THE STANDARD DEVIANTS® Present

The Eye-Popping World of Accounting (Part 2)

I. Accounting For A Merchandising Concern

A. Income Statement For A Merchandising Concern

1. Terms

2. Sales Revenue Section

a) Calculating Net Sales

B. Inventory & Cost of Goods Sold

1. Periodic Inventory System

2. Perpetual Inventory System

3. Calculating The Cost of Goods Sold

C. Inventory Errors

D. Measuring Inventory Quantity

1. Specific Invoice Method

2. Weighted Average Method

3. LIFO

4. FIFO

E. Advantages & Disadvantages of Each Method

II. Accounting For Current Assets

A. Cash

1. Internal Control

a) Voucher System

b) Bank Reconciliation

c) Petty Cash Fund

B. Accounts Receivable

1. Uncollectible Accounts

2. Estimation of Doubtful Accounts

a) Fixed Percentage

b) Aging Accounts Receivable

c) Direct Write-Off Method

C. Notes Receivable

1. Simple Interest

2. Discounting A Note Receivable

III. Accounting For Current Liabilities

A. What Is A Current Liability?

1. Accounts Payable

2. Notes Payable

3. Definite Liability

4. Estimated Liability

5. Contingent Liability

Formulas:

Income Statement For A Merchandise Company:

Gross Margin from Sales (Gross Profit) = Revenue From Sales - Cost of Goods Sold

Net Income/Loss = Gross Margin from Sales - Operating Expenses

Net Sales = Gross Sales - (Sales Discounts + Sales Returns and Allowances)

Cost of Goods Sold = Beginning Inventory + Net Purchases - Ending Inventory

Net Purchases = Gross Purchases of Period - (Purchase Returns and Allowances + Purchase Discounts) + Freight Charges

Bank Reconciliation:

Bank's Adjusted Balance should equal Customer's Adjusted Balance

Bank's Adjusted Balance = Bank Balance - Outstanding Checks + Deposits in Transit

Customer's Adjusted Balance = Customer Balance + Note Receivables - (Service Charge + Collection Fee)

To Calculate Simple Interest:

Principle x Rate x Time

Discounting A Note:

Amount Seller Receives = Maturity Value of Note - Discount (Bank's Charge)