

## Merchandising transactions

The following is a series of related transactions between Taylor TV's, a TV wholesaler, and Nick's Knack's, a chain of retail electronic stores.

- February 9 Taylor TV's sold Nick's Knack's 50 TV's on account, terms 2/10, n/30. The cost of these TV's to Taylor TV's was \$80, and the sales price was \$200 per pair.
- February 12 Nick's Knack's returned 10 TV's to Taylor TV's because they were the wrong size. Taylor TV's allowed Nick's Knack's full credit for this return.
- February 14 United Shipping charged \$150 for delivering the merchandise to Nick's Knack's. These charges were split evenly between the buyer and seller, and were paid immediately in cash.
- February 19 Nick's Knack's paid the remaining balance due to Taylor TV's within the discount period.

- A. Record this series of transaction in the general Journal for Nick's Knack's. (The company records purchases of merchandise at *net cost*)
- B. Assume Nick's Knack's did not pay Taylor TV's within the discount period but instead paid the full invoice price on March 1. Prepare journal entries to record this payment
- C. Record this series of transaction in the general Journal for Nick's Knack's. (The company records purchases of merchandise at *Gross Method*)
- D. Assume Nick's Knack's did not pay Taylor TV's within the discount period but instead paid the full invoice price on March 1. Prepare journal entries to record this payment
- E. Record this series of transactions in the general journal for Taylor TV's. (The company records sales at gross sales price.)

F. ~~Record this~~ Assume Nick Knacks did not pay on Feb 19, but pays on March 1. Prepare the journal entry to record this payment

General Journal

Date	Account Titles	Ref.	Debit	Credit
	<del>Nick Knack - Net</del>			
Feb 9	Inventory			
	A/P		9800 -	
	$200 \cdot 50 = 10000 \cdot 98 = 9800$			9800 -
12	A/P			
	Inventory		1960	
	$200 \cdot 10 = 2000 \cdot 98 = 1960$			1960 -
14	Inventory			
	Cash		75 -	
	$150 \div 2 = 75$			75 -
19	A/P			
	Cash		7840 -	
	$9800 - 1960 = 7840$			7840 -
Mar 1	A/P			
	Purchase Discounts Lost		7840 -	
	Cash		160 -	
	$40 \cdot 200 = 8000$			8000 -
	Nick Knack - Gross			
C. 9	Inventory			
	A/P		10000 -	
	$200 \cdot 50 = 10000$			10000 -
12	A/P			
	Inventory		2000 -	
	$200 \cdot 10$			2000 -
14	Inventory			
	Cash		75	
	$150 \div 2 = 75$			75 -
14	A/P			
	Cash		8000 -	
	Purchase Discounts Taken			7840 -
	$8000 \cdot 99 = 7840$			160 -

D. Mar 1 A/P  
Cash

8000 -  
- The Recording Process  
8000 -



General Journal

Date	Account Titles	Ref.	Debit	Credit
Feb 9	A/R Taylor TV			
	Sales		10,000 -	
	$200 \cdot 50 = 10000$			10,000 -
	Cost of Goods Sold		4000 -	
	Inventory			4000 -
	$50 \cdot 80 = 4000$			
12	Sales Returns & Allowances			
	A/R		2000 -	
	$10 \cdot 200 = 2000$			2000 -
	Inventory			
	Cost of Goods Sold		800 -	
	$80 \cdot 10 = 800$			800 -
14	Delivery Expense			
	Cash		75 -	
	$150 \div 2 = 75$			75 -
<del>19</del>	<del>Cash</del>			
19	Cash			
	Discounts Taken		7840	
	A/R		160 -	
	$8000 \cdot .98 = 7840$			8000 -
Mar 1	Cash			
	A/R		8000 -	
				8000 -