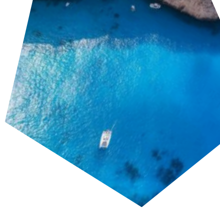
8. Click Computers has the following transactions in July related to the sale of merchandise inventory.

July 12	Sold computers on account for $8,000 to a customer, terms 3/15, n/30. The cost of the computers is $4,800.
21	Accepted a $1,000 return from a customer. The computer returned had a cost of $600.
26	Received payment from customer on balance due.

Journalize the sales transactions for Click Computers.

Learning Objectives 4

Adjust and close the accounts of a merchandising business



Adjusting Merchandise Inventory

- At the end of the period, actual inventory on hand may differ from the accounting records in perpetual inventory system.
- This difference can occur because of:
  - Theft
  - Damage
  - Errors
- ‘Merchandise Inventory’ account must be adjusted at the end of the period

Adjusting Merchandise Inventory

- Smart Touch Learning's Merchandise Inventory account shows an unadjusted balance of $31,530,with no theft or error. But on December 31, ST Learning counts the inventory on hand, and the total cost comes to only $31,290.
- ST Learning records this adjusting entry for **inventory shrinkage**. And the entry brings Merchandise Inventory to its correct balance.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Cost of Goods Sold	240	
	Merchandise Inventory		240
	Adjustment for inventory shrinkage.		

Merchandise Inventory

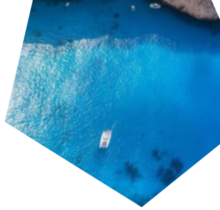
Unadj. Bal.	31,530	240	Adj.	Dec. 31
Bal.	**31,290**			

Closing the Accounts of a Merchandiser

1. Close R to Income Summary
2. Close E and contra-revenues(-R) to Income Summary
3. Close Income Summary to Capital
4. Close Withdrawals to Capital

Exhibit 5-6 | **Adjusted Trial Balance and Closing Entries**

SMART TOUCH LEARNING Adjusted Trial Balance December 31, 2015		
	Balance	
Account Title	**Debit**	**Credit**
Bright, Capital		51,550
Bright, Withdrawals	10,000	
Sales Revenue		297,500
Sales Returns and Allowances	11,200	
Sales Discounts	5,600	
Cost of Goods Sold	199,500	
Salaries Expense	15,000	
Rent Expense	13,000	
Utilities Expense	11,300	
Insurance Expense	6,500	
Depreciation Expense	3,300	
Advertising Expense	2,400	
Interest Expense	2,300	
Delivery Expense	1,600	
Supplies Expense	600	
Total	**$ 428,900**	**$ 428,900**



Closing in a Merchandiser

SMART TOUCH LEARNING
Adjusted Trial Balance
December 31, 2015

	Balance	
Account Title	**Debit**	**Credit**
Cash	$ 8,810	
Accounts Receivable	4,400	
Merchandise Inventory	31,290	
Office Supplies	100	
Prepaid Rent	4,000	
Furniture	18,000	
Accumulated Depreciation—Furniture		$ 2,100
Building	60,000	
Accumulated Depreciation—Building		1,750
Land	20,000	
Accounts Payable		10,800
Utilities Payable		2,500
Salaries Payable		1,500
Interest Payable		300
Unearned Revenue		900
Notes Payable		60,000
Bright, Capital		51,550
Bright, Withdrawals	10,000	
Sales Revenue		297,500
Sales Returns and Allowances	11,200	
Sales Discounts	5,600	
Cost of Goods Sold	199,500	
Salaries Expense	15,000	
Rent Expense	13,000	
Utilities Expense	11,300	
Insurance Expense	6,500	
Depreciation Expense—Furniture	1,800	
Depreciation Expense—Building	1,500	
Advertising Expense	2,400	
Interest Expense	2,300	
Delivery Expense	1,600	
Supplies Expense	600	
Total	$ 428,900	$ 428,900

Temporary accounts that are closed.

Date	Accounts and Explanation	Debit	Credit
Dec. 31	Sales Revenue	297,500	
	Income Summary		297,500
	To close revenue.		
31	Income Summary	272,300	
	Sales Returns and Allowances		11,200
	Sales Discounts		5,600
	Cost of Goods Sold		199,500
	Salaries Expense		15,000
	Rent Expense		13,000
	Utilities Expense		11,300
	Insurance Expense		6,500
	Depreciation Expense—Furniture		1,800
	Depreciation Expense—Building		1,500
	Advertising Expense		2,400
	Interest Expense		2,300
	Delivery Expense		1,600
	Supplies Expense		600
	To close expenses and other debit accounts.		
31	Income Summary	25,200	
	Bright, Capital		25,200
	To close Income Summary.		
31	Bright, Capital	10,000	
	Bright, Withdrawals		10,000
	To close withdrawals.		

Closing the Accounts of a Merchandiser

- At this point, the Income Summary account has a $25,200 balance.
- Next, we need to close Income Summary to the Capital account.

Income Summary

Clos. 2	272,300	297,500	Clos. 1
		25,200	Bal.
Clos. 3	25,200		
		0	**Bal.**

Bright, Capital

		51,550	Adj. Bal.
Clos. 4	10,000	25,200	Clos. 3
		66,750	**Bal.**

Bright, Withdrawals

Adj. Bal.	10,000		
		10,000	Clos. 4
Bal.	**0**		

Learning Objectives 5

Prepare a merchandiser’s financial statements

Merchandiser’s Financial Statements

1. **Income Statement**
   - Single-Step Income Statement
   - Multi-Step Income Statement (common approach)
2. **Change in owner’s equity**
3. **Balance Sheet**
   - **The report format** (A at top, L and O/E at bottom)
   - **The account format** (A at left, L and O/E at right)
4. **Cash flow Statement**

Single-Step Income Statement

SMART TOUCH LEARNING Income Statement Year Ended December 31, 2015		
Revenues		
Net Sales Revenue		$ 280,700
Expenses		
Cost of Goods Sold	$ 199,500	
Salaries Expense	15,000	
Rent Expense	13,000	
Utilities Expense	11,300	
Insurance Expense	6,500	
Depreciation Expense	3,300	
Advertising Expense	2,400	
Interest Expense	2,300	
Delivery Expense	1,600	
Supplies Expense	600	
Total expenses		255,500
Net income		$ 25,200

Income statement format that groups all revenues together and then lists and deducts all expenses together without calculating any subtotals.

Multi-Step Income Statement

Multi-step I/S format that **contains subtotals to highligh significant relationships.**

- Net Sales Revenue
- Gross Profit (Gross Margin)
- Operating Income
- Net Income.

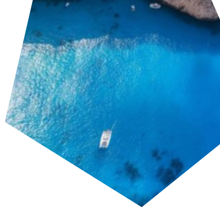


Exhibit 5-8 | **Multi-Step Income Statement**

SMART TOUCH LEARNING
Income Statement
Year Ended December 31, 2015

Sales Revenue	$ 297,500	
Less: Sales Returns and Allowances	11,200	
Sales Discounts	5,600	
Net Sales Revenue		$ 280,700
Cost of Goods Sold		199,500
Gross Profit		81,200
Operating Expenses:		
Selling Expenses:		
Salaries Expense	8,100	
Rent Expense	7,300	
Advertising Expense	2,400	
Depreciation Expense	2,200	
Delivery Expense	1,600	
Total Selling Expenses	21,600	
Administrative Expenses:		
Utilities Expense	11,300	
Salaries Expense	6,900	
Insurance Expense	6,500	
Rent Expense	5,700	
Depreciation Expense	1,100	
Supplies Expense	600	
Total Administrative Expenses	32,100	
Total Operating Expenses		53,700
Operating Income		27,500
Other Revenues and (Expenses):		
Interest Expense	(2,300)	
Total Other Revenues and (Expenses)		(2,300)
Net Income		$ 25,200

Gross Profit

Operating Income

Other Revenues and (Expenses) and Net Income

Multi-Step Income Statement

COGS: is also called Cost of Sales. It represents a functional expense.

Gross profit: Net Sales Revenue minus COGS. It is the extra sale amount the company receives from the customer over what the company paid to the vendor.

SMART TOUCH LEARNING
Income Statement
Year Ended December 31, 2015

Sales Revenue	$ 297,500	
Less: Sales Returns & Allowances	(11,200)	
Sales Discounts	(5,600)	
Net Sales Revenue		$ 280,700
Cost of Goods Sold		(199,500)
Gross Profit		81,200

Let's look at the rest of the Multi-Step Income Statement

Multi-Step Income Statement

Operating Expenses: Expenses (other than COGS) that occur in the entity's major line of business.

- **Operating income:** Gross profit minus operating expenses . It measures the results of the entity's major ongoing activities (normal operations).

SMART TOUCH LEARNING
Income Statement
Year Ended December 31, 2015

Gross Profit		$ 81,200
Operating Expenses		
Selling Expenses		
Salaries Expense - Selling	8,100	
Rent Expense - Selling	7,300	
Advertising Expense	2,400	
Depreciation Expense - Selling	2,200	
Delivery Expense	1,600	
Total Selling Expenses	21,600	
Administrative Expenses		
Utilities Expense	11,300	
Salaries Expense - Admin	6,900	
Insurance Expense	6,500	
Rent Expense - Admin	5,700	
Depreciation Expense - Admin	1,100	
Supplies Expense	600	
Total Administrative Expense	32,100	
Total Expenses		(53,700)
Operating Income		27,500

accounting

Multi-Step Income Statement

SMART TOUCH LEARNING Income Statement Year Ended December 31, 2015			
Operating Income		$	27,500
Other Revenues & Expenses			
Interest Expense	(2,300)		
Total Other Revenue & Expenses			(2,300)
Net Income		**$**	**25,200**

- **Other revenues and expenses:** Revenues or expenses that are outside the normal, day-to-day operations of a business, such as interest expense, taxes, etc.
- Finally, **Net Income** is determined by subtracting Other Revenues and Expenses from Operating Income.

Statement of Owner's Equity and the B/S

- A merchandiser's statement of owner's equity looks exactly like that of a service business.
- Merchandisers have an additional CA, Merchandise Inventory. Service businesses do not have it in B/S.

SERVICE COMPANY Balance Sheet (Partial) December 31, 2015			MERCHANDISING COMPANY Balance Sheet (Partial) December 31, 2015		
Assets			**Assets**		
Current Assets:			Current Assets:		
Cash	$ 34,000		Cash	$ 34,000	
Accounts Receivable	10,800		Accounts Receivable	10,800	
Office Supplies	800		Merchandise Inventory	60,000	
Prepaid Rent	2,100		Office Supplies	800	
Total Current Assets		$ 47,700	Prepaid Rent	2,100	
			Total Current Assets		$ 107,700

Merchandise Inventory is included in a merchandising company's current assets.

Learning Objectives 6

Use the gross profit percentage to evaluate business performance

Gross Profit Percentage

$$\text{Gross Profit Percentage} = \text{Gross Profit} \div \text{Net Sales Revenue}$$

- Measures the profitability of each sales dollar.
- When this number is trending downward, it can indicate a significant problem.
- Useful profitability ratios

SMART TOUCH LEARNING
Income Statement
Year Ended December 31, 2015

Sales Revenue	$ 297,500	
Less: Sales Returns & Allowances	(11,200)	
Sales Discounts	(5,600)	
Net Sales Revenue		$ 280,700
Cost of Goods Sold		(199,500)
Gross Profit		81,200

Gross Profit Percentage—Example

	As of Sep. 24, 2011 (in thousands)	As of Sep. 25, 2010 (in thousands)
Net sales	$ 2,650,899	$ 1,356,775
Cost of sales	1,746,274	931,017

Gross Profit Percentage = Gross Profit ÷ Net Sales Revenue

31. 4% = $425, 758 ÷ $1, 356, 775

34. 1% = $904, 625 ÷ $2, 650, 899

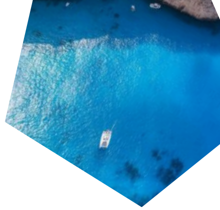
Gross Profit Percentage—Example

E5-18 Computing missing amounts

Consider the following incomplete table of merchandiser's profit data. Calculate the missing amounts to complete the table.

Sales	$ 89,500	$ 103,600	$ 66,200	$ *(f)*
Sales Returns and Allowances	936	*(b)*	1,600	894
Sales Discounts	624	876	400	2,086
Net Sales	87,940	99,200	*(d)*	*(g)*
Cost of Goods Sold	60,200	*(c)*	40,500	75,800
Gross Profit	*(a)*	34,020	*(e)*	36,720

Gross Profit Percentage—Example



E5-18 Computing missing amounts

Consider the following incomplete table of merchandiser's profit data. Calculate the missing amounts to complete the table.

Sales	$ 89,500	$ 103,600	$ 66,200	$ (f)
Sales Returns and Allowances	936	(b)	1,600	894
Sales Discounts	624	876	400	2,086
Net Sales	87,940	99,200	(d)	(g)
Cost of Goods Sold	60,200	(c)	40,500	75,800
Gross Profit	(a)	34,020	(e)	36,720

a. $27,740 ($87,940 − $60,200)

b. $3,524 ($103,600 − $99,200 − $876)

c. $65,180 ($99,200 – $34,020)

Gross Profit Percentage—Example

E5-18 Computing missing amounts

Consider the following incomplete table of merchandiser's profit data. Calculate the missing amounts to complete the table.

Sales	$ 89,500	$ 103,600	$ 66,200	$ *(f)*
Sales Returns and Allowances	936	*(b)*	1,600	894
Sales Discounts	624	876	400	2,086
Net Sales	87,940	99,200	*(d)*	*(g)*
Cost of Goods Sold	60,200	*(c)*	40,500	75,800
Gross Profit	*(a)*	34,020	*(e)*	36,720

a. $27,740 ($87,940 − $60,200)

b. $3,524 ($103,600 − $99,200 − $876)

c. $65,180 ($99,200 – $34,020)

d. $64,200 ($66,200 – $1,600 – $400)

e. $23,700 ($64,200 – $40,500)

f. $115,500 ($112,520 + $2,086 + $894)

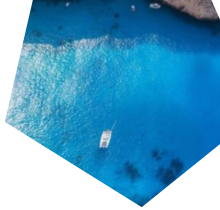
g. $112,520 ($75,800 + $36,720)

Practice Question

If an organization wanted to increase its Gross Profit, identify how the following accounts could influence this change.

a. Sales
b. Sales Returns and Allowances
c. Cost of Goods Sold
d. Sales Discounts

Sales Revenue	$ 297,500	
Less: Sales Returns & Allowances	(11,200)	
Sales Discounts	(5,600)	
Net Sales Revenue		$ 280,700
Cost of Goods Sold		(199,500)
Gross Profit		81,200



Practice Question

If an organization wanted to increase its Gross Profit, identify how the following accounts could influence this change.

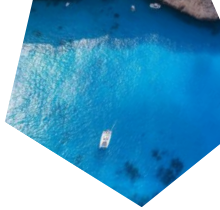
a. Sales
b. Sales Returns and Allowances
c. Cost of Goods Sold
d. Sales Discounts

a. Sales – they should try to increase sales, a higher Sales will increase Gross Profit Percentage

b. Sales Returns and Allowances – they should try to decrease sales returns and allowances, a higher Sales Returns and Allowances will decrease Gross Profit Percentage

c. Cost of Goods Sold – they should try to decrease cost of goods sold, a higher Cost of Goods Sold will decrease Gross Profit Percentage

d. Sales Discounts – they should try to decrease sales discounts, a higher Sales Discount will decrease Gross Profit Percentage



Suppose Heat Miser Air Conditioner Company engaged in the following transactions during June of the current year:

Jun. 3	Purchased inventory on account with credit terms of 1/10, n/EOM, $1,600.
9	Returned 40% of the inventory purchased on June 3. It was defective.
12	Sold goods for cash, $920 (cost, $550).
15	Purchased goods for $5,000 on account. Credit terms were 3/15, n/30.
16	Paid a $260 freight bill on goods purchased.
18	Sold inventory for $2,000 on account with credit terms of 2/10, n/30 (cost, $1,180).
22	Received returned goods from the customer of the June 18 sale, $800 (cost, $480).
24	Paid supplier for goods purchased on June 15.
28	Receive cash in full settlement of the account from the customer who purchased inventory on June 18.
29	Paid the amount owed on account from the purchase of June 3.

Requirements

1. Journalize the preceding transactions. Assume Heat Miser uses a perpetual inventory system.
2. Set up T-accounts and post the journal entries to show the ending balances in the Merchandise Inventory and the Cost of Goods Sold accounts only.

Requirement 1

Date	Accounts and Explanation	Debit	Credit
Jun. 3	Merchandise Inventory	1,600	
	Accounts Payable		1,600
	Purchased inventory on account.		
9	Accounts Payable ($1,600 × 0.40)	640	
	Merchandise Inventory		640
	Returned inventory to seller (vendor).		
12	Cash	920	
	Sales Revenue		920
	Cash sale.		
12	Cost of Goods Sold	550	
	Merchandise Inventory		550
	Recorded the cost of goods sold.		
15	Merchandise Inventory	5,000	
	Accounts Payable		5,000
	Purchased inventory on account.		
16	Merchandise Inventory	260	
	Cash		260
	Paid a freight bill.		
Jun. 18	Accounts Receivable	2,000	
	Sales Revenue		2,000
	Sale on account.		
18	Cost of Goods Sold	1,180	
	Merchandise Inventory		1,180
	Recorded the cost of goods sold.		
22	Sales Returns and Allowances	800	
	Accounts Receivable		800
	Received returned goods.		
22	Merchandise Inventory	480	
	Cost of Goods Sold		480
	Placed goods back in inventory.		
24	Accounts Payable	5,000	
	Cash ($5,000 – $150)		4,850
	Merchandise Inventory ($5,000 × 0.03)		150
	Paid within discount period.		
28	Cash ($1,200 – $24)	1,176	
	Sales Discounts ($1,200 × 0.02)	24	
	Accounts Receivable ($2,000 – $800)		1,200
	Cash collection within discount period net of		
	return.		
29	Accounts Payable ($1,600 – $640)	960	
	Cash		960
	Paid after discount period net of return.		

Requirement 2

Merchandise Inventory

Jun. 3	1,600	640	Jun. 9
Jun. 15	5,000	550	Jun. 12
Jun. 16	260	1,180	Jun. 18
Jun. 22	480	150	Jun. 24
Bal.	**4,820**		

Cost of Goods Sold

Jun. 12	550	480	Jun. 22
Jun. 18	1,180		
Bal.	**1,250**		

Homework

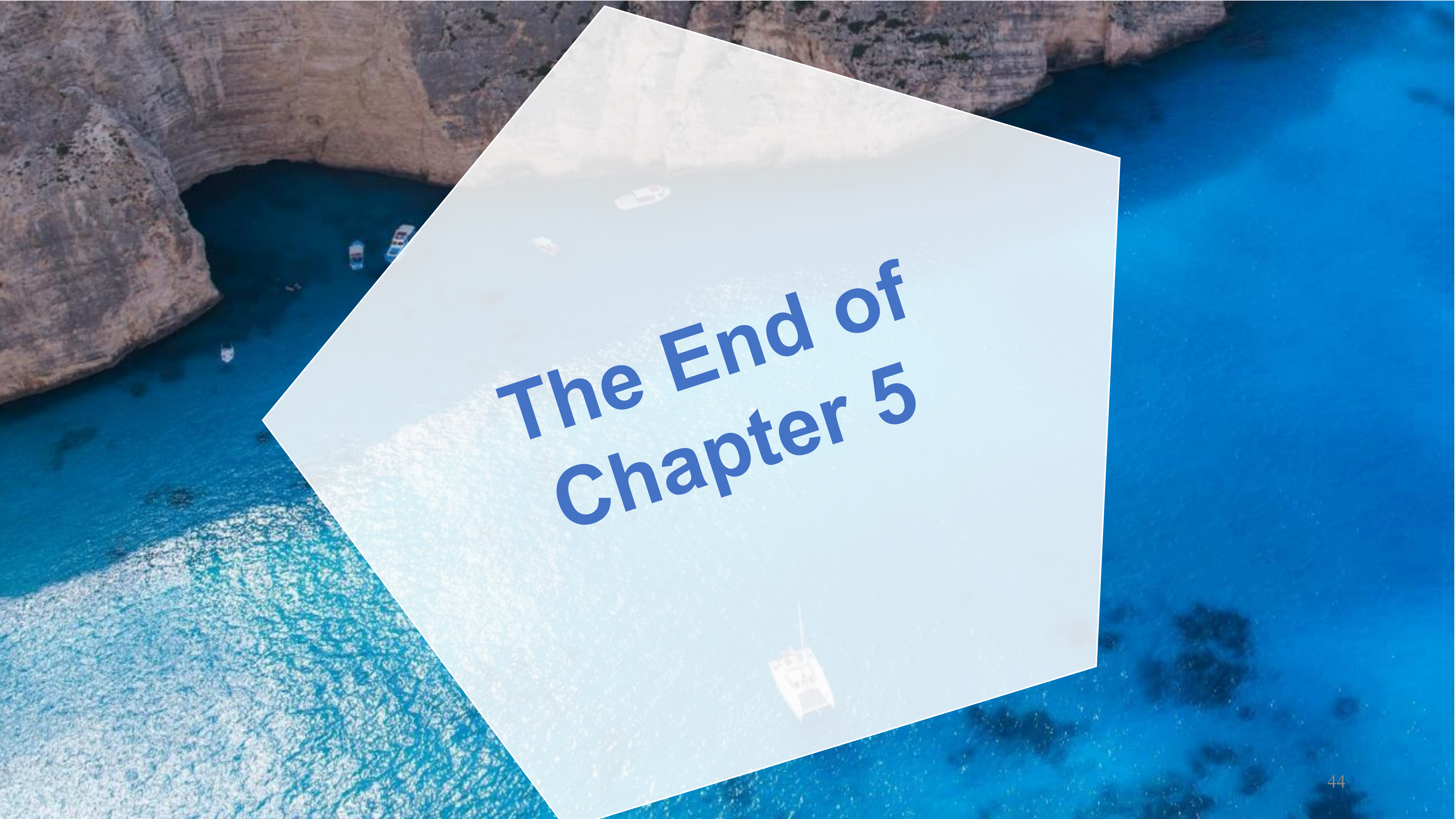
The adjusted trial balance of Leading Business Systems at March 31, 2015, follows:

LEADING BUSINESS SYSTEMS
Adjusted Trial Balance
March 31, 2015

	Balance	
Account Title	**Debit**	**Credit**
Cash	$3,000	
Accounts Receivable	10,000	
Merchandise Inventory	40,000	
Office Supplies	7,500	
Equipment	45,000	
Accumulated Depreciation—Equipment		$18,000
Accounts Payable		15,000
Salaries Payable		2,500
Notes Payable, long-term		11,100
Wright, Capital		50,000
Wright, Withdrawals	55,000	
Sales Revenue		300,000
Sales Returns and Allowances	3,000	
Sales Discounts	2,500	
Cost of Goods Sold	180,000	

Requirements

1. Journalize the required closing entries at March 31, 2015.
2. Set up T-accounts for Income Summary; Wright, Capital; and Wright, Withdrawals. Post the closing entries to the T-accounts and calculate their ending balances.
3. How much was Leading's net income or net loss?
4. Prepare Leading's multi-step income statement for the year ended March 31, 2015.


The End of
Chapter 5