

Problem 3

Hart Dairy produces a variety of specialty ice creams and buys ingredients from many suppliers. Each supplier seems to have unique policies about discounts and freight terms. Hart Dairy records all purchases “gross” and uses a periodic inventory system.

Hart recently hired a new bookkeeper and needs your help to develop a template of sample journal entries for different scenarios. For purposes of preparing the template, assume that the purchase is \$500 and freight is \$50.

Scenario	Cash Discount	Freight Terms	Discount Condition
1	2/10, n/30	F.O.B. Shipping point/freight prepaid	taken
2	2/10, n/30	F.O.B. Shipping point/freight prepaid	missed
3	2/10, n/30	F.O.B. Destination/freight prepaid	taken
4	2/10, n/30	F.O.B. Destination/freight prepaid	missed
5	2/10, n/30	F.O.B. Shipping point/freight collect	taken
6	2/10, n/30	F.O.B. Shipping point/freight collect	missed

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The first scenario is done as an example on the preprinted worksheet. Select from the below accounts to record each journal entry

- Cash
- Purchases
- Accounts Payable
- Purchases Discounts
- Freight-in

Worksheet 3

1.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase	Purchases	500	
	Freight-in	50	
	Accounts Payable		550
	<i>F.O.B. Shipping point/freight prepaid</i>		
pay	Accounts Payable	550	
	Purchases Discounts		10
	Cash		540
	<i>discount taken</i>		

2.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase			
	<i>F.O.B. Shipping point/freight prepaid</i>		
pay			
	<i>discount missed</i>		

3.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase			
	Accounts Payable		
	<i>F.O.B. Destination/freight prepaid</i>		
pay			
	<i>discount taken</i>		

4.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase			
	<i>F.O.B. Destination/freight prepaid</i>		
pay			
	<i>discount missed</i>		

5.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase			
	<i>F.O.B. Shipping point/freight collect</i>		
pay			
	<i>discount taken</i>		

6.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase			
	<i>F.O.B. Shipping point/freight collect</i>		
pay			
	<i>discount missed</i>		

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Solution 3

1.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase	Purchases	500	
	Freight-in	50	
	Accounts Payable		550
	<i>F.O.B. Shipping point/freight prepaid</i>		
pay	Accounts Payable	550	
	Purchases Discounts		10
	Cash		540
	<i>discount taken</i>		

2.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase	Purchases	500	
	Freight-in	50	
	Accounts Payable		550
	<i>F.O.B. Shipping point/freight prepaid</i>		
pay	Accounts Payable	550	
	Cash		550
	<i>discount missed</i>		

3.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase	Purchases	500	
	Accounts Payable		500
	<i>F.O.B. Destination/freight prepaid</i>		
pay	Accounts Payable	500	
	Purchases Discounts		10
	Cash		490
	<i>discount taken</i>		

4.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase	Purchases	500	
	Accounts Payable		500
	<i>F.O.B. Destination/freight prepaid</i>		
pay	Accounts Payable	500	
	Cash		500
	<i>discount missed</i>		

5.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase	Purchases	500	
	Freight-in	50	
	Cash		50
	Accounts Payable		500
	<i>F.O.B. Shipping point/freight collect</i>		
pay	Accounts Payable	500	
	Purchases Discounts		10
	Cash		490
	<i>discount taken</i>		

6.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
purchase	Purchases	500	
	Freight-in	50	
	Cash		50
	Accounts Payable		500
	<i>F.O.B. Shipping point/freight collect</i>		
pay	Accounts Payable	500	
	Cash		500
	<i>discount missed</i>		