**UHC 205 In Class Assignments Retail Operations Student Version**

Exercise 5-5

Recording sales returns and allowances P2

Allied Parts was organized on May 1, 2015, and made its first purchase of merchandise on May 3. The purchase was for 2,000 units at a price of $10 per unit. On May 5, Allied Parts sold 1,500 of the units for $14 per unit to Baker Co. Terms of the sale were 2/10, n/60. Prepare entries for Allied Parts to record the May 5 sale and each of the following separate transactions *a* through *c* using a perpetual inventory system.

1. On May 7, Baker returns 200 units because they did not fit the customer's needs. Allied Parts restores the units to its inventory.
2. On May 8, Baker discovers that 300 units are damaged but are still of some use and, therefore, keeps the units. Allied Parts sends Baker a credit memorandum for $600 to compensate for the damage.
3. On May 15, Baker discovers that 100 units are the wrong color. Baker keeps 60 of these units because Allied Parts sends a $120 credit memorandum to compensate. Baker returns the remaining 40 units to Allied Parts. Allied Parts restores the 40 returned units to its inventory.

Check  (*c*) Dr. Merchandise Inventory $400

Exercise 5-6

Recording purchase returns and allowances P1

Refer to Exercise 5-5 and prepare the appropriate journal entries for Baker Co. to record the May 5 purchase and each of the three separate transactions *a* through *c.* Baker is a retailer that uses a perpetual inventory system and purchases these units for resale.

Exercise 5-7

Analyzing and recording merchandise transactions—both buyer and seller P1 P2

Santa Fe Company purchased merchandise for resale from Mesa Company with an invoice price of $24,000 and credit terms of 3/10, n/60. The merchandise had cost Mesa $16,000. Santa Fe paid within the discount period. Assume that both buyer and seller use a perpetual inventory system.

1. Prepare entries that the buyer should record for (*a*) the purchase and (*b*) the cash payment.
2. Prepare entries that the seller should record for (*a*) the sale and (*b*) the cash collection.
3. Assume that the buyer borrowed enough cash to pay the balance on the last day of the discount period at an annual interest rate of 8% and paid it back on the last day of the credit period. Compute how much the buyer saved by following this strategy. (Assume a 365-day year and round dollar amounts to the nearest cent, including computation of interest per day.)

Check  (3) $465 savings

Exercise 5-8

Analyzing and recording merchandise transactions—both buyer and seller P1 P2

On May 11, Sydney Co. accepts delivery of $40,000 of merchandise it purchases for resale from Troy Corporation. With the merchandise is an invoice dated May 11, with terms of 3/10, n/90, FOB shipping point. The goods cost Troy $30,000. When the goods are delivered, Sydney pays $345 to Express Shipping for delivery charges on the merchandise. On May 12, Sydney returns $1,400 of goods to Troy, who receives them one day later and restores them to inventory. The returned goods had cost Troy $800. On May 20, Sydney mails a check to Troy Corporation for the amount owed. Troy receives it the following day. (Both Sydney and Troy use a perpetual inventory system.)

1. Prepare journal entries that Sydney Co. records for these transactions.
2. Prepare journal entries that Troy Corporation records for these transactions.

Check  (1) May 20, Cr. Cash $37,442