

Chapter 5 cheat card — screenshot this

CH. 5 · MAIN · PART 1

CH. 5 CHEAT CARD — MERCHANDISING OPERATIONS (PERPETUAL)

BUYER'S BOOKS

BUY GOODS (on account)		
Inventory	xx	
Accounts Payable		xx
FREIGHT-IN (FOB shipping point)		
Inventory	xx	
Cash		xx
RETURN / ALLOWANCE		
Accounts Payable	xx	
Inventory		xx
PAY WITHIN DISCOUNT WINDOW		
Accounts Payable	xx	
Cash		xx
Inventory (discount)		xx
PAY OUTSIDE WINDOW (full amount — no discount)		
Accounts Payable	xx	
Cash		xx

Inventory cost = invoice + freight-in – returns – discounts

SELLER'S BOOKS

SALE (2 entries — selling price, then OUR cost)		
Cash / Accounts Receivable	xx	
Sales Revenue		xx
Cost of Goods Sold	xx	
Inventory		xx
SALES RETURN (2 entries again — if resaleable)		
Sales Returns & Allowances	xx	
Accounts Receivable		xx
Inventory	xx	
Cost of Goods Sold		xx
CUSTOMER PAYS IN WINDOW		
Cash	xx	
Sales Discounts	xx	
Accounts Receivable		xx
CUSTOMER PAYS OUTSIDE WINDOW (full amount)		
Cash	xx	
Accounts Receivable		xx

Net sales = Revenue – Returns & Allow. – Discounts

THE COGS FORMULA

how COGS is determined — PERIODIC system
Beginning Inventory

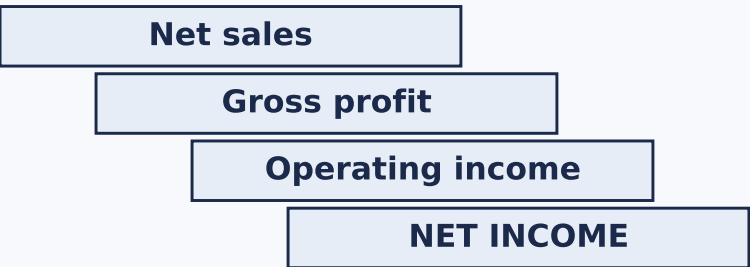
+ Purchases
= Cost of Goods Avail. for Sale
– Ending Inventory
= Cost of Goods Sold

4 variables — plug 3, solve the 4th

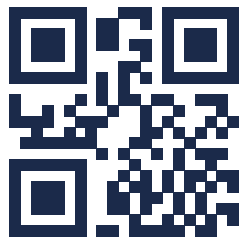
SINGLE-STEP

ALL revenues – ALL expenses = NI

MULTIPLE-STEP



steps DOWN to the same bottom line



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CH. 5 CHEAT CARD — THE PERIODIC INVENTORY SYSTEM (PART 2)

BUYING — the four parking spots

1 · BUY GOODS (on account)

PERIODIC Dr Purchases · Cr Accounts Payable

perpetual Dr Inventory · Cr Accounts Payable

2 · FREIGHT-IN (FOB shipping point)

PERIODIC Dr Freight-In · Cr Cash

perpetual Dr Inventory · Cr Cash

3 · RETURN / ALLOWANCE

PERIODIC Dr Accounts Payable · Cr Purchase Returns and Allowances

perpetual Dr Accounts Payable · Cr Inventory

4 · PAY INSIDE THE DISCOUNT WINDOW

PERIODIC Dr Accounts Payable · Cr Purchase Discounts · Cr Cash

perpetual Dr Accounts Payable · Cr Inventory · Cr Cash

perpetual's answer is ALWAYS Inventory — periodic always has its own spot

freight is NEVER subject to the purchase discount

THE METHOD THAT SAVES YOU ON EVERY EXAM QUESTION

- 1 · the moment you post a return, DRAFT the T-account
- 2 · read the BALANCE off it — never the original invoice
- 3 · apply the 2% to that balance and let CASH plug the gap

pause · screenshot · keep it in your camera roll for the exam

SELLING — the four entries

1 · THE SALE — periodic needs ONE entry

PERIODIC Dr Accounts Receivable · Cr Sales Revenue

perpetual ...then Dr Cost of Goods Sold · Cr Inventory

2 · FREIGHT-OUT (we deliver) — IDENTICAL

PERIODIC Dr Freight-Out · Cr Cash

perpetual Dr Freight-Out · Cr Cash

3 · SALES RETURN (resaleable)

PERIODIC Dr Sales Returns and Allowances · Cr Accounts Receivable

perpetual ...then Dr Inventory · Cr Cost of Goods Sold

4 · CUSTOMER PAYS IN THE WINDOW — IDENTICAL

PERIODIC Dr Cash · Dr Sales Discounts · Cr Accounts Receivable

perpetual Dr Cash · Dr Sales Discounts · Cr Accounts Receivable

the COST side is what disappears — never the cash side

freight-IN is inventory cost · freight-OUT is an operating expense

Net sales = Revenue – Returns and Allowances – Discounts

buy side: $9,000 \times 2\% = 180 \rightarrow \text{Cash } 8,820$

sell side: $8,100 \times 2\% = 162 \rightarrow \text{Cash } 7,938$

the COUNT is the only place ending inventory comes from

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THE MACHINE

COST OF GOODS PURCHASED

Purchases

+ Freight-in

– Purchase returns and allowances

– Purchase discounts

= COST OF GOODS PURCHASED 9,120



COST OF GOODS SOLD

Beginning inventory

+ Cost of goods purchased

= Goods available for sale

– Ending inventory (the count)

= COST OF GOODS SOLD

