

SOLUTIONS

Learning Goal 23

Multiple Choice

1. d 2. a 3. b
 4. b Cost of goods sold will be understated, so net income will overstated. Also, inventory should be \$1,000 less, so current assets are overstated. (Use the accounting equation to visualize.)
 5. b 6. a
 7. c Because when more merchandise is purchased than can be sold, the inventory increases.
 8. b 9. a 10. c
 11. c (Did you remember to visualize by using the accounting equation?)
 Error: $\downarrow A = \downarrow L + OE$
 Correct: $\uparrow A = \uparrow L + OE$

Reinforcement Problems

LG 23-1.

Multiple-step format:

Kutztown Company			
Income Statement			
For the Year Ended December 31, 2008			
Sales revenue			\$294,000
Less: Sales returns and allowances		\$2,550	
Sales discounts		3,900	<u>6,450</u>
Net sales revenue			287,550
Cost of goods sold			<u>112,870</u>
Gross profit			174,680
Operating expenses			
Selling expenses			
Salaries and wages expense	\$55,500		
Advertising expense	3,500		
Freight-out	<u>370</u>		
Total selling expenses		59,370	
Administrative expenses			
Rent expense	26,000		
Depreciation expense	7,500		
Insurance expense	5,000		
Utilities expense	<u>4,850</u>		
Total administrative expenses		43,350	
Total operating expenses			<u>102,720</u>
Operating income			71,960
Other income			
Interest revenue		300	
Other expense			
Interest expense		<u>1,700</u>	<u>1,400</u>
Net income			<u>\$ 70,560</u>

SOLUTIONS

Learning Goal 23, continued

LG 23-1, *continued***Single-step format:**

Kutztown Company		
Income Statement		
For the Year Ended December 31, 2008		
Revenues		
Net sales		\$287,550
Interest revenue		<u>300</u>
Total revenues		287,850
Expenses		
Cost of goods sold	\$112,870	
Selling expenses	59,370	
Administrative expenses	43,350	
Interest expense	<u>1,700</u>	
Total expenses		<u>217,290</u>
Net income		<u><u>\$ 70,560</u></u>

SOLUTIONS**Learning Goal 23, continued****LG 23-1, continued****c. Closing entries**

Date	Account	Post. Ref.	Dr.	Cr.
	<i>Closing Entries</i>			
Dec. 31	Sales Revenue		294,000	
	Interest Revenue		300	
	Income Summary			294,300
31	Income Summary		223,740	
	Cost of Goods Sold			112,870
	Sales Returns and Allowances			2,550
	Sales Discounts			3,900
	Salaries and Wages Expense			55,500
	Advertising Expense			3,500
	Freight-out			370
	Rent Expense			26,000
	Depreciation Expense			7,500
	Insurance Expense			5,000
	Utilities Expense			4,850
	Interest Expense			1,700
30	Income Summary		70,560	
	Xxx, Capital			70,560

Comment: There are no withdrawals to record in this problem.

SOLUTIONS

Learning Goal 23, continued

LG 23-2.

Northern Colorado Company										
Worksheet										
For the Year Ended December 31, 2008										
Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	95,160				95,160				95,160	
Accounts Receivable	15,200				15,200				15,200	
Merchandise Inventory	13,200			(d) 1,700	11,500				11,500	
Store Supplies	1,100			(b) 700	400				400	
Prepaid Insurance	2,950			(c) 2,000	950				950	
Office Equipment	15,500				15,500				15,500	
Accum. Dep'n.—										
Office Equipment		10,250		(a) 500		10,750				10,750
Store Equipment	127,800				127,800				127,800	
Accum. Dep'n.—										
Store Equipment		127,800				127,800				127,800
Accounts Payable		51,300				51,300				51,300
Sales Tax Payable		750				750				750
J. Edwards, Capital		67,900				67,900				67,900
J. Edwards, Drawing	25,000				25,000				25,000	
Sales		510,500				510,500		510,500		
Sales Returns and										
Allowances	2,500				2,500		2,500			
Sales Discounts	3,250				3,250		3,250			
Cost of Goods Sold	353,300		(d) 1,700		355,000		355,000			
Insurance Expense	1,590		(c) 2,000		3,590		3,590			
Salaries and Wages Expense	85,500				85,500		85,500			
Rent Expense	24,000				24,000		24,000			
Utilities Expense	2,450				2,450		2,450			
Supplies Expense			(b) 700		700		700			
Depreciation Expense			(a) 500		500		500			
Totals	<u>768,500</u>	<u>768,500</u>	<u>4,900</u>	<u>4,900</u>	<u>769,000</u>	<u>769,000</u>	477,490	510,500	291,510	258,500
Net Income							33,010			33,010
Totals							<u>510,500</u>	<u>510,500</u>	<u>291,510</u>	<u>291,510</u>

SOLUTIONS

Learning Goal 23, continued

LG 23-2, *continued*

Northern Colorado Company		
Income Statement		
For the Year Ended December 31, 2008		
Sales revenue		\$510,500
Less: Sales returns and allowances	\$2,500	
Sales discounts	3,250	<u>5,750</u>
Net sales revenue		504,750
Cost of goods sold		<u>355,000</u>
Gross profit		149,750
Operating expenses		
Salaries and wages expense	85,500	
Rent expense	24,000	
Insurance expense	3,590	
Utilities expense	2,450	
Supplies expense	700	
Depreciation expense	<u>500</u>	
Total operating expenses		<u>116,740</u>
Net income		<u><u>\$ 33,010</u></u>

Note: There are no selling expenses, so the expenses are simply *operating* expenses.

Northern Colorado Company		
Income Statement		
For the Year Ended December 31, 2008		
Revenue		
Net sales		\$504,750
Expenses		
Cost of goods sold	\$355,000	
Salaries and wages expense	85,500	
Rent expense	24,000	
Insurance expense	3,590	
Utilities expense	2,450	
Supplies expense	700	
Depreciation expense	<u>500</u>	
Total expenses		<u>471,740</u>
Net income		<u><u>\$ 33,010</u></u>

SOLUTIONS

Learning Goal 23, continued

LG 23-2, *continued*

c. Description of the purpose and effect of each adjusting entry:

- (a) The purpose is to record depreciation expense for the period. The effect is to increase depreciation expense and also increase accumulated depreciation, which reduces the book value of the office equipment. The store equipment is already fully depreciated.
- (b) The purpose is to record the amount of store supplies that have been used up. The effect is to decrease the asset Store Supplies and to increase Supplies Expense.
- (c) The purpose is to record the amount of prepaid insurance that has been used up. The effect is to decrease the asset Prepaid Insurance and increase Insurance Expense.

d.

Dec.				
31	Sales		510,500	
	Income Summary			510,500
31	Income Summary		477,490	
	Cost of Goods Sold			355,000
	Sales Returns and Allowances			2,500
	Sales Discounts			3,250
	Insurance Expense			3,590
	Admin. Salaries and Wages			85,500
	Rent Expense			24,000
	Utilities Expense			2,450
	Supplies Expense			700
	Depreciation Expense			500
31	Income Summary		33,010	
	J. Edwards, Capital			33,010
31	J. Edwards, Capital		25,000	
	J. Edwards, Drawing			25,000

SOLUTIONS**Learning Goal 23, continued****LG 23-3.**

a.

Note: For all these items you can use the formula: $BI + P - (C \text{ of } GS) = EI$ (Learning Goal 22)

- (a) (Item *b* must be calculated first.) $\$25,700 + a - \$31,280 = \$141,850$, $a = \$147,430$
 (b) $\$215,300 - \$73,450 = \$141,850$
 (c) (Item *d* must be calculated first.) $\$316,310 + \$51,540 = \$367,850$
 (d) $\$50,410 + \$281,200 - \$15,300 = \$316,310$
 (e) $e + \$98,320 - \$17,600 = \$100,330$, $e = \$19,610$
 (f) $\$150,500 - \$100,330 = \$50,170$
 (g) $\$135,150 + \$57,900 = \$193,050$
 (h) $\$22,150 + \$125,800 - h = \$135,150$, $h = \$12,800$

b.

Company #3	
Income Statement	
For the Year Ended June 30, 2008	
Net sales revenue	\$150,500
Cost of goods sold	<u>100,330</u>
Gross profit	50,170
Operating expenses	<u>38,500</u>
Net income	<u><u>\$ 11,670</u></u>

SOLUTIONS

Learning Goal 23, continued

LG 23-4.

a.

Sioux City Enterprises										
Worksheet										
For the Month Ended June 30, 2008										
Account Titles	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	11,300				11,300				11,300	
Short-Term Investments	28,250				28,250				28,250	
Accounts Receivable	26,700		(a) 2,750		29,450				29,450	
Merchandise Inventory	19,950			(e) 300	19,650				19,650	
Office Supplies	920				920				920	
Office Equipment	25,800				25,800				25,800	
Accum. Dep'n—										
Office Equipment		6,700		(b) 150		6,850				6,850
Store Equipment	314,500				314,500				314,500	
Accum. Dep'n.—										
Store Equipment		91,500		(b) 1,400		92,900				92,900
Wages Payable				(d) 3,200		3,200				3,200
Accounts Payable		34,200				34,200				34,200
Notes Payable		135,000				135,000				135,000
R. Chandra, Capital		120,260				120,260				120,260
R. Chandra, Drawing	4,500				4,500				4,500	
Sales		378,500		(a) 2,750		381,250		381,250		
Sales Returns and Allow.	8,150				8,150		8,150			
Sales Discounts	4,200				4,200		4,200			
Cost of Goods Sold	265,700		(e) 300		266,000		266,000			
Admin. Wages Expense	25,000		(d) 2,000		27,000		27,000			
Sales Wages Expense	17,000		(d) 1,200		18,200		18,200			
Insurance Expense	2,150				2,150		2,150			
Rent Expense	4,000				4,000		4,000			
Advertising Expense	3,880				3,880		3,880			
Freight-out	2,960				2,960		2,960			
Utilities Expense	3,200				3,200		3,200			
Depreciation Expense—										
Office Equipment			(b) 150		150		150			
Depreciation Expense—										
Store Equipment			(b) 1,400		1,400		1,400			
Interest Expense			(c) 1,450		1,450		1,450			
Interest Payable				(c) 1,450		1,450				1,450
Rental income		2,000				2,000		2,000		
Totals	<u>768,160</u>	<u>768,160</u>	<u>9,250</u>	<u>9,250</u>	<u>777,110</u>	<u>777,110</u>	342,740	383,250	434,370	393,860
Net Income							40,510			40,510
							<u>383,250</u>	<u>383,250</u>	<u>434,370</u>	<u>434,370</u>

SOLUTIONS

Learning Goal 23, continued

LG 23-4, *continued*

b.

Multiple-step income statement:

Sioux City Enterprises		
Income Statement		
For the Month Ended June 30, 2008		
Sales revenue		\$381,250
Less: Sales returns and allowances	\$8,150	
Sales discounts	4,200	<u>12,350</u>
Net sales revenue		368,900
Cost of goods sold		<u>266,000</u>
Gross profit		102,900
Operating expenses		
Selling expenses		
Salaries and wages expense	\$18,200	
Advertising expense	3,880	
Freight-out	<u>2,960</u>	
Total selling expenses		25,040
Administrative expenses		
Salaries and wages expense	27,000	
Rent expense	4,000	
Utilities expense	3,200	
Insurance expense	2,150	
Depreciation expense	<u>1,550</u>	
Total administrative expense		<u>37,900</u>
Total operating expenses		<u>62,940</u>
Operating income		39,960
Other revenues		
Rental income	2,000	
Other expenses		
Interest expense	1,450	<u>550</u>
Net income		<u><u>\$ 40,510</u></u>

SOLUTIONS**Learning Goal 23, continued****LG 23-4, continued****Single-step income statement:**

Sioux City Enterprises		
Income Statement		
For the Month Ended June 30, 2008		
Revenues		
Net sales		\$368,900
Rental income		<u>2,000</u>
Total revenue		370,900
Expenses		
Cost of goods sold	\$266,000	
Salaries and wages expense	45,200	
Rent expense	4,000	
Advertising expense	3,880	
Utilities expense	3,200	
Freight-out expense	2,960	
Insurance expense	2,150	
Depreciation expense	1,550	
Interest expense	<u>1,450</u>	
Total expenses		<u>330,390</u>
Net income		<u><u>\$ 40,510</u></u>

Statement of owner's equity:

Sioux City Enterprises	
Statement of Owner's Equity	
For the Month Ended June 30, 2008	
R. Chandra, capital June 1	\$120,260
Add: Net income	<u>40,510</u>
	160,770
Less: Withdrawals	<u>4,500</u>
R. Chandra, capital June 30	<u><u>\$156,270</u></u>

SOLUTIONS**Learning Goal 23, continued****LG 23-4, continued****Balance Sheet**

Sioux City Enterprises		
Balance Sheet		
June 30, 2008		
Assets		
Current assets		
Cash	\$ 11,300	
Short-term investments	28,250	
Accounts receivable	29,450	
Merchandise inventory	19,650	
Office supplies	<u>920</u>	
Total current assets		\$89,570
Property, plant, and equipment		
Office equipment	25,800	
Less: Accumulated depreciation	<u>6,850</u>	18,950
Store equipment	314,500	
Less: Accumulated depreciation	<u>92,900</u>	221,600
Total assets		<u><u>\$ 330,120</u></u>
Liabilities and Owner's Equity		
Current liabilities:		
Wages payable	\$ 3,200	
Accounts payable	34,200	
Interest payable	1,450	
Current portion of long-term debt	<u>3,200</u>	
Total current liabilities		\$42,050
Long-term liabilities		
Notes payable	135,000	
Less: Current portion (above)	<u>3,200</u>	
Total long-term liabilities		<u>131,800</u>
Total liabilities		173,850
Owner's equity:		
R. Chandra, capital		<u>156,270</u>
Total liabilities and owner's equity		<u><u>\$ 330,120</u></u>

SOLUTIONS

Learning Goal 23, continued

LG 23-4, *continued*

c. Description of the purpose and the effect of the adjusting entries:

- (a) The purpose is to record revenue that has been earned but not yet received (accrued revenue). The effect is to increase Accounts Receivable and increase Sales revenue.
- (b) The purpose is to record depreciation expense for the period for the store equipment and the office equipment. The effect is to increase depreciation expense and to increase the accumulated depreciation for the store equipment and the office equipment. This reduces the book value of each asset.
- (c) The purpose is to record interest expense that has been incurred but not yet paid (accrued expense). The effect is to increase Interest Expense and to increase Interest Payable.
- (d) The purpose is to record wages expense that has been incurred but not yet paid (accrued expense). The effect is to increase Wages Expense and to increase Wages Payable.
- (e) The \$300 adjustment is to record inventory shrinkage; the effect is to reduce merchandise inventory on the books to the balance of the physical count and to increase cost of goods sold.

Closing entry

Date	Account	Post. Ref.	Dr.	Cr.
2008				
June 30	Sales		381,250	
	Rental Income		2,000	
	Income Summary			383,250
30	Income Summary		342,740	
	Cost of Goods Sold			266,000
	Sales Returns and Allowances			8,150
	Sales Discounts			4,200
	Administrative Wages Expense			27,000
	Sales Wages Expense			18,200
	Insurance Expense			2,150
	Rent Expense			4,000
	Advertising Expense			3,880
	Freight-out			2,960
	Utilities Expense			3,200
	Depreciation Expense—Office Equipment			150
	Depreciation Expense—Store Equipment			1,400
	Interest Expense			1,450

SOLUTIONS

Learning Goal 23, continued

LG 23-4, *continued*

Date	Account	Post. Ref.	Dr.	Cr.
June 30	Income Summary		40,510	
	R. Chandra, Capital			40,510
30	R. Chandra, Capital		4,500	
	R. Chandra, Drawing			4,500

- d. The current assets substantially exceed the current liabilities; however, the following payables will require a cash payment in July: Wages Payable \$3,200, Accounts Payable \$34,200, and Interest Payable \$1,450. This is a definite July cash requirement of \$38,850. (Some part of the current portion of long-term debt may also need to be paid in July, but that is not disclosed on the balance sheet.)

What liquid resources are available to meet the \$38,850 cash requirement? Accounts Receivable will provide some amount close to \$29,000, *if* most of the existing receivables are collected in July. (New receivables will be created from July sales.) The rest of the cash (about \$10,000) will come from the Cash or Short-Term Investments account. Therefore, it is likely that there may be a decrease of about \$10,000 in the liquid assets during July. What could change this? Borrowing money or substantial cash inflow from July operations would add liquid assets. Estimating the “liquidity” situation is always important.

LG 23-5.

a. Adjustments:

- The purpose is to record the using up of \$2,500 of Prepaid Rent. The effect is to reduce the asset Prepaid Rent and increase Rent Expense.
- The purpose is to record \$1,500 of sales that have been earned but not yet received (accrued revenue). The effect is to increase Accounts Receivable and increase Sales.
- The purpose is to record \$6,400 of unearned revenue that has been earned during the period. The effect is to decrease Unearned Revenue and increase Sales.
- The purpose is to record that \$350 of office supplies have been consumed during the period. The effect is to decrease Office Supplies and increase Supplies Expense.
- The purpose is to record \$550 of Advertising expense that has been incurred but not yet paid (accrued expense). The effect is to increase Advertising Expense and increase Accounts Payable.
- The purpose is to record \$1,200 of inventory shrinkage. The effect is to reduce the Merchandise Inventory account and to increase the Cost of Goods Sold account.

SOLUTIONS

Learning Goal 23, continued

LG 23-5, *continued*

b.

Date	Account	Post. Ref.	Dr.	Cr.
20xx	<i>Closing Entries</i>			
Dec. 31	Sales		268,400	
	Interest Revenue		750	
	Income Summary			269,150
31	Income Summary		209,850	
	Sales Returns and Allowances			1,500
	Sales Discounts			1,200
	Cost of Goods Sold			190,100
	Supplies Expense			800
	Insurance Expense			250
	Advertising Expense			550
	Rent Expense			2,500
	Wages Expense			12,950
31	Income Summary		59,300	
	David Lee, Capital			59,300
31	David Lee, Capital		4,700	
	David Lee, Drawing			4,700

- c. The business has a net income for the period of \$59,300 because the credits to Income Summary of 269,150 exceed the debits to Income Summary 209,850. (A net loss would occur if the debits to Income Summary exceeded the credits to Income Summary.)

SOLUTIONS

Learning Goal 23, continued

LG 23-6.

Date	Account	Post. Ref.	Dr.	Cr.
	<i>Adjusting Entries</i>			
June 30	Supplies Expense		600	
	Office Supplies			600
30	Wages Expense		2,600	
	Wages Payable			2,600
30	Depreciation Expense		650	
	Accumulated Depreciation			650
	<i>Closing Entries</i>			
	Sales Revenue		204,200	
	Interest Revenue		300	
	Income Summary			204,500
			146,380	
	Income Summary			
	Cost of Goods Sold			116,530
	Sales Returns and Allowances			1,700
	Sales Discounts			3,500
	Rent Expense			4,500
	Wages Expense			14,700
	Freight-out Expense			700
	Utilities Expense			1,600
	Advertising Expense			1,900
	Supplies Expense			600
	Depreciation Expense			650
30	Income Summary		58,120	
	A. Bancroft, Capital			58,120
30	A. Bancroft, Capital		5,000	
	A. Bancroft, Withdrawals			5,000

Comment: Don't forget to include the effects of the adjusting entries for Supplies Expense, Wages Expense, and Depreciation Expense into the account balances before you do the closing.

SOLUTIONS**Learning Goal 23, continued****LG 23-7.**

a.

Date	Account	Post. Ref.	Dr.	Cr.
2008				
Dec. 31	Sales		892,450	
	Other Income—Rental		9,500	
	Interest Earned		3,360	
	Income Summary			905,310
30	Income Summary		779,650	
	Sales Returns and Allowances			5,200
	Sales Discounts			15,730
	Cost of Goods Sold			570,100
	Salaries Expense—Administrative			94,700
	Salaries Expense—Sales and Marketing			25,600
	Insurance Expense			7,500
	Rent Expense			24,850
	Utilities Expense			2,480
	Advertising Expense			11,300
	Customer Delivery Expense			2,400
	Depreciation Expense—Office Equipment			2,200
	Depreciation Expense—Store Equipment			12,590
	Interest Expense			5,000
30	Income Summary		125,660	
	Sean McGuire, Capital			125,660
30	Sean McGuire, Capital		69,500	
	Sean McGuire, Drawing			69,500

SOLUTIONS

Learning Goal 23, continued

LG 23-7, *continued*

b.

Income statement

McGuire Company		
Income Statement		
For the Year Ended December 31, 2008		
Sales revenue		\$892,450
Less: Sales returns and allowances	\$5,200	
Sales discounts	15,730	<u>20,930</u>
Net sales revenue		871,520
Cost of goods sold		<u>570,100</u>
Gross profit		301,420
Operating expenses		
Selling expenses		
Salaries expense	\$25,600	
Advertising expense	11,300	
Customer delivery expense	<u>2,400</u>	
Total selling expenses		39,300
Administrative expenses		
Salaries expense	94,700	
Rent expense	24,850	
Depreciation expense	14,790	
Insurance expense	7,500	
Utilities expense	<u>2,480</u>	
Total administrative expense		<u>144,320</u>
Total operating expenses		<u>183,620</u>
Operating income		117,800
Other revenues		
Interest revenue	3,360	
Rental income	9,500	
Other expenses		
Interest expense	5,000	<u>7,860</u>
Net income		<u><u>\$125,660</u></u>

SOLUTIONS**Learning Goal 23, continued****LG 23-7, continued**

b.

Single-step income statement

McGuire Company		
Income Statement		
For the Year Ended December 31, 2008		
Revenues		
Net sales		\$871,520
Rental income		9,500
Interest revenue		<u>3,360</u>
Total Revenue		884,380
Expenses		
Cost of goods sold	\$570,100	
Salaries and wages expense	120,300	
Rent expense	24,850	
Depreciation expense	14,790	
Advertising expense	11,300	
Insurance expense	7,500	
Interest expense	5,000	
Utilities expense	2,480	
Customer delivery expense	<u>2,400</u>	
Total expenses		<u>758,720</u>
Net income		<u><u>\$125,660</u></u>

Statement of owner's equity

McGuire Company	
Statement of Owner's Equity	
For the Year Ended December 31, 2008	
Sean McGuire, capital, January 1	\$192,170
Add: Owner investment	15,000
Net income	<u>125,660</u>
	332,830
Less: Withdrawals	<u>69,500</u>
Sean McGuire, capital, December 31	<u><u>\$ 263,330</u></u>

SOLUTIONS

Learning Goal 23, continued

LG 23-7, *continued*

Balance Sheet

McGuire Company		
Balance Sheet		
December 31, 2008		
Assets		
Current assets		
Cash	\$ 16,850	
Short-term investments	8,100	
Accounts receivable	42,700	
Merchandise inventory	164,200	
Prepaid travel	<u>2,500</u>	
Total current assets		\$234,350
Property, plant, and equipment		
Office equipment	29,200	
Less: Accumulated depreciation	<u>15,300</u>	13,900
Store equipment	125,300	
Less: Accumulated depreciation	<u>75,900</u>	49,400
Land		<u>75,000</u>
Total assets		<u>\$ 372,650</u>
Liabilities and Owner's Equity		
Current liabilities		
Accounts payable	\$38,600	
Sales tax payable	17,220	
Unearned revenue	<u>3,500</u>	
Total current liabilities		\$59,320
Long-term liabilities		
Notes payable		<u>50,000</u>
Total liabilities		109,320
Owner's equity		
Sean McGuire, capital		<u>263,330</u>
Total liabilities and owner's equity		<u>\$ 372,650</u>

- c. The total current assets are significantly greater than total current liabilities, and this generally is a good situation. However, in this situation, most of the current asset value consists of inventory. The current sources of cash are Cash, Short-Term Investments, and Accounts Receivable, which total \$67,650. The combination of Accounts Payable and Sales Tax Payable will require cash of \$55,820 to be paid in January. It appears that in January almost all the current sources of cash will be used up and the liquidity situation will become difficult. What could change this? If the business borrows cash or has especially good cash inflows from January operations, the situation could improve.

SOLUTIONS

Learning Goal 23, continued

LG 23-8.

a.

- a. $\$2,000 + \$111,400 = \$113,400$
- b. $\$111,400 - \$50,160 = \$61,240$
- c. $\$212,500 - \$201,600 = \$10,900$
- d. $\$201,600 - \$128,700 = \$72,900$
- e. First, f must be calculated: $\$414,400 + \$7,500 = \$421,900$
- f. $\$99,200 + \$315,200 = \$414,400$
- g. $\$117,350 - \$2,500 = \$114,850$
- h. $\$114,850 - \$71,000 = \$43,850$
- i. $\$314,850 - \$312,000 = \$2,850$
- j. $\$312,000 - \$95,900 = \$216,100$

b. Gross profit percentages:

- #1 $\$50,160/\$111,400 = .45$
- #2 $\$72,900/\$201,600 = .362$
- #3 $\$99,200/\$414,400 = .239$
- #4 $\$43,850/\$114,850 = .382$
- #5 $\$95,900/\$312,000 = .307$

c. Company #5 shows the greatest profit in total dollars; however, Company #1 has the highest gross profit percentage with \$.45 of each sales dollar retained as gross profit.