Merchandising Operations- Perpetual Inventory Entries practice

The following transactions Relates to ELM:

1. On April 5, purchased merchandise from BNZ Company for $25000 term 2/10, N/30, cost of goods is $15000
2. On April 6 paid freight cost of $900 on merchandise purchased from BNZ.
3. On April 7 purchased equipment on account for $30000.
4. On April 8 returned some of April 5 merchandise to BNZ Company which cost $3600 cost of these $1000
5. On April 15 paid the amount due to BNZ Company in full.

Requirements

A. Prepare the journal entries to record the transaction above the books of ELM

B. Prepare the journal entries on the books of BNZ

Solution

On ELM Books

April 5	Merchandise Inventory Accounts Payable	25,000	 25,000
April 6	Merchandising Inventory Cash	900	 900
April 7	Equipment Accounts Payable	30,000	 30,000
April 8	Accounts Payable Merchandising Inventory	3,600	 3,600
April 15	Accounts Payable($25,000-3,600) Cash($21,400-$428) Merchandising Inventory ($21,400 x 2%)	21,400	 20,972 428

On BNZ Books

April 5	Accounts Receivable Sales Cost of Goods Sold Merchandise Inv.	25,000 15,000	 25,000 15,000
April 6	No entry for freight cost because ELM paid the cost		No Entry
April 7	No entry for equipment because the equipment was related to ELM operations		No Entry
April 8	Sales Returns & Allowances Accounts Receivable Cost of Goods Sold Merchandise Inv.	3,600 1,000	 3,600 1,000
April 15	Cash ($21,400 - $428) Sales Discount Accounts Receivable	20,972	 478 21,400