

## Merchandising transactions

The following is a series of related transactions between Shaq Shoes, as shoe wholesaler, and Sam's Sneaks, a chain of retail shoe stores.

February 9 Shaq Shoes sold Sam's Sneaks 100 pairs of hiking boots on account, terms 1/10, n/30. The cost of these boots to Shaq Shoes was \$60 per pair, and the sales price was \$100 per pair.

February 12 Sam's Sneaks returned 10 pairs of boots to Shaq Shoes because they were the wrong size. Shaq Shoes allowed Sam's Sneaks full credit for this return.

February 14 United Shipping charged \$100 for delivering the merchandise to Sam's Sneaks. These charges were split evenly between the buyer and seller, and were paid immediately in cash.

February 19 Sam's Sneaks paid the remaining balance due to Shaq Shoes within the discount period.

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





# Sam Sneaks

## General Journal

| Date    | Account Titles  | Ref. | Debit          | Credit |
|---------|---|------|----------------|--------|
| Feb 9   | Inventory<br>A/P<br>$100 \cdot 100 = 10000 \cdot .99$ |      | 9900 -         | 9900 - |
| 12      | A/P<br>Inventory<br>99.10                             |      | 990            | 990 -  |
| 14      | Inventory<br>Cash                                     |      | 50 -           | 50 -   |
| 19      | A/P<br>Cash<br>$9900 - 990 = 8910$                    |      | 8910           | 8910 - |
| March 1 | A/P<br>Purchase Discounts Lost<br>Cash                |      | 8910 -<br>90 - | 9000 - |

A

Took Discount

B

# Sam Snacks

## General Journal

| Date  | Account Titles           | Ref. | Debit  | Credit  |
|-------|--------------------------|------|--------|---------|
| Feb 9 | Inventory                |      |        |         |
|       | A/P                      |      | 10000  |         |
|       | $100 \cdot 100 = 10000$  |      |        | 10000 - |
| 12    | A/P                      |      |        |         |
|       | Inventory                |      | 1000 - |         |
|       | $100 \cdot 10 = 1000$    |      |        | 1000 -  |
| 14    | Inventory                |      |        |         |
|       | Cash                     |      | 50 -   |         |
|       |                          |      |        | 50 -    |
| 19    | A/P                      |      |        |         |
|       | Cash                     |      | 9000   |         |
|       | Purchase Discounts taken |      |        | 8910 -  |
|       |                          |      |        | 90 -    |
| Mar 1 | A/P                      |      |        |         |
|       | Cash                     |      | 9000 - |         |
|       |                          |      |        | 9000 -  |

# Sold Shay

## General Journal

| Date  | Account Titles                | Ref. | Debit   | Credit  |
|-------|-------------------------------|------|---------|---------|
| Feb 9 | A/R                           |      | 10000 - |         |
|       | Sales                         |      |         | 10000 - |
|       | 100.100                       |      |         |         |
|       | COGS                          |      | 6000    |         |
|       | Inventory                     |      | 6       | 6000 -  |
|       | 100.60                        |      |         |         |
| 12    | Sales Returns + Allowance     |      | 1000 -  |         |
|       | A/R                           |      |         | 1000 -  |
|       | 10.100                        |      |         |         |
|       | Inventory                     |      | 600 -   |         |
|       | COGS                          |      |         | 600 -   |
|       | 10.60                         |      |         |         |
| 14    | Delivery Expense              |      | 50 -    |         |
|       | Cash                          |      |         | 50 -    |
| 19    | Cash                          |      | 8910 -  |         |
|       | <del>Purchase</del> Discounts |      | 90 -    |         |
|       | Sales A/R                     |      |         | 9000 -  |
| Mar 1 | Cash                          |      | 9000 -  |         |
|       | A/R                           |      |         | 9000 -  |