

REVIEW PROBLEM

Accounting for Merchandising Businesses

FRANK'S FURNITURE FAIR

Frank's Furniture Fair is a specialty retailer specializing in furniture and home accessories. This merchandising business uses the chart of accounts shown below. Record the business transactions for the month of March 2019 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 Chester Drawers
- 120 Arty Armoire
- 130 Rick Shaw

Accounts Payable Ledger

- 210 On The Table
- 220 RugZ & TileZ
- 230 Sofa So Good

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- March 1 Sold \$20,000 of stock to investors for cash. M100. *(hint: use cash receipts journal; debit cash and credit capital stock)*
- March 1 Purchased merchandise ("Purchases") on account from On The Table, \$10,000 less a trade discount of 10%. P51.
- March 1 Established a petty cash fund, \$600. Check No. 101. *(hint: use cash payments journal)*
- March 2 Sold merchandise ("Sales") on account to Chester Drawers, \$1,000, plus sales tax, \$50; total \$1,050. S31.
- March 3 Purchased merchandise ("Purchases") on account from RugZ & TileZ, \$1,000. P52. *(Terms 10/15, N30)*
- March 6 Granted credit to Chester Drawers for merchandise returned ("Sales Returns & Allowances"), \$1,000, plus sales tax, \$50; total \$1,050. CM401. *(hint: this uses 3 lines in the general journal)*
- March 7 Sold merchandise ("Sales") on account to Arty Armoire, \$2,000, plus sales tax, \$100; total \$2,100. S32.
- March 8 Returned merchandise ("Purchases Returns and Allowances") to On The Table, \$9,000 (after trade discount), which was purchased on account. DM201. *(hint: this uses 2 lines in the general journal)*
- March 12 Sold merchandise ("Sales") on account to Rick Shaw, \$400, plus sales tax, \$20; total \$420. S33.
- March 13 Purchased merchandise ("Purchases") on account from Sofa So Goods, \$5,000. P53. *(Terms 10/10, N30)*
- March 14 Paid cash on account to RugZ & TileZ, \$900, covering purchase P52 for \$1,000, less a 10% discount. Check No. 102.
- March 15 Declared a dividend of \$4.00 per share; capital stock issued is 2,500 shares; total dividend, \$10,000. M101. *(hint: use general journal; debit dividends and credit dividends payable)*
- March 18 Received cash on account from Rick Shaw, \$420, covering S33. R50.
- March 25 Received cash on account from Arty Armoire, \$2,058, covering S32 for \$2,100, less 2% discount, \$21. R51.
- March 26 Paid cash on account to Sofa So Goods, \$5,000, covering purchase P53 for \$5,000 (no discount). Check No. 103.
- March 27 Paid cash to replenish the petty cash fund for Misc. Expenses, \$50; and Cash Short and Over, \$20 short (debit). Check No. 104. *(hint: this uses 2 lines in the cash payments journal)*
- March 31 On March 1, the merchandise inventory account has a debit balance of \$24,000. This merchandise inventory account, however, is not up-to-date. The actual count of merchandise on March 31 is valued at \$29,000. 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)*
- March 31 Paid cash for monthly payroll, \$5,000 (total Salary Expense, \$6,500, less deductions: Employee Income Tax Payable, \$600; Social Security Tax Payable, \$500; Medicare Tax Payable, \$400). Check 105. *(hint: this uses 4 lines in the cash payments journal)*
- March 31 Record employer Payroll Taxes Expense, \$2,000 (Social Security Tax Payable, \$500, Medicare Tax Payable, \$400, Unemployment Tax Payable – Federal, \$300, and Unemployment Tax Payable – State, \$800). M103. *(hint: this uses 5 lines in the general journal)*

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CASH RECEIPTS JOURNAL

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

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Date	Account Title	Doc. No.	Post Ref.	General				Accts Receivable CR	Sales CR	Sales Tax Payable CR	Sales Discount DR	Cash DR
				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 #

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Accounting for Merchandising Businesses

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGERS

Customer: CHESTER DRAWERS				Customer No: 110											
Date		Item	Post. Ref.	Debit				Credit				Debit Balance			
March	1	Balance	✓											0	00

Customer: ARTY ARMOIRE				Customer No: 120											
Date		Item	Post. Ref.	Debit				Credit				Debit Balance			
March	1	Balance	✓											0	00

Customer: RICK SHAW				Customer No: 130											
Date		Item	Post. Ref.	Debit				Credit				Debit Balance			
March	1	Balance	✓											0	00

SCHEDULE OF ACCOUNTS RECEIVABLE

March 31, 2019

<i>TOTAL ACCOUNTS RECEIVABLE</i>							

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

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Accounting for Merchandising Businesses

ACCOUNTS PAYABLE SUBSIDIARY LEDGERS

Vendor: ON THE TABLE											Vendor No: 210				
Date		Item	Post. Ref.	Debit				Credit				Credit Balance			
March	1	Balance	✓											0	00

Vendor: RUGZ & TILEZ											Vendor No: 220				
Date		Item	Post. Ref.	Debit				Credit				Credit Balance			
March	1	Balance	✓											0	00

Vendor: SOFA SO GOODS											Vendor No: 230				
Date		Item	Post. Ref.	Debit				Credit				Credit Balance			
March	1	Balance	✓											0	00

SCHEDULE OF ACCOUNTS PAYABLE

March 31, 2019

<i>TOTAL ACCOUNTS PAYABLE</i>															

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

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GENERAL LEDGER (selected accounts)

Account: CASH										Account No: 1110													
Date	Item	Post. Ref.	Debit					Credit					Balance										
													Debit					Credit					
March	1	Balance	✓											15	8	0	0	00					

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

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

Account: MERCHANDISE INVENTORY										Account No: 1200													
Date	Item	Post. Ref.	Debit					Credit					Balance										
													Debit					Credit					
March	1	Balance	✓											24	0	0	0	00					

Account: ACCOUNTS PAYABLE										Account No: 2110													
Date	Item	Post. Ref.	Debit					Credit					Balance										
													Debit					Credit					
March	1	Balance	✓																				0 00

Account: EMPLOYEE INCOME TAX PAYABLE										Account No: 2130													
Date	Item	Post. Ref.	Debit					Credit					Balance										
													Debit					Credit					
March	1	Balance	✓																				0 00

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

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

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

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