SOUTH-WESTERN
CENGAGE Learning

Prob. 7–5A Appendix

1.

	A	B	C
1	CLAIREMONT CO.		
2		Cost	Retail
3	Merchandise inventory, July 1	$ 300,000	$ 400,000
4	Net purchases	3,400,000	4,600,000
5	Merchandise available for sale	$ 3,700,000	$ 5,000,000
6	Ratio of cost to retail price: $\frac{\$3{,}700{,}000}{\$5{,}000{,}000} = 74\%$		
7	Sales	$ 4,715,000	
8	Less sales returns and allowances	190,000	
9	Net sales		4,525,000
10	Merchandise inventory, July 31, at retail		$ 475,000
11	Merchandise inventory, at estimated cost ($475,000 × 74%)		$ 351,500

2.

	A	B	C
1	MALIBU CO.		
2	a.	Cost	Retail
3	Merchandise inventory, February 1		$ 225,000
4	Net purchases		3,200,000
5	Merchandise available for sale		$ 3,425,000
6	Sales	$ 5,200,000	
7	Less sales returns and allowances	95,000	
8	Net sales	$ 5,105,000	
9	Less estimated gross profit ($5,105,000 × 38%)	1,939,900	
10	Estimated cost of merchandise sold		3,165,100
11	Estimated merchandise inventory, March 31		$ 259,900
12			
13	b.		
14	Estimated merchandise inventory, March 31		$ 259,900
15	Physical inventory count, March 31		243,250
16	Estimated loss due to theft or damage, February 1–March 31		$ 16,650