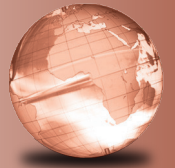


GLOBAL  
EDITION



# Financial Accounting

THIRD EDITION

Robert Kemp • Jeffrey Waybright



ALWAYS LEARNING

PEARSON

# Financial Accounting

**P4-40A. Prepare a multi-step income statement; calculate gross profit percentage (Learning Objectives 6 & 7) 20–25 min.**

The adjusted trial balance for Great Gadget, Inc., as of April 30, 2014, is presented next:

Great Gadget, Inc. Trial Balance April 30, 2014				
		ACCOUNT	DEBIT	CREDIT
		Cash	\$ 10,100	
		Accounts Receivable	31,900	
		Inventory	20,100	
		Supplies	2,400	
		Equipment	75,000	
		Accumulated Depreciation, Equipment		\$ 6,100
		Accounts Payable		6,300
		Unearned Sales Revenue		2,400
		Note Payable, Long-Term		15,000
		Common Stock		40,000
		Retained Earnings		43,700
		Dividends	41,000	
		Sales Revenue		221,600
		Sales Returns and Allowances	3,500	
		Sales Discounts	3,100	
		Cost of Goods Sold	98,900	
		Selling Expense	32,600	
		General Expense	16,100	
		Interest Expense	400	
		Total	\$335,100	\$335,100

**Requirements**

1. Prepare the multi-step income statement for April for Great Gadget, Inc.
2. Calculate the gross profit percentage for April for Great Gadget, Inc.
3. What does Great Gadget, Inc.'s gross profit percentage mean?



**P4-41A. Prepare a multi-step income statement, a statement of retained earnings, and a classified balance sheet (Learning Objective 6) 25–30 min.**

The account balances for the year ended July 31, 2014, for Wilson Industries, Inc., are listed next:

Sales Revenue.....	\$315,000	Cost of Goods Sold.....	\$121,700
Equipment.....	142,000	Accumulated Depreciation, Equipment.....	27,300
Accounts Payable.....	12,700	Unearned Sales Revenue .....	6,200
Sales Discounts .....	3,500	Prepaid Rent .....	2,850
Advertising Expense.....	13,700	Office Salaries Expense .....	53,000
Interest Expense .....	1,200	Accumulated Depreciation, Building.....	39,700
Salaries Payable.....	1,750	Utilities Expense.....	4,200
Accounts Receivable.....	7,600	Dividends .....	12,000
Building.....	180,000	Cash.....	14,200
Sales Returns and Allowances .....	7,200	Retained Earnings, 7/31/2013.....	97,550
Common Stock .....	125,000	Delivery Expense.....	1,800
Depreciation Expense (General) .....	18,000	Insurance Expense .....	4,400
Inventory.....	31,500	Mortgage Payable (Long-Term) .....	37,500
Commission Expense.....	43,000	Supplies .....	850

**Requirements**

1. Prepare Wilson Industries, Inc.'s *multi-step* income statement.
2. Prepare Wilson Industries, Inc.'s statement of retained earnings.
3. Prepare Wilson Industries, Inc.'s classified balance sheet in *report form*.

**P4-42A. Calculate earnings per share, gross profit percentage, and net income percentage (Learning Objective 7) 20–25 min.**

Use the data for Wilson Industries, Inc., from P4-41A.

**Requirements**

1. Calculate the earnings per share for Wilson Industries for the year. Assume that the average number of common shares outstanding during the year was 7,500 shares.
2. The earnings per share for 2013 was \$8.04. Did the earnings per share improve or deteriorate during 2014?
3. Calculate the gross profit percentage for Wilson Industries, Inc., for the year.
4. The gross profit percentage for 2013 was 58.6%. Did the gross profit percentage improve or deteriorate during 2014?
5. Calculate the net income percentage for Wilson Industries, Inc.
6. The net income percentage for 2013 was 21.3%. Did the net income percentage improve or deteriorate during 2014?

## Problems (Group B)

### P4-43B. Journalizing inventory purchases, returns, and freight transactions (Learning Objectives 3 & 5) 15–20 min.

The following purchase-related transactions for Penestrie, Inc., occurred during the month of June.

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Jun	3	Purchased \$7,700 of merchandise, paid cash.
	9	Purchased \$650 of supplies on account from Supplies Unlimited. Terms, n/30, FOB destination.
	16	Purchased \$5,600 of merchandise on account from Brown International, Inc. Terms, 2/15, n/30, FOB shipping point.
	22	Received a credit memo in the amount of \$450 from Brown International, Inc., for damaged goods from the June 16 purchase that were returned.
	30	Paid for the supplies purchased on June 9.
	30	Paid Brown International, Inc., in full for the June 16 purchase.

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#### Requirement

1. Journalize the transactions for Penestrie, Inc. Omit explanations.

### P4-44B. Journalizing inventory sales, returns, and freight transactions (Learning Objectives 4 & 5) 15–20 min.

The following sale-related transactions for Budget Decor, Inc., occurred during the month of April.

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Apr	3	Sold \$3,200 (cost \$1,400) of merchandise on account to B. Levin. Terms, 1/15, n/45, FOB destination.
	4	Paid \$85 to ship the goods sold on April 3 to B. Levin.
	10	Sold \$2,300 (cost \$1,025) of merchandise to cash customers.
	17	Received payment in full from B. Levin for the April 3 sale.
	22	Sold \$4,800 (cost \$2,800) of merchandise on account to A. Klecans. Terms, 2/10, n/30, FOB shipping point.
	26	Granted A. Klecans a \$900 allowance on the April 22 sale due to minor defects in the goods shipped.
	30	Received payment in full from A. Klecans for the April 22 sale.

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#### Requirement

1. Journalize the transactions for Budget Decor, Inc. Omit explanations.

**P4-45B. Journalizing inventory purchases, sales, returns, and freight transactions (Learning Objectives 3, 4, & 5) 20–25 min.**

The following transactions occurred between Tanaka's Antique Furniture and R. S. Furniture Warehouse during August of the current year:

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Aug 4	Tanaka's Antique Furniture purchased \$7,100 of merchandise from R.S. Furniture Warehouse on account. Terms, 2/15, n/30, FOB shipping point. The goods cost R.S. Furniture Warehouse \$3,900.
7	Tanaka's Antique Furniture paid a \$275 freight bill for delivery of the goods purchased on August 4.
10	Tanaka's Antique Furniture returned \$1,300 of the merchandise purchased on August 4. The goods cost R.S. Furniture Warehouse \$700.
18	Tanaka's Antique Furniture paid \$1,800 of the August 4 invoice less the discount.
31	Tanaka's Antique Furniture paid the remaining amount owed on the August 4 invoice.

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**Requirements**

1. Journalize these transactions on the books of Tanaka's Antique Furniture.
2. Journalize these transactions on the books of R. S. Furniture Warehouse.

**P4-46B. Journalizing inventory purchases, sales, returns, and freight transactions; calculate gross profit (Learning Objectives 3, 4, 5, & 6) 25–30 min.**

The following transactions for Bestbuy Tire, Co., occurred during November:

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Nov 4	Purchased \$5,100 of merchandise on account from Salem Tire. Terms, 2/15, n/45, FOB shipping point. Salem Tire prepaid the \$75 shipping cost and added the amount to the invoice.
7	Purchased \$600 of supplies on account from Office Maxx. Terms, 3/10, n/30, FOB destination.
9	Sold \$1,250 (cost, \$750) of merchandise on account to T. Thompson. Terms, 1/15, n/45, FOB destination.
11	Paid \$50 freight charges to deliver goods to T. Thompson.
13	Returned \$700 of the merchandise purchased on November 4 and received a credit.
15	Sold \$1,300 (cost, \$780) of merchandise to cash customers.
16	Paid for the supplies purchased on November 7.
18	Paid Salem Tire the amount due from the November 4 purchase in full.
20	T. Thompson returned \$250 (cost, \$170) of merchandise from the November 9 sale.
22	Purchased \$3,500 of inventory. Paid cash.
23	Received payment in full from T. Thompson for the November 9 sale.

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**Requirements**

1. Journalize the transactions on the books of Bestbuy Tire, Co.
2. What was Bestbuy Tire's gross profit for the month of November?



**P4-47B. Prepare a multi-step income statement; calculate gross profit percentage (Learning Objectives 6 & 7) 20–25 min.**

The adjusted trial balance Fresh Foods, Inc., as of November 30, 2014, is presented next:

Fresh Foods, Inc. Trial Balance November 30, 2014				
		ACCOUNT	DEBIT	CREDIT
		Cash	\$ 14,200	
		Accounts Receivable	16,500	
		Inventory	27,600	
		Supplies	2,800	
		Equipment	74,000	
		Accumulated Depreciation, Equipment		\$ 13,800
		Accounts Payable		6,100
		Unearned Sales Revenue		4,900
		Note Payable, Long-term		35,700
		Common Stock		35,000
		Retained Earnings		28,250
		Dividends	45,000	
		Sales Revenues		214,700
		Sales Returns and Allowances	3,800	
		Sales Discounts	4,300	
		Cost of Goods Sold	102,600	
		Selling Expense	25,400	
		General Expense	20,900	
		Interest Expense	1,350	
		Total	\$338,450	\$338,450

**Requirements**

1. Prepare the multi-step income statement for November for Fresh Foods, Inc.
2. Calculate the gross profit percentage for November for Fresh Foods, Inc.
3. What does Fresh Foods, Inc.'s gross profit percentage mean?

**P4-48B. Prepare a multi-step income statement, a statement of retained earnings, and a classified balance sheet (Learning Objective 6) 25–30 min.**

The accounts for the year ended October 31, 2014, for Ramirez Industries, Inc., are listed next:

Sales Revenue.....	\$325,800	Cost of Goods Sold .....	\$171,600
Equipment.....	97,000	Accumulated Depreciation, Equipment.....	13,000
Accounts Payable.....	17,700	Unearned Sales Revenue .....	4,100
Sales Discounts .....	4,600	Prepaid Rent .....	3,500
Advertising Expense.....	14,600	Office Salaries Expense.....	53,200
Interest Expense .....	1,300	Accumulated Depreciation, Building .....	41,300
Salaries Payable.....	1,700	Utilities Expense.....	5,300
Accounts Receivable.....	8,800	Dividends .....	10,000
Building.....	125,000	Cash.....	12,200
Sales Returns and Allowances .....	6,800	Retained Earnings, 10/31/2013.....	88,250
Common Stock .....	45,000	Delivery Expense.....	1,400
Depreciation Expense (General) .....	13,500	Insurance Expense.....	10,200
Inventory.....	16,400	Mortgage Payable (Long-Term) .....	45,000
Commission Expense.....	25,700	Supplies.....	750

**Requirements**

1. Prepare Ramirez Industries, Inc.'s *multi-step* income statement.
2. Prepare Ramirez Industries, Inc.'s statement of retained earnings.
3. Prepare Ramirez Industries, Inc.'s classified balance sheet in *report form*.

**P4-49B. Calculate earnings per share, gross profit percentage, and net income percentage (Learning Objective 7) 20–25 min.**

Use the data for Ramirez Industries, Inc., from P4-48B.

**Requirements**

1. Calculate the earnings per share for Ramirez Industries for the year. Assume that the average number of common shares outstanding during the year was 5,000.
2. The earnings per share for 2013 was \$3.27. Did the earnings per share improve or deteriorate during 2014?
3. Calculate the gross profit percentage for Ramirez Industries for the year.
4. The gross profit percentage for 2013 was 42.6%. Did the gross profit percentage improve or deteriorate during 2014?
5. Calculate the net income percentage for Ramirez Industries for the year.
6. The net income percentage for 2013 was 4.9%. Did the net income percentage improve or deteriorate during 2014?