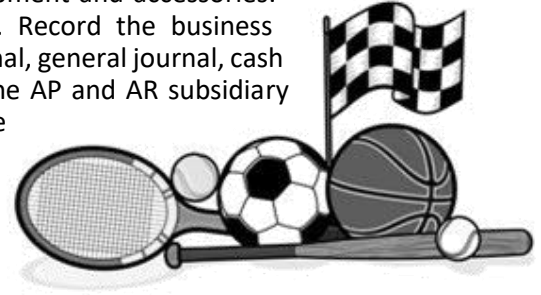


COMPREHENSIVE PROBLEM

Accounting for Merchandising Businesses (including Stock Sale, Declaration of Dividends, and Merchandise Inventory)

Jock's Sporting Goods, Inc.

Jock's Sporting Goods is a mall-based retailer specializing in athletic equipment and accessories. This merchandising business uses the chart of accounts shown below. Record the business transactions for the month of May 2018 in the sales journal, purchases journal, general journal, cash receipts journal, and cash payments journal. Post these transactions to the AP and AR subsidiary ledgers and general ledger accounts. Note: only accounts used in the problem are listed.



1. Special Journals
2. Subsidiary Ledgers and Schedules of AP/AR
3. General Ledger

CHART OF ACCOUNTS

(only shows the accounts used in this problem)

GENERAL LEDGER

Balance Sheet Accounts

ASSETS (1000)

- 1110 Cash
- 1120 Petty Cash
- 1130 Accounts Receivable
- 1200 Merchandise Inventory*

LIABILITIES (2000)

- 2110 Accounts Payable
- 2130 Employee Income Tax Payable
- 2140 Social Security Tax Payable
- 2150 Medicare Tax Payable
- 2160 Sales Tax Payable
- 2170 Unemployment Tax Payable – Federal
- 2180 Unemployment Tax Payable – State
- 2190 Dividends Payable*

OWNER'S EQUITY (3000)

- 3110 Capital Stock*
- 3130 Dividends*
- 3140 Income Summary*

Income Statement Accounts

OPERATING REVENUE (4000)

- 4110 Sales
- 4120 Sales Discount
- 4130 Sales Returns and Allowances

COST OF MERCHANDISE (5000)

- 5110 Purchases
- 5120 Purchases Discount
- 5130 Purchases Returns and Allowances

OPERATING EXPENSES (6000)

- 6120 Cash Over and Short
- 6130 Miscellaneous Expense
- 6140 Payroll Taxes Expense
- 6150 Salary Expense

SUBSIDIARY LEDGERS

Accounts Receivable Ledger

- 110 Frank Frankly
- 120 Mary Merry
- 130 Pete Peterson

Accounts Payable Ledger

- 210 Just Balls
- 220 Goals R Us
- 230 Swish Sneak

COMPREHENSIVE PROBLEM

Accounting for Merchandising Businesses (including Stock Sale, Declaration of Dividends, and Merchandise Inventory)

- May 1 Sold \$10,000 of stock to investors for cash. M100. *(hint: use cash receipts journal; debit cash and credit capital stock)*
- May 1 Purchased merchandise ("Purchases") on account from Just Balls, \$5,000 less a trade discount of 10%. P51.
- May 1 Established a petty cash fund, \$300. Check No. 101. *(hint: use cash payments journal)*
- May 2 Sold merchandise ("Sales") on account to Frank Frankly, \$500, plus sales tax, \$25; total \$525. S31.
- May 3 Purchased merchandise ("Purchases") on account from Goals R Us, \$500. P52. *(Terms 10/15, N30)*
- May 6 Granted credit to Frank Frankly for merchandise returned ("Sales Returns & Allowances"), \$500, plus sales tax, \$25; total \$525. CM401. *(hint: this uses 3 lines in the general journal)*
- May 7 Sold merchandise ("Sales") on account to Mary Merry, \$1,000, plus sales tax, \$50; total \$1,050. S32.
- May 8 Returned merchandise ("Purchases Returns and Allowances") to Just Balls, \$4,500 (after trade discount), which was purchased on account. DM201. *(hint: this uses 2 lines in the general journal)*
- May 12 Sold merchandise ("Sales") on account to Pete Peterson, \$200, plus sales tax, \$10; total \$210. S33.
- May 13 Purchased merchandise ("Purchases") on account from Swish Sneaks, \$2,500. P53. *(Terms 10/10, N30)*
- May 14 Paid cash on account to Goals R Us, \$450, covering purchase P52 for \$500, less a 10% discount. Check No. 102.
- May 15 Declared a dividend of \$2.00 per share; capital stock issued is 2,500 shares; total dividend, \$5,000. M101. *(hint: use general journal; debit dividends and credit dividends payable)*
- May 18 Received cash on account from Pete Peterson, \$210, covering S33. R50.
- May 25 Received cash on account from Mary Merry, \$1,029, covering S32 for \$1,050, less 2% discount, \$21. R51.
- May 26 Paid cash on account to Swish Sneaks, \$2,500, covering purchase P53 for \$2,500 (no discount). Check No. 103.
- May 27 Paid cash to replenish the petty cash fund for Misc. Expenses, \$25; and Cash Short and Over, \$10 short (debit). Check No. 104. *(hint: this uses 2 lines in the cash payments journal)*
- May 31 On May 1, the merchandise inventory account has a debit balance of \$12,000. This merchandise inventory account, however, is not up-to-date. The actual count of merchandise on May 31 is valued at \$14,500. Therefore, the merchandise inventory account balance must be adjusted to show the current value of merchandise on hand. M102. *(hint: use the general journal; debit merchandise inventory and credit income summary for the difference)*
- May 31 Paid cash for monthly payroll, \$2,500 (total Salary Expense, \$3,250, less deductions: Employee Income Tax Payable, \$300; Social Security Tax Payable, \$250; Medicare Tax Payable, \$200). Check 105. *(hint: this uses 4 lines in the cash payments journal)*
- May 31 Record employer Payroll Taxes Expense, \$1,000 (Social Security Tax Payable, \$250, Medicare Tax Payable, \$200, Unemployment Tax Payable – Federal, \$150, and Unemployment Tax Payable – State, \$400). M103. *(hint: this uses 5 lines in the general journal)*

COMPREHENSIVE PROBLEM

Accounting for Merchandising Businesses (including Stock Sale, Declaration of Dividends, and Merchandise Inventory)

CASH RECEIPTS JOURNAL

AR Subsidiary Ledger Customer # (or other account # if not AR)

PAGE 1

Date	Account Title	Doc. No.	Post Ref.	General				Accts Receivable CR	Sales CR	Sales Tax Payable CR	Sales Discount DR	Cash DR
				DR	CR	DR	CR					
<i>TOTALS</i>												

General Ledger Acct #

CASH PAYMENTS JOURNAL

AP Subsidiary Ledger Customer # (or other account # if not AP)

PAGE 1

Date	Account Title	Ck. No.	Post Ref.	General		Accounts Payable DR	Purchases Discount CR	Cash CR
				Debit	Credit			
<i>TOTALS</i>								

Note: Every item that appears in the "General" debit and credit columns will need to be posted separately to the General Ledger. For all other items, you just post the column totals.

General Ledger Acct #

COMPREHENSIVE PROBLEM

Accounting for Merchandising Businesses (including Stock Sale, Declaration of Dividends, and Merchandise Inventory)

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGERS

Customer: FRANK FRANKLY				Customer No: 110											
Date		Item	Post. Ref.	Debit				Credit				Debit Balance			
May	1	Balance	✓											0	00

Customer: MARY MERRY				Customer No: 120											
Date		Item	Post. Ref.	Debit				Credit				Debit Balance			
May	1	Balance	✓											0	00

Customer: PETE PETERSON				Customer No: 130											
Date		Item	Post. Ref.	Debit				Credit				Debit Balance			
May	1	Balance	✓											0	00

SCHEDULE OF ACCOUNTS RECEIVABLE

May 31, 2018

<i>TOTAL ACCOUNTS RECEIVABLE</i>							

*** CHECK THIS BALANCE WITH THE ENDING BALANCE IN THE ACCOUNTS RECEIVABLE GENERAL LEDGER ACCOUNT ***

COMPREHENSIVE PROBLEM

Accounting for Merchandising Businesses (including Stock Sale, Declaration of Dividends, and Merchandise Inventory)

ACCOUNTS PAYABLE SUBSIDIARY LEDGERS

Vendor: JUST BALLS											Vendor No: 210				
Date		Item	Post. Ref.	Debit				Credit				Credit Balance			
May	1	Balance	✓											0	00

Vendor: GOALS R US											Vendor No: 220				
Date		Item	Post. Ref.	Debit				Credit				Credit Balance			
May	1	Balance	✓											0	00

Vendor: SWISH SNEAKS											Vendor No: 230				
Date		Item	Post. Ref.	Debit				Credit				Credit Balance			
May	1	Balance	✓											0	00

SCHEDULE OF ACCOUNTS PAYABLE

May 31, 2018

<i>TOTAL ACCOUNTS PAYABLE</i>															

*** CHECK THIS BALANCE WITH THE ENDING BALANCE IN THE ACCOUNTS PAYABLE GENERAL LEDGER ACCOUNT ***

COMPREHENSIVE PROBLEM

Accounting for Merchandising Businesses (including Stock Sale, Declaration of Dividends, and Merchandise Inventory)

GENERAL LEDGER (selected accounts)

Account: CASH										Account No: 1110												
Date	Item	Post. Ref.	Debit				Credit				Balance											
											Debit			Credit								
May	1	Balance	✓										7	9	0	0	00					

Account: PETTY CASH										Account No: 1120												
Date	Item	Post. Ref.	Debit				Credit				Balance											
											Debit			Credit								
May	1	Balance	✓																			

Account: ACCOUNTS RECEIVABLE										Account No: 1130												
Date	Item	Post. Ref.	Debit				Credit				Balance											
											Debit			Credit								
May	1	Balance	✓																			

Account: MERCHANDISE INVENTORY										Account No: 1200												
Date	Item	Post. Ref.	Debit				Credit				Balance											
											Debit			Credit								
May	1	Balance	✓										12	0	0	0	00					

Account: ACCOUNTS PAYABLE										Account No: 2110												
Date	Item	Post. Ref.	Debit				Credit				Balance											
											Debit			Credit								
May	1	Balance	✓																			

Account: EMPLOYEE INCOME TAX PAYABLE										Account No: 2130												
Date	Item	Post. Ref.	Debit				Credit				Balance											
											Debit			Credit								
May	1	Balance	✓																			

COMPREHENSIVE PROBLEM

Accounting for Merchandising Businesses (including Stock Sale, Declaration of Dividends, and Merchandise Inventory)

Account: CASH OVER AND SHORT										Account No: 6120									
Date		Item	Post. Ref.	Debit				Credit				Balance							
												Debit		Credit					
May	1	Balance	✓											0	00				

Account: MISCELLANEOUS EXPENSE										Account No: 6130									
Date		Item	Post. Ref.	Debit				Credit				Balance							
												Debit		Credit					
May	1	Balance	✓											0	00				

Account: PAYROLL TAXES EXPENSE										Account No: 6140									
Date		Item	Post. Ref.	Debit				Credit				Balance							
												Debit		Credit					
May	1	Balance	✓											0	00				

Account: SALARY EXPENSE										Account No: 6150									
Date		Item	Post. Ref.	Debit				Credit				Balance							
												Debit		Credit					
May	1	Balance	✓											0	00				