

# ***Work4Me Accounting Simulations***

***3<sup>rd</sup> Web-Based Edition***

## ***Problem Eight***

***Accounting for Accounts Payable  
And  
Merchandise Inventory using a Perpetual  
Inventory System***

# Problem 8

## *UPTIGHT TOOLS, INCORPORATED*

### *ACCOUNTING FOR ACCOUNTS PAYABLE, AND MERCHANDISE INVENTORY USING A PERPETUAL INVENTORY SYSTEM*

1. Go to [www.pklsoftware.com](http://www.pklsoftware.com), select Work4Me, and log in. Select Problem 8, Accounts Payable with Perpetual Inventory and click.
2. Click on Journal/Ledgers/Statements, select Chart of Account and Print the Chart of Accounts.
3. Click on Journal/Ledgers/Statements, select General Ledger and Print the Trial Balance for December 1.
4. Click on Journal/Ledgers/Statements, select Subsidiary Ledgers, then Accounts Payable Ledger and Print the Schedule of Accounts Payable.
5. Click on All Vendors and Print the Schedule of All Vendors.

In Problem 8, Uptight Tools, Incorporated, is purchasing merchandise (tools for inventory), as a wholesale distributor, direct from manufacturers or from large distributors. **The management will attempt to pay all invoices in time to take advantage of every purchase discount extended by the sellers.** This will lower the cost of the merchandise purchased and contribute to improved gross profit and net income totals.

**Using the Chart of Accounts and the Schedule of Accounts Payable and Schedule of All Vendors for Uptight Tools, Incorporated, journalize, verify, and post the December sales and related transactions for Uptight Tools, Incorporated.**

## TRANSACTIONS FOR DECEMBER

Student Analysis

### December 1

Issued a check for **\$1,375** to Goodman Freight, Inc., for transportation fees incurred for the delivery of merchandise from vendors under FOB shipping point terms. The November 16 invoice for the freight charges and was recorded as a debit to Merchandise Inventory and a credit to Accounts Payable.

Check Number: **41002**. Invoice Number: **G5001**.  
Vendor Number: **23400**.

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## Transactions for December continued...

Student Analysis

### December 2

Purchased merchandise (\$12,500 worth of tools), on credit from Boot Hill Tools. Boot Hill Tools extends 2/10, n/30 terms and ships all merchandise FOB destination.

Invoice Number: **BH545**. Vendor Number: **21200**.

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### December 3

Issued a check to Tucker Enterprises and purchased \$11,000 worth of tools for cash. The goods are shipped FOB destination.

Check Number: **41003**. Invoice Number: **T0101**.

\*\*\*\*\*

### December 9

Purchased on credit from Deadwood Equipment, tools and parts listed on the invoice for \$4,600. Deadwood Equipment extends cash terms of 2/10, n/30, and ships the merchandise FOB destination.

Invoice Number: **D3267**. Vendor Number: **22700**.

\*\*\*\*\*

### December 10

Paid an invoice from Videcamper Saws by issuing a check. The invoice was dated November 30, listed merchandise totaling \$9,000, and 1/10, net/30 credit terms. **The Merchandise Inventory account (115) is credited for the amount of the discount earned.**

Check Number: **41004**. Invoice Number: **V1555**.

Vendor Number: **28800**.

\*\*\*\*\*

### December 11

Issued a check to Boot Hill Tools as payment in full of the December 1 invoice for \$12,500. Terms of 2/10, n/30, are offered by Boot Hill Tools. Do not forget to account for the discount earned.

Check Number: **41005**. Invoice Number: **BH545**.

Vendor Number: **21200**.

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## Transactions for December continued...

Student Analysis

### December 13

Issued a Debit Memo and returned merchandise listed at **\$1,200** to Deadwood Equipment. The merchandise was purchased on December 9.

Invoice Number: **D3267**. Vendor Number: **22700**

Debit Memo Number: **DM303**.

\*\*\*\*\*

### December 19

Issued a check to the Deadwood Equipment for the invoice of December 9, **less the debit memo of December 13 and the cash discount**.

Check Number: **41006**. Invoice Number: **D3267**.

Vendor Number: **22700**.

\*\*\*\*\*

### December 21

Purchased from Locker and Sons, Inc., tools and parts listed at **\$8,000**. Locker extends credit terms of 2/10, n/30. Shipping terms are FOB shipping point and the invoice shows an additional charge of **\$200 for freight charges**. Be sure to include the freight charges in your journal entry.

Invoice Number: **L3003**. Vendor Number: **26660**.

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### December 28

Purchased **\$4,350** in tools from Honker Brothers. Net 10 terms are extended by Honker Brothers and the merchandise is shipped FOB destination.

Invoice Number: **HB876**. Vendor Number: **2400**.

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### December 31

Issued a check to Locker and Sons, Incorporated, in full. Carefully check the original **December 21** invoice for totals, credit terms, and shipping terms before making this final entry for December.

Check Number: **41007**. Invoice Number: **L3003**.

Vendor Number: **26660**.

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**This is the end of the transactions for December**

Now that you have completed entering the daily transactions for Uptight Tools, Incorporated, it is time to check the accuracy of your work.

- 1) Move the pointer to **Check Figures** and click.
- 2) Move the pointer down to **Problem Check Figures** and click.
- 3) Click on **Adjusted**.
- 4) **Print** the **Adjusted** Check Figures for Problem 8 – Accounts Payable with Perpetual Inventory.

Should you have any Incorrect Balances, follow the instructions in the **Error Correction Procedures** from **Module 1 – Demonstration Problem**.

If all of your balances are correct, move the pointer to **Administration/Files: Reset and Backup/Backup Data Files**, then continue with Instructions 1 to 8, below.

1. **Print** the Trial Balance for December 31
2. **Print** the Schedule of Accounts Payable
3. **Print** Schedule of All Vendor accounts
4. **Exit** the Program.
5. Using the required documents, **complete the Work4Me Accounts Payable/ Perpetual Inventory** evaluation at the end of this Module.
6. Log On to your program and move the pointer to **Evaluations**, select **Exam 8: Accounts Payable with Perpetual Inventory** and click.
7. Complete the Evaluation, using your completed Evaluation as a guide.
8. Follow the instructions at the top of the text box to **Save, Score, and Print** the Evaluation.

**WORK4ME - PROBLEM EIGHT**  
**ACCOUNTS PAYABLE**  
**PERPETUAL INVENTORY**

**NAME** \_\_\_\_\_  
**CLASS DAY AND TIME** \_\_\_\_\_ **DATE** \_\_\_\_\_

1. The issuance of a debit memo for the return of merchandise to a vendor requires that the Sales Returns and Allowances account be debited. **Answer only T for True or F for False for questions 1-4.** \_\_\_\_\_
2. A purchase of merchandise on credit requires that a credit entry to be recorded to the Accounts Payable account. \_\_\_\_\_
3. Cash terms of 2/10, 1/15, net 60 means that the balance of the invoice must be paid in full within 15 days of the invoice date to qualify for a 2 percent discount. \_\_\_\_\_
4. Cash terms of 3/10, net 30 means that the balance of the invoice must be paid within 10 days of the invoice date to qualify for the full discount. \_\_\_\_\_
5. If paid on time, what is the last day to pay the Honker Brothers invoice? \_\_\_\_\_
  - A. January 7
  - B. December 7
  - C. January 5
  - D. January 6
  - E. None of the above
6. What amount will be saved by paying the Honker Brothers invoice on time? \_\_\_\_\_
  - A. \$100.00
  - B. \$0.00
  - C. \$20.00
  - D. \$10.00
  - E. None of the above
7. What are the credit terms offered by Mosetti and Company? \_\_\_\_\_
  - A. 2/10, n/30
  - B. net 30
  - C. 01/10, n/30
  - D. None of the above

8. What is the problem with the Mosetti and Company account balance? \_\_\_\_\_  
**A. no problem**  
**B. not yet due**  
**C. past due**  
**D. due in 5 days**  
**E. None of the above**
9. If the Deadwood Equipment Company balance, that is currently past due, had been paid on time, what would have been the reduction in the cost of inventory if the invoice had been paid within the discount period? \$ \_\_\_\_\_
10. The Boot Hill Tools invoice of December 2, was paid on time to take the discount. What was the reduction in the cost of inventory for paying this invoice within the discount period? \$ \_\_\_\_\_