

# Sole proprietorship

## *Perpetual and periodic inventory*

Mr. Shoes' sole proprietorship is a local business that sells shoes and shoe accessories, such as shoe polish, shapes, shoehorns, etc. Inventory management is done as described below:

- for footwear, we do perpetual inventory, and the gross margin is 75% of the selling price;
- For accessories, it will be book as periodic inventory.



For all journal entries, please use the accounts related to goods and opening balances given. Do not use inventory variation account.

He is the owner of the premises where he works. He employs an employee part time 50%. Having basic training in computer science, besides his main activity, he offers some IT services to different customers.

Accounts' balance as of September 30<sup>th</sup>:

	<b>Debit</b>	<b>Credit</b>
Petty Cash	7'800.00	
Bank CS current account (10'000.-)	31'290.00	
Trade receivables / customers	16'870.00	
Inventory & Purchase of shoes	80'900.00	
Stock of shoe accessories	5'800.00	
Delivery vehicle	3'500.00	
Commercial building	350'000.00	
Various fixed assets	98'000.00	
Trade payables / Suppliers		65'800.00
Mortgage BCVs		200'000.00
Debt to Garage		
Various debts		24'900.00
Private		23'410.00
Equity		100'000.00
Sales of shoes		340'000.00
Sales of shoe accessories		24'900.00
Sales to ourselves		1'200.00
COGS shoes	85'000.00	
Purchase of shoe accessories	12'900.00	
Selling expenses	960.00	
Purchase expenses	1'280.00	
Discounts given (on sales)	800.00	
Discounts received (on purchase)		1'230.00
Salaries/ payroll and social charges	32'800.00	
Interests & Fees	3'400.00	
Depreciation		-
Other operating expenses	69'000.00	
Revenue on IT services		20'060.00
Extraordinary expenses & revenues	1'200.00	

### Additional information:

The business is encumbered by a mortgage with at BCVs, interests are due on June 30<sup>th</sup> and December 31<sup>st</sup>, at a rate of 3%. The half-year annuity is fr. 15'000.—.

The "Other operating expenses" account includes all the expenses of the main activity, such as rent, insurance, administrative costs, etc.

All amounts are to be rounded to the nearest franc.

### Few transactions / journal entries for the last quarter:

1. Credit purchases of shoes for fr. 34,000.—. The supplier grants us a 2% discount if the payment occurs within 10 days.
2. Delivery of shoes by the carrier "TransExpress". Payment in cash of transport costs for fr. 400.—. The value of the goods purchased is fr. 2,500.—. The invoice was received at the same time.
3. Purchases on credit of shoe accessories for fr. 3'500.—. A discount is granted for 3% in case of payment within 10 days.
4. Sales in cash of footwear during the last quarter for fr. 98'000.—.
5. Sales on credit of shoes to a customer for fr. 5'800.—. Payment of delivery costs of fr. 690.—. Delivery costs are payable by the customer, consequently we send an invoice to the customer.
6. Purchases of advertising bags used in the sale of shoes for fr. 4,200.—. Payment is made by bank transfer.
7. Customers pay by bank transfer few invoices of Fr. 7,760.— after deducting 3% discount.
8. Payment to suppliers by bank transfer of Fr. 48,000.—. after a deduction of Fr. 2'000 discount.
9. Payment of entry n°3 by bank transfer benefiting from the discount.
10. Payment by bank transfer to the suppliers for an invoice of fr. 14,800.—. Later on, he gives us a discount of Fr. 400.— in the form of a credit note to deduct from future orders.
11. The boss decides to change the delivery vehicle. The garage owner Bagnole takes over the old one for fr. 4'000.—. He buys a new one for fr. 35,000.—. He took advantage and bought a vehicle for himself for a value of fr. 30,000. The delivery costs are fr. 1'000.— to be divided equally between the two vehicles. Payment is made as follows:
  - i. by compensation;
  - ii. against delivery of shoes for Fr. 1,000.— at the selling price;
  - iii. against delivery of shoe accessories for Fr. 500.—;
  - iv. by bank transfer of Fr. 45,000. — ;
  - v. The balance remains due.
12. On open receivables, the manager grants discounts to the customers for an amount of CHF 500.—.
13. Shoe accessories suppliers grant us fr. 400.— year end rebates/discount.

14. The boss takes shoes for personal use. The selling price is fr. 680.—. Shoe accessories are also taken for fr. 200.- purchase cost.
15. The boss uses Fr. 10,000.- from the bank account to purchase some gifts for personal purposes.
16. Payment by bank transfer of the mortgage annuity based on above indications.
17. Payment of the salaries by bank transfer for Fr. 7,500.—.
18. Cash collection at the bank of IT services for fr. 2'000.—.

Inventory and closing journal entries:

19. The final inventory value of shoe accessories is fr. 4,900.
20. For the inventory of footwear, we need to take into account few stolen material for fr. 450.—, purchase price.
21. Depreciation of the commercial building fr. 2'000.— and the various assets for fr. 8000.—.
22. *Booking of the annual salary of the boss fr. 36'000.—.*
23. *Consider an interest on the funds invested at the rate of 4%.*
24. Booking of the tax bill for fr. 24'600.—.

Work to be done:

- Book all these different entries in the general ledger.
- Determine the different results, make the necessary journal entries.
- Prepare the balance sheet.



