

1.

Award: 20.00 points Problems? Adjust credit for all students.

CH 4
ASSESSMENT

Fit-for-Life Foods reports the following income statement accounts for the year ended December 31.

| | | | |
|----------------------------|----------|------------------------------------|--------|
| Gain on sale of equipment | \$ 6,250 | Depreciation expense—Office copier | \$ 420 |
| Office supplies expense | 790 | Sales discounts | 15,200 |
| Insurance expense | 1,240 | Sales returns and allowances | 3,900 |
| Sales | 225,000 | TV advertising expense | 3,000 |
| Office salaries expense | 32,100 | Interest revenue | 660 |
| Rent expense—Selling space | 10,500 | Cost of goods sold | 88,800 |
| Sales salaries expense | 22,400 | Sales commission expense | 13,600 |

Prepare a multiple-step income statement.

| FIT-FOR-LIFE FOODS | | |
|--|-----------|------------|
| Income Statement | | |
| For Year Ended December 31 | | |
| Sales | | \$ 225,000 |
| Less: Sales discounts | \$ 15,200 | |
| Less: Sales returns and allowances | 3,900 | F 19,100 |
| Net sales | | F 205,900 |
| Cost of goods sold | | 88,800 |
| Gross profit | | F 117,100 |
| Expenses | | |
| Selling expenses | | |
| Sales salaries expense | 22,400 | |
| Rent expense—Selling space | 10,500 | |
| TV advertising expense | 3,000 | |
| Sales commission expense | 13,600 | |
| Total selling expenses | | F 49,500 |
| General and administrative expenses | | |
| Office supplies expense | 790 | |
| Insurance expense | 1,240 | |
| Depreciation expense—Office copier | 420 | |
| Office salaries expense | 32,100 | |
| Total general and administrative expenses | | F 34,550 |
| Total expenses | | F 84,050 |
| Income from operations | | F 33,050 |
| Other revenues, gains, expenses & losses | | |
| Gain on sale of equipment | 6,250 | |
| Interest revenue | 660 | |
| Total other revenues, gains, expenses & losses | | F 6,910 |
| Net income | | \$ 39,960 |

Explanation:

No further explanation details are available for this problem.

P 10010

[The following information applies to the questions displayed below.]

Allied Merchandisers was organized on May 1. Macy Company is a major customer (buyer) of Allied (seller) products.

- May 3 Allied made its first and only purchase of inventory for the period on May 3 for 2,000 units at a price of \$10 cash per unit (for a total cost of \$20,000).
- May 5 Allied sold 1,000 of the units in inventory for \$14 per unit (invoice total: \$14,000) to Macy Company under credit terms 2/10, n/60. The goods cost Allied \$10,000.
- May 7 Macy returns 100 units because they did not fit the customer's needs (invoice amount: \$1,400). Allied restores the units, which cost \$1,000, to its inventory.
- May 8 Macy discovers that 100 units are scuffed but are still of use and, therefore, keeps the units. Allied gives a price reduction (allowance) and credits Macy's accounts receivable for \$600 to compensate for the damage.
- May 15 Allied receives payment from Macy for the amount owed on the May 5 purchase; payment is net of returns, allowances, and any cash discount.

Ch 4: Assessment

https://ezto.mheducation.com/hm_accounting.tpx

2.

Award: 20.00 points Problems? Adjust credit for all students.

Required information

Prepare journal entries to record the following transactions for Allied assuming it uses a perpetual inventory system and the gross method.

| No | Date | General Journal | Debit | Credit |
|----|--------|------------------------------|--------|--------|
| 1 | May 03 | Merchandise inventory | 20,000 | |
| | | Cash | | 20,000 |
| 2 | May 05 | Accounts receivable | 14,000 | |
| | | Sales | | 14,000 |
| 3 | May 05 | Cost of goods sold | 10,000 | |
| | | Merchandise inventory | | 10,000 |
| 4 | May 07 | Sales returns and allowances | 1,400 | |
| | | Accounts receivable | | 1,400 |
| 5 | May 07 | Merchandise inventory | 1,000 | |
| | | Cost of goods sold | | 1,000 |
| 6 | May 08 | Sales returns and allowances | 600 | |
| | | Accounts receivable | | 600 |
| 7 | May 15 | Cash | 11,760 | |
| | | Sales discounts | 240 | |
| | | Accounts receivable | | 12,000 |

Explanation:

- May 3 Purchased goods. (2,000 units × \$10) = \$20,000.
- May 5 Sold goods on credit. (1,000 units × \$14) = \$14,000.
- May 5 Record cost of sale. (1,000 units × \$10) = \$10,000.
- May 7 Accepted returns. (100 units × \$14) = \$1,400.
- May 7 Returned goods to inventory. (100 units × \$10) = \$1,000.
- May 15 Sales discount received payment within discount period. (\$14,000 - \$1,400 - \$600) × 2% = \$240.
- May 15 Accounts receivable balance as of May 15. (\$14,000 - \$1,400 - \$600) = \$12,000.

2

3.

Award: 20.00 points Problems? Adjust credit for all students.

Following are the merchandising transactions of Dollar Store.

- November 1** Dollar Store purchases merchandise for \$2,500 on terms of 2/5, n/30, FOB shipping point, invoice dated November 1.
- November 5** Dollar Store pays cash for the November 1 purchase.
- November 7** Dollar Store discovers and returns \$150 of defective merchandise purchased on November 1, and paid for on November 5, for a cash refund.
- November 10** Dollar Store pays \$125 cash for transportation costs for the November 1 purchase.
- November 13** Dollar Store sells merchandise for \$2,700 with terms n/30. The cost of the merchandise is \$1,350.
- November 16** Merchandise is returned to the Dollar Store from the November 13 transaction. The returned items are priced at \$270 and cost \$135; the items were not damaged and were returned to inventory.

Journalize the above merchandising transactions for the Dollar Store assuming it uses a perpetual inventory system and the gross method.

| No | Date | General Journal | Debit | Credit |
|----|--------|------------------------------|-------|--------|
| 1 | Nov 01 | Merchandise inventory | 2,500 | |
| | | Accounts payable | | 2,500 |
| 2 | Nov 05 | Accounts payable | 2,500 | |
| | | Merchandise inventory | | 50 |
| | | Cash | | 2,450 |
| 3 | Nov 07 | Cash | 147 | |
| | | Merchandise inventory | | 147 |
| 4 | Nov 10 | Merchandise inventory | 125 | |
| | | Cash | | 125 |
| 5 | Nov 13 | Accounts receivable | 2,700 | |
| | | Sales | | 2,700 |
| 6 | Nov 13 | Cost of goods sold | 1,350 | |
| | | Merchandise inventory | | 1,350 |
| 7 | Nov 16 | Sales returns and allowances | 270 | |
| | | Accounts receivable | | 270 |
| 8 | Nov 16 | Merchandise inventory | 135 | |
| | | Cost of goods sold | | 135 |

Explanation:

November 7: Returned goods for cash. $\$150 \times (100\% - 2\%) = \147 .

3

Award: 40.00 points Problems? Adjust credit for all students.

Prepare journal entries to record the following merchandising transactions of Wilson's, which uses the perpetual inventory system. (Hint: It will help to identify each receivable and payable; for example, record the purchase on August 1 in Accounts Payable—Knight.)

- August 1** Purchased merchandise from Knight Company for \$8,900 under credit terms of 1/10, n/30, FOB destination, invoice dated August 1.
- August 5** Sold merchandise to Brown Corporation for \$5,900 under credit terms of 2/10, n/60, FOB destination, invoice dated August 5. The merchandise had cost \$3,500.
- August 8** Purchased merchandise from Zhang Corporation for \$5,680 under credit terms of 1/10, n/45, FOB shipping point, invoice dated August 8.
- August 9** Paid \$725 cash for shipping charges related to the August 5 sale to Brown Corporation
- August 10** Brown returned merchandise from the August 5 sale that had cost Wilson's \$200 and was sold for \$400. The merchandise was restored to inventory.
- August 12** After negotiations with Zhang Corporation concerning problems with the purchases on August 8, Wilson's received a credit memorandum from Zhang granting a price reduction of \$700 off the \$5,680 of goods purchased.
- August 14** At Knight's request, Wilson's paid \$400 cash for freight charges on the August 1 purchase, reducing the amount owed to Knight.
- August 15** Received balance due from Brown Corporation for the August 5 sale less the return on August 10.
- August 18** Paid the amount due Zhang Corporation for the August 8 purchase less the price allowance from August 12.
- August 19** Sold merchandise to Turner Company for \$3,900 under credit terms of n/10, FOB shipping point, invoice dated August 19. The merchandise had cost \$1,950.
- August 22** Turner requested a price reduction on the August 19 sale because the merchandise did not meet specifications. Wilson's sent Turner a \$400 credit memorandum toward the \$3,900 invoice to resolve the issue.
- August 29** Received Turner's cash payment for the amount due from the August 19 sale less the price allowance from August 22.
- August 30** Paid Knight Company the amount due from the August 1 purchase.

| Requirement | General Journal | General Ledger | Trial Balance | Schedule of Receivables | Schedule of Payables | Income Statement | Impact on Income |
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|

General Journal tab - Journalize the merchandising transactions. The General Ledger, trial balance and schedules of accounts receivable and accounts payable will be updated based on your entries.

General Ledger tab - One of the advantages of general ledger software is that posting is done automatically. To see the detail of all transactions that affect a specific account, or the balance in an account at a specific point in time, click on the General Ledger tab.

Trial Balance tab - General ledger software also automates the preparation of trial balances. A trial balance lists each account from the General Ledger, along with its balance, either a debit or a credit. Total debits should always equal total credits.

Schedule of Receivables tab - General Ledger software automates the balances for each of the customer's accounts.

Schedule of Payables tab - General Ledger software automates the balances for each of the supplier's accounts.

Income Statement tab - Prepare a multiple-step income statement.

Impact on Income tab - Indicate the impact each transaction had on net income.

< Requirement
General Journal >

Explanation:

No further explanation details are available for this problem.

4

| | | | | | | | |
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|
| Requirement | General Journal | General Ledger | Trial Balance | Schedule of Receivables | Schedule of Payables | Income Statement | Impact on Income |
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|

Journalize the merchandising transactions. The General Ledger, trial balance, and schedules of accounts receivable and accounts payable will be updated based on your entries.

| No | Date | Account Title | Debit | Credit |
|----|-----------|------------------------------|-------|--------|
| 1 | August 01 | Merchandise inventory | 8,900 | |
| | | Accounts payable - Knight | | 8,900 |
| 2 | August 05 | Accounts receivable - Brown | 5,900 | |
| | | Sales | | 5,900 |
| 3 | August 05 | Cost of goods sold | 3,500 | |
| | | Merchandise inventory | | 3,500 |
| 4 | August 08 | Merchandise inventory | 5,680 | |
| | | Accounts payable - Zhang | | 5,680 |
| 5 | August 09 | Delivery expense | 725 | |
| | | Cash | | 725 |
| 6 | August 10 | Sales returns and allowances | 400 | |
| | | Accounts receivable - Brown | | 400 |
| 7 | August 10 | Merchandise inventory | 200 | |
| | | Cost of goods sold | | 200 |
| 8 | August 12 | Accounts payable - Zhang | 700 | |
| | | Merchandise inventory | | 700 |
| 9 | August 14 | Accounts payable - Knight | 400 | |
| | | Cash | | 400 |
| 10 | August 15 | Cash | 5,390 | |
| | | Sales discounts | 110 | |
| | | Accounts receivable - Brown | | 5,500 |
| 11 | August 18 | Accounts payable - Zhang | 4,980 | |
| | | Merchandise inventory | | 50 |
| | | Cash | | 4,930 |
| 12 | August 19 | Accounts receivable - Turner | 3,900 | |
| | | Sales | | 3,900 |
| 13 | August 19 | Cost of goods sold | 1,950 | |
| | | Merchandise inventory | | 1,950 |
| 14 | August 22 | Sales returns and allowances | 400 | |
| | | Accounts receivable - Turner | | 400 |
| 15 | August 29 | Cash | 3,500 | |
| | | Accounts receivable - Turner | | 3,500 |
| 16 | August 30 | Accounts payable - Knight | 8,500 | |
| | | Cash | | 8,500 |

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Gen ledger →

4

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|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|
| Requirement | General Journal | General Ledger | Trial Balance | Schedule of Receivables | Schedule of Payables | Income Statement | Impact on Income |
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|

Each journal entry is posted automatically to the general ledger. Think of the general ledger as sorting all of your journal entries by account title. **Click on any of the individual amounts to return to the underlying journal entry.**

General Ledger Account

Cash

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | August 01 | | | 53,500 |
| 5 | August 09 | | 725 | 52,775 |
| 9 | August 14 | | 400 | 52,375 |
| 10 | August 15 | 5,390 | | 57,765 |
| 11 | August 18 | | 4,930 | 52,835 |
| 15 | August 29 | 3,500 | | 56,335 |
| 16 | August 30 | | 8,500 | 47,835 |

Accounts receivable - Brown

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | | | | 0 |
| 2 | August 05 | 5,900 | | 5,900 |
| 6 | August 10 | | 400 | 5,500 |
| 10 | August 15 | | 5,500 | 0 |

Accounts receivable - Turner

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | | | | 0 |
| 12 | August 19 | 3,900 | | 3,900 |
| 14 | August 22 | | 400 | 3,500 |
| 15 | August 29 | | 3,500 | 0 |

Merchandise inventory

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | August 01 | | | 17,000 |
| 1 | August 01 | 8,900 | | 25,900 |
| 3 | August 05 | | 3,500 | 22,400 |
| 4 | August 08 | 5,680 | | 28,080 |
| 7 | August 10 | 200 | | 28,280 |
| 8 | August 12 | | 700 | 27,580 |
| 11 | August 18 | | 50 | 27,530 |
| 13 | August 19 | | 1,950 | 25,580 |

Accounts payable - Knight

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | | | | 0 |
| 1 | August 01 | | 8,900 | 8,900 |
| 9 | August 14 | 400 | | 8,500 |
| 16 | August 30 | 8,500 | | 0 |

Accounts payable - Zhang

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | | | | 0 |
| 4 | August 08 | | 5,680 | 5,680 |
| 8 | August 12 | 700 | | 4,980 |
| 11 | August 18 | 4,980 | | 0 |

Common stock

| No. | Date | Debit | Credit | Balance |
|-----|---------|-------|--------|---------|
| | June 30 | | | 70,500 |

Sales

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | | | | 0 |
| 2 | August 05 | | 5,900 | 5,900 |
| 12 | August 19 | | 3,900 | 9,800 |

Sales returns and allowances

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | | | | 0 |
| 6 | August 10 | 400 | | 400 |
| 14 | August 22 | 400 | | 800 |

Sales discounts

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | | | | 0 |
| 10 | August 15 | 110 | | 110 |

Cost of goods sold

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | | | | 0 |
| 3 | August 05 | 3,500 | | 3,500 |
| 7 | August 10 | | 200 | 3,300 |
| 13 | August 19 | 1,950 | | 5,250 |

Delivery expense

| No. | Date | Debit | Credit | Balance |
|-----|-----------|-------|--------|---------|
| | | | | 0 |
| 5 | August 09 | 725 | | 725 |

< General Journal

Trial Balance >

6

Award: 40.00 points Problems? [Adjust credit](#) for all students.

Prepare journal entries to record the following merchandising transactions of Wilson's, which uses the perpetual inventory system. (Hint: It will help to identify each receivable and payable; for example, record the purchase on August 1 in Accounts Payable—Knight.)

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| | | | | | | | |
|-------------|-----------------|----------------|----------------------|-------------------------|----------------------|------------------|------------------|
| Requirement | General Journal | General Ledger | Trial Balance | Schedule of Receivables | Schedule of Payables | Income Statement | Impact on Income |
|-------------|-----------------|----------------|----------------------|-------------------------|----------------------|------------------|------------------|

The trial balance is a listing of all account balances from the General Ledger as of a specific date. **Click on any individual account balance to return to the General Ledger. The trial balance is only as accurate as the underlying journal entries. If the total debits do not equal the total credits, you have a journal entry that is out of balance. If you have an abnormal ending balance (indicated with brackets in the general ledger), you should review the journal entries that affected that account to ensure that the journal entries are correct.**

Show less ▲

Dates: **July 01** ▼ to: **August 01** ▼

Wilson's Company
Trial Balance
August 01, 2021

| Account Title | Debit | Credit |
|--------------------------------|------------------|------------------|
| ☑ Cash | \$ 47,835 | |
| ☑ Merchandise inventory | 25,580 | |
| ☑ Common stock | | 70,500 |
| ☑ Sales | | 9,800 |
| ☑ Sales returns and allowances | 800 | |
| ☑ Sales discounts | 110 | |
| ☑ Cost of goods sold | 5,250 | |
| ☑ Delivery expense | 725 | |
| Total | \$ 80,300 | \$ 80,300 |

< **General Ledger** **Schedule of Receivables** >

Explanation:

No further explanation details are available for this problem.

Award: 40.00 points Problems? Adjust credit for all students.

2.
4

Prepare journal entries to record the following merchandising transactions of Wilson's, which uses the perpetual inventory system. (Hint: It will help to identify each receivable and payable; for example, record the purchase on August 1 in Accounts Payable—Knight.)

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- August 22** Turner requested a price reduction on the August 19 sale because the merchandise did not meet specifications. Wilson's sent Turner a \$400 credit memorandum toward the \$3,900 invoice to resolve the issue.
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| Requirement | General Journal | General Ledger | Trial Balance | Schedule of Receivables | Schedule of Payables | Income Statement | Impact on Income |
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|

Dates: **July 01** to: **August 01**

| Wilson's Company | |
|----------------------------------|-------------|
| Schedule of Accounts Receivable | |
| Accounts receivable - Knight | \$ 0 |
| Accounts receivable - Brown | 0 |
| Accounts receivable - Turner | 0 |
| Accounts receivable - Zhang | 0 |
| | 0 |
| Total accounts receivable | \$ 0 |

< Trial Balance

Schedule of Payables >

Explanation:

No further explanation details are available for this problem.

9

Award: 40.00 points Problems? Adjust credit for all students.

Prepare journal entries to record the following merchandising transactions of Wilson's, which uses the perpetual inventory system. (Hint: It will help to identify each receivable and payable; for example, record the purchase on August 1 in Accounts Payable—Knight.)

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| Requirement | General Journal | General Ledger | Trial Balance | Schedule of Receivables | Schedule of Payables | Income Statement | Impact on Income |
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|

Dates: **July 01** to: **August 01**

| Wilson's Company | |
|-------------------------------|-------------|
| Schedule of Accounts Payable | |
| Accounts payable - Knight | \$ 0 |
| Accounts payable - Brown | 0 |
| Accounts payable - Turner | 0 |
| Accounts payable - Zhang | 0 |
| | 0 |
| Total accounts payable | \$ 0 |

< Schedule of Receivables
Income Statement >

Explanation:

No further explanation details are available for this problem.





Award: 40.00 points Problems? Adjust credit for all students.

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| Requirement | General Journal | General Ledger | Trial Balance | Schedule of Receivables | Schedule of Payables | Income Statement | Impact on Income |
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|

Prepare a multiple-step income statement.

| Wilson's Company | | | |
|-------------------------------------|----|-----|-------|
| Income Statement | | | |
| For the Month Ended August 31, 2021 | | | |
| Sales | | \$ | 9,800 |
| Sales discounts | \$ | 110 | |
| Sales returns and allowances | \$ | 800 | (910) |
| Net sales | | | 8,890 |
| Cost of goods sold | | | 5,250 |
| Gross profit | | | 3,640 |
| Operating expenses: | | | |
| Delivery expense | | | 725 |
| Net income | | \$ | 2,915 |

< Schedule of Payables
Impact on Income >

Explanation:

No further explanation details are available for this problem.



| | | | | | | | |
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|
| Requirement | General Journal | General Ledger | Trial Balance | Schedule of Receivables | Schedule of Payables | Income Statement | Impact on Income |
|-------------|-----------------|----------------|---------------|-------------------------|----------------------|------------------|------------------|

For each transaction, indicate the impact each item had on income and the dollar amount of the change in income, if any. **Input decreases to net income as negative values.** Upon completion, compare the amount of income with the amount reported on the income statement.

| | Impact on income | Increase (decrease) to income |
|---|----------------------|-------------------------------|
| August 1) Purchased merchandise from Knight Company for \$8,900 under credit terms of 1/10, n/30, FOB destination, invoice dated August 1. | No impact on income | |
| August 5) Sold merchandise to Brown Corporation for \$5,900 under credit terms of 2/10, n/60, FOB destination, invoice dated August 5. | Increases net income | \$ 5,900 |
| August 5) The merchandise sold to Brown had cost \$3,500. | Decreases net income | (3,500) |
| August 8) Purchased merchandise from Zhang Corporation for \$5,680 under credit terms of 1/10, n/45, FOB shipping point, invoice dated August 8. | No impact on income | |
| August 9) Paid \$725 cash for shipping charges related to the August 5 sale to Brown Corporation | Decreases net income | (725) |
| August 10) Brown returned merchandise from the August 5 sale that had sold for \$400. | Decreases net income | (400) |
| August 10) The cost of the merchandise returned by Wilson's was \$200. The merchandise was restored to inventory. | Increases net income | 200 |
| August 12) After negotiations with Zhang Corporation concerning problems with the purchases on August 8, Wilson's received a credit memorandum from Zhang granting a price reduction of \$700 off the \$5,680 of goods purchased. | No impact on income | |
| August 14) At Knight's request, Wilson's paid \$400 cash for freight charges on the August 1 purchase, reducing the amount owed to Knight. | No impact on income | |
| August 15) Received balance due from Brown Corporation for the August 5 sale less the return on August 10. | Decreases net income | (110) |
| August 18) Paid the amount due Zhang Corporation for the August 8 purchase less the price allowance from August 12. | No impact on income | |
| August 19) Sold merchandise to Turner Company for \$3,900 under credit terms of n/10, FOB shipping point, invoice dated August 19. | Increases net income | 3,900 |
| August 19) The cost of the merchandise sold merchandise to Turner was \$1,950. | Decreases net income | (1,950) |
| August 22) Turner requested a price reduction on the August 19 sale because the merchandise did not meet specifications. Wilson's sent Turner a \$400 credit memorandum toward the \$3,900 invoice to resolve the issue. | Decreases net income | (400) |
| August 29) Received Turner's cash payment for the amount due from the August 19 sale less the price allowance from August 22. | No impact on income | |
| August 30) Paid Knight Company the amount due from the August 1 purchase. | No impact on income | |
| Total income | | \$ 2,915 |

< **Income Statement** **Impact on Income** >

Explanation:

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