

# Problem 4

Partial information follows about net sales, net purchases, cost of goods sold, gross profit, total expenses, and net income for Jensen Company. Compute the missing values.

## NET SALES

Sales	\$2,400,000
Sales discounts	60,000
Sales returns and allowances	?
Net sales	2,205,000

## NET PURCHASES

Purchases	\$1,200,000
Freight-in	60,000
Purchases discounts	?
Purchases returns and allowances	7,500
Net purchases	1,240,500

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...I finally learned to speak it in just six lessons”  
Jane, Chinese architect

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COST OF GOODS SOLD

Beginning inventory	\$256,200
Ending inventory	223,500
Cost of goods sold	?

GROSS PROFIT

Gross profit	?
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TOTAL EXPENSES

Rent	\$108,000
Salaries	437,100
Utilities	36,900
Freight-out	?
Other	72,300
Total expenses	726,600

NET INCOME

Net income	?
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Worksheet 4

Sales		\$	2,400,000
Less: Sales discounts	\$	60,000	
Sales returns and allowances		<b>45,000</b>	105,000
<b>Net sales</b>		\$	<b>2,295,000</b>

## Solution 4

Sales		\$	2,400,000
Less: Sales discounts	60,000		
Sales returns and allowances	<b>45,000</b>		105,000
<b>Net sales</b>		\$	<b>2,295,000</b>
Purchases		\$	1,200,000
Plus: Freight-in			60,000
		\$	1,260,000
Less: Purchase discounts	<b>\$ 4,000</b>		
Purchase returns and allowances	7,500		11,500
<b>Net purchases</b>		\$	<b>1,248,500</b>
Beginning inventory, Jan. 1		\$	256,200
Net purchases			1,248,500
Goods available for sale		\$	1,504,700
Less: Ending inventory, Dec. 31			223,500
<b>Cost of goods sold</b>		\$	<b>1,281,200</b>
Net sales		\$	2,295,000
Cost of goods sold			1,281,200
<b>Gross profit</b>		\$	<b>1,013,800</b>
Rent		\$	108,000
Salaries			437,100
Utilities			36,900
Freight-out			<b>72,300</b>
Other			72,300
<b>Total expenses</b>		\$	<b>726,600</b>
Gross profit		\$	1,013,800
Total expenses			726,600
<b>Net income</b>		\$	<b>287,200</b>