ACCOUNTING CYCLE- MERCHANDISING BUSINESS

Transactions and entries relating purchases

Periodic Inventory System	Perpetual Inventory System
Purchased merchandise on cash	**Purchased merchandise on cash**

Purchases   xxx
   Cash   xxx
(Purchased merchandise on cash)
   Or
(Purchases on cash/Cash purchases)
	Merchandise xxx
	   Cash xxx
	(Purchased merchandise on cash)

Purchased merchandise on credit	**Purchased merchandise on credit**

Purchases   xxx
   Accounts Payable   xxx
(Purchased merchandise on account / credit)
   Or
(Purchases on credit/Credit purchases)
	Merchandise xxx
	   Accounts Payable xxx
	(Purchased merchandise on account / credit)

Returned merchandise purchased on cash	**Returned merchandise purchased on cash**

Cash   xxx
   Purchase Return & Allowance   xxx
(To record purchase return & allowance)
   Or
(Returned merchandise on cash)
	Cash xxx
	   Merchandise xxx
	(Returned merchandise on cash)

Returned merchandise purchased on credit	**Returned merchandise purchased on credit**

Accounts Payable   xxx
   Purchase Return & Allowance   xxx
(To record purchase return & allowance)
   Or
(Returned merchandise on credit/account)
	Accounts Payable xxx
	   Merchandise xxx
	(Returned merchandise on credit/account)

Paid transportation / carriage / freight	**Paid transportation / carriage / freight**

Transportation-in/carriage-in / freight- in   xxx
   Cash   xxx
(Paid transportation)
	Merchandise xxx
	   Cash xxx
	(Paid transportation)

Paid to supplier xxx in full settlement of xxx. **Or** **Paid to supplier xxx and availed discount xxx.**	**Paid to supplier xxx in full settlement of xxx.** **Or** **Paid to supplier xxx and availed discount xxx.**

Accounts Payable   xxx
   Cash   xxx
   Purchase Discount   xxx
(Made payment and availed discount)
	Accounts Payable xxx
	   Cash xxx
	   Merchandise xxx
	(Made payment and availed discount)

Transactions and entries relating sales

Periodic Inventory System	Perpetual Inventory System
Sold merchandise on cash	**Sold merchandise on cash**

Cash   xxx
    Sales   xxx
(Sold merchandise on cash)
       Or
(Sales on cash/Cash sales)
	a) Cash xxx
	    Sales xxx
	(Sold merchandise on cash)
	       Or
	(Sales on cash/Cash sales)
	
	b) Cost of goods sold xxx
	    Merchandise xxx
	(To record cost of sales)

Sold merchandise on credit	**Sold merchandise on credit**

Accounts Receivable   xxx
    Sales   xxx
(Sold merchandise on credit)
       Or
(Sales on credit/Credit sales)
	a) Accounts Receivable xxx
	    Sales xxx
	(Sold merchandise on credit)
	       Or
	(Sales on credit/Credit sales)
	
	b) Cost of goods sold xxx
	    Merchandise xxx
	(To record cost of sales)

Merchandise returned sold on cash	**Merchandise returned sold on cash**

Sales return & allowance   xxx
    Cash   xxx
(To record sales return & allowance)
       Or
(merchandise returned on cash)
	a) Sales return & allowance xxx
	    Cash xxx
	(To record sales return & allowance)
	       Or
	(Merchandise returned on cash)
	
	b) Merchandise xxx
	    cost of goods sold xxx
	(To record the merchandise returned)

Returned merchandise sold on credit	**Returned merchandise sold on credit**

Sales return & allowance   xxx
    Accounts Receivable   xxx
(To record sales return & allowance)
       Or
(merchandise returned on credit / account)
	a) Sales return & allowance xxx
	    Accounts Receivable xxx
	(To record sales return & allowance)
	       Or
	(Merchandise returned on credit / account)
	
	b) Merchandise xxx
	    cost of goods sold xxx
	(To record the merchandise returned)

Received from customer xxx in full settlement of xxx.
       Or
Received from customer xxx and allowed discount xxx.
	Received from customer xxx in full settlement of xxx.
	       Or
	Received from customer xxx and allowed discount xxx.

Cash   xxx
Sales Discount   xxx
    Accounts Receivable   xxx
(Collected cash from customer and allowed discount)
	Cash xxx
	Sales Discount xxx
	    Accounts Receivable xxx
	(Collected cash from customer and allowed discount)

PERPETUAL INVENTORY SYSTEM:

The following transactions related to the business of Bhollo, a sole proprietor of *"Your Choice"*, for the month of August:

Date		Transactions
2008 Aug	1	Bhollo invested cash, office supplies and furniture in the business for Rs.500, 000, 10,000 and 40,000 respectively.
	1	Purchased merchandise on cash Rs.100, 000 and paid freight Rs.1, 000.
	1	Purchased merchandise on credit Rs.300, 000 from Zabardast Inc. and paid import duty Rs.10, 000.
	2	Paid rent in advance Rs.40, 000.
	3	Returned defective goods on cash Rs.1, 000 and on credit Rs.5, 000.
	4	Paid Rs.194,000 in full settlement of Rs.195,000 to Zabardast Inc.
	6	Deposited cash into bank Rs.30, 000.
	10	Sold merchandise on cash Rs.50, 000 which costs Rs.30, 000.
	12	Sold merchandise to Ali Stores for Rs.150, 000 which costs Rs.100, 000 and paid freight Rs.5,000
	13	Merchandise returned by customers on cash Rs.5,000 and on credit Rs.10,000 cost being Rs.3,000 and 6667
	18	Collected cheque for Rs.98, 000 in full settlement of Rs.100, 000 and deposited into bank.
	20	Paid advertising expense by cheque Rs.1, 000.
	23	Purchased merchandise for Rs.20, 000 and paid by cheque.
	25	Sold merchandise on cash Rs.60, 000 cost being Rs.40, 000.
	31	Paid utilities Rs.8, 000.
	31	Paid salaries to personnel Rs.20, 000.

REQUIRED:

i.   Journalize all above transactions in *General Journal*.
ii. Prepare *General Ledger*.
iii. Prepare *Pre-closing Trial Balance*.

Additional data on August, 31 2008:
1. Salaries outstanding Rs.5,000.
2. Prepaid salaries Rs.10,000.
3. Rent expense Rs.30, 000.
4. Prepaid advertising Rs.500.
5. Transportation expired Rs.2, 000.
6. Depreciation on furniture is Rs.5,000.
7. Bad debts are estimated @ 10% of year end Accounts Receivable.

Required: After the above adjustments are performed, complete the whole *Accounting Cycle.*

PERIODIC INVENTORY SYSTEM:

The following transactions related to the business of Bhollo, a sole proprietor of *"Your Choice"*, for the month of August:

Date		Transactions
2008 Aug	1	Bhollo invested cash, office supplies and furniture in the business for Rs.500, 000, 10,000 and 40,000 respectively.
	1	Purchased merchandise on cash Rs.100, 000 and paid freight Rs.1, 000.
	1	Purchased merchandise on credit Rs.300, 000 from Zabardast Inc. and paid import duty Rs.10, 000.
	2	Paid rent in advance Rs.40, 000.
	3	Returned defective goods on cash Rs.1, 000 and on credit Rs.5, 000.
	4	Paid Rs.194,000 in full settlement of Rs.195,000 to Zabardast Inc.
	6	Deposited cash into bank Rs.30, 000.
	10	Sold merchandise on cash Rs.50, 000.
	12	Sold merchandise to Ali Stores for Rs.150, 000 and paid freight Rs.5,000
	13	Merchandise returned by customers on cash Rs.5,000 and on credit Rs.10,000.
	18	Collected cheque for Rs.98, 000 in full settlement of Rs.100, 000 and deposited into bank.
	20	Paid advertising expense by cheque Rs.1, 000.
	23	Purchased merchandise for Rs.20, 000 and paid by cheque.
	25	Sold merchandise on cash Rs.60, 000.
	31	Paid utilities Rs.8, 000.
	31	Paid salaries to personnel Rs.20, 000.

REQUIRED:

    i.   Journalize all above transactions in *General Journal.*
   ii.   Prepare *General Ledger.*
  iii.   Prepare *Pre-closing Trial Balance.*

Additional data on August, 31 2008:
    1.   Salaries outstanding Rs.5,000.
    2.   Prepaid salaries Rs.10,000.
    3.   Rent expense Rs.30, 000.
    4.   Prepaid advertising Rs.500.
    5.   Transportation expired Rs.2, 000.
    6.   Depreciation on furniture is Rs.5,000.
    7.   Bad debts are estimated @ 10% of year end Accounts Receivable.
    8.   Ending inventory is Rs.263667.

Required: After the above adjustments are performed, complete the whole *Accounting Cycle*.