

# PRACTICE SET

# MERCHANDISE ACCOUNTING

## I. LOGIC OF DEBITS AND CREDITS

Instructions: In the space provided, write the letter of the account on the right which is opposite the account on the left. In Part II, journalize given the transaction descriptions.

\_\_\_\_ Purchase Returns and Allowances  
\_\_\_\_ Sales  
\_\_\_\_ Sales Discounts  
\_\_\_\_ Accounts Payable

A. Accounts Receivable  
B. Sales Returns and Allowances  
C. Purchases  
D. Purchase Discounts

## II. JOURNAL ENTRIES

Note: Linda Smith's new business is Linda's Video Showcase.

Jan. 3

DR. CR.

**Transaction---** Merchandise purchased for \$5,000 on credit  
**Description** from A. Co. invoice dated 1/1, terms 2/10,n30.  
Jan. 7

Returned \$400 of defected merchandise  
to A. Co. purchased 1/1.

Jan. 11

Paid A. Co. for purchase of 1/1 less return  
and discount.

Jan. 12

Recorded cash sales of \$3,000.

Jan. 14

Recorded credit sale of \$6,000 to B. Co.  
terms 2/10,n30.

Jan. 18

B. Co. returned \$200 of merchandise purchased 1/14.

Jan. 24

Received payment from B. Co. less return,  
less discount.

Feb. 2

Merchandise purchased from Z. Co. with a value  
of \$4,000, terms 1/10,n30 - Net Method.

Feb. 28

Paid Z. Co. for purchase of 2/2 plus discount lost.

Feb. 28

Paid Transportation charges of \$30 for  
merchandise purchased 2/2.

## III. LOGIC OF INCOME STATEMENT

Instruction: Fill in the missing Account Categories.

Gross Sales
- _____
- Operating Expenses

Part I Answers B, C, D, A

