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
- 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	Income Statement Accoun
Balance Sheet Accounts	Income Statement Accou

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*

nts

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 Accounts Payable Ledger 110 Frank Frankly 210 Just Balls 220 Goals R Us 120 Mary Merry 130 Pete Peterson 230 Swish Sneak

- 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)

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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 #

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

ACCOUNTS RECEIVABLE SUBSIDIARY LEDGERS

Custome	: FRA	NK FRANKLY									Custo	me	r Nc): 1 :	10
Date		ltem	Post. Ref.	De	ebit	;		Cr	edi	t			ebit lanc		
May	1	Bálánce	✓											0	00

Custome	er: MA	RY MERRY								Custo	mei	r No:	: 12	0
Date	e	Item	Post. Ref.	De	ebit		Cr	edi	t		De Bala	ebit ance		
May	1	Bálánce	✓								0	20		

Custom	er: PE	TE PETERSON								Custo	ome	r No): 1 3	30
Dat	te	Item	Post. Ref.	De	bit		Cr	edi	t			ebit lanc		
May	1	Bälänce	✓							Balance O				00

SCHEDULE OF ACCOUNTS RECEIVABLE

May 31, 2018

TOTAL ACCOUNTS RECEIVABLE			

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

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

ACCOUNTS PAYABLE SUBSIDIARY LEDGERS

Vendor	r: JUST	BALLS								Ve	ndo	· No:	210	,
Da	te	Item	Post. Ref.	Deb	it		Cr	edit			Cro Bala	edit ance		
May	1	Bálánce	✓							Balance				0

Vendor:	GOAI	LS R US								Ve	ndo	r No): 22	20
Date	e	Item	Post. Ref.	De	bit		Cr	edi	t		Cr Bal	edit lanc	e	
May	1	Bălânce	✓										0	00

Vendor: S	SWIS	H SNEAKS								Ve	ndo	r No): 2 :	30
Date		ltem	Post. Ref.	De	ebit		Cr	edi	t		Cr Bal	edit	: e	
May	1	Bálánce	✓										0	00

SCHEDULE OF ACCOUNTS PAYABLE

May 31, 2018

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TOTAL ACCOUNTS PAYABLE			

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

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

GENERAL LEDGER (selected accounts)

Accour	nt: CAS	SH .				Į.	Account No: 1110
			Post.			Bala	nce
Da	te	Item	Ref.	Debit	Credit	Debit	Credit
May	1	Balance	✓			7 9 0 0 00	

Account:	PETT	Y CASH									-	Accou	nt No	: 112	20
			Post.								Bala	nce			
Date		Item	Ref.	Debit		Cre	dit		De	ebit			Cre	dit	
May	1	Bálánce	✓							0	00				

Account	: ACC	OUNTS RECEIVABLE											-	Accou	ınt l	No:	113	0
Dat	e	Item	Post. Ref.	De	bit		Cr	edit		D	ebi	t	Bala	nce	Cr	edi	t	
May	1	Balance	✓									0	00					

Account:	MER	CHANDISE INVENTORY										ļ	Accou	nt N	o: 1	200
			Post.									Bala	nce			
Date		Item	Ref.	Debit		Cre	dit		C)ebi	it			Cre	dit	
May	1	Bálánce	✓					12	0	0	0	00				

Accoun	t: ACC	OUNTS PAYABLE												-	Accou	nt l	No:	211	0
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Account:	EMP	LOYEE INCOME TAX PAYABI	.E										A	Accou	nt N	lo: 2	130
			Post.										Bala	nce			
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May	1	Bálánce	✓													C	00

Accoun	t: SO	CIAL SECURITY TAX PAYA	BLE										Accou	nt N	o: 2	140
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May	1	Bálánce	✓												0	00

Accour	t: MEI	DICARE TAX PAYABLE											-	Accou	nt N	lo: 2	2150	0
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Accoun	t: SAL	ES TAX PAYABLE											ļ	Accou	nt N	lo: 2	2160
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May	1	Bálánce	✓														C	0	0

Account:	UNE	MPLOYMENT TAX PAYABLE	- STATE										A	Accou	nt N	lo: 2	180)
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May	1	Bálánce	✓													C	0	00

Account:	DIVI	DENDS PAYABLE											A	Accou	nt N	o: 2	190
			Post.										Bala	nce			
Date		Item	Ref.	Deb	it		Cre	edit		D	ebi	t			Cre	edit	
May	1	Bálánce	✓													0	00

Account:	CAP	TAL STOCK					Account No: 3110					
			Post.			Bala	ance					
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Account:	Account: SALES Post. Date Item Ref. Debit Credit Debit Credit														110					
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May	1	Bálánce	✓														9	20	0	00

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May	1	Bálánce	✓									3	8	0	00				

Account:	SALE	S RETURNS & ALLOWANCES	5										ļ	Accou	nt N	lo: 4	130	
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May	1	Balance	✓							1	7	5	00					

Account:	PUR	CHASES												ļ	Accou	nt N	o: 5	110
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Account:	PUR	CHASES RETURNS & ALLOWA	ANCES													Д	ccou	nt No	o: 51	130
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Account:	CASI	H OVER AND SHORT														A	Accou	nt N	lo: 6	120
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Account	Account: MISCELLANEOUS EXPENSE Post. Date Item Ref. Debit Credit Debit														ccou	nt N	o: 6	130		
																Bala	nce			
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Account:	PAY	ROLL TAXES EXPENSE															P	Accou	int N	lo: 6	6140	0
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Account: SALARY EXPENSE Account No: 6150															150					
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