

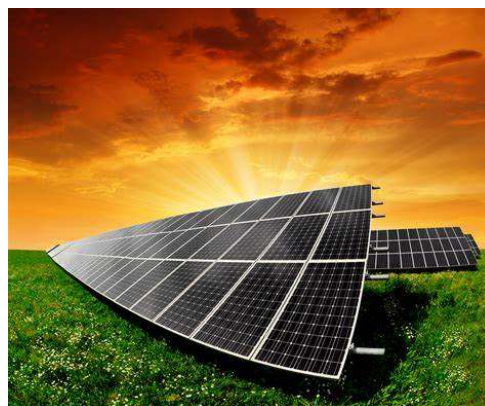
# Financial accounting

## *Merchandise transactions (perpetual)*

Mr. Solar has created a limited company specialized in the installation of photovoltaic systems and, in the near future, to develop different renewable energy installations.

He decides to manage his stocks of photovoltaic system according to the perpetual inventory accounting system. An average gross margin of 40% of the selling price is expected for sales of these photovoltaic systems.

For simplicity, VAT is not taken into account, even if it exceeds 100,000 turnover.



At the end of November, our books have the below balances:

	<b>Debit</b>	<b>Credit</b>
Petty cash	3'400.00	
Bank account Credit Suisse	35'800.00	
Trade receivables / Customers	24'600.00	
Shareholders current account	2'000.00	
Inventory of photovoltaic system & purchase	48'000.00	
Vehicle	14'000.00	
Building	800'000.00	
Trade payables / suppliers		29'870.00
Advance payments from customers		8'000.00
Mortgage BCVs 4%		400'000.00
Mortgage BCVs current account		15'600.00
Reserves		1'860.00
Common-stock / Equity / Capital		200'000.00
Sale of photovoltaic systems & Installations		584'000.00
Sale to shareholders		2'860.00
COGS	316'875.00	
Bad debt	2'200.00	
Selling expenses	1'560.00	
Discount on purchase		2'450.00
Discount on sales	1'300.00	
Salaries / payroll	50'800.00	
Other operating expenses	89'600.00	
Expenses & revenue on building		4'500.00

### Additional information:

In addition to its main activity, the company owns a building that has 4 apartments, all of them are for rent.

The building is encumbered by a mortgage at BCVs. Interest payments are due on 15<sup>th</sup> of June and 15<sup>th</sup> of December. The date of financial amortization is due on 15<sup>th</sup> of December. The initial debt was Fr. 500,000. It was planned to repay the debt over 25 years.

The mortgage current account is used for all transactions related to the rental property.

### **Transactions done during last month:**

1. Purchase of photovoltaic systems on credit for fr. 25'000.-. Transport costs for fr. 2'000.- are paid directly to the carrier.
2. Sale and installation of systems on credit for fr. 57'000.-.
3. A customer places an order for the installation of photovoltaic systems on the roof of his house. The budget is estimated at fr. 40'000.-. We asked of a deposit of Fr. 10'000.-.
4. On a construction site in progress, photovoltaic systems already invoiced are back to our stock, because the size does not match, the value was fr. 5'800.-. A credit note is issued for this amount.
5. Write off a debt following an unsuccessful lawsuit, the nominal value of the invoice is Fr. 15'400.-. The legal costs are also paid for fr. 350.- and need to be booked.
6. Payment of the mortgage annuity through mortgage current account according to the above information.
7. The manager (who is a shareholder) decides to install photovoltaic systems on his holiday cottage. It takes from the stock photovoltaic systems that have a value of fr. 7'500.- if it were sold to a normal customer.
8. The company returns defective photovoltaic systems for fr. 8'760.- to the supplier, who replaces them immediately by sending them to us. The transport costs of fr. 500.- are on the supplier.
9. Suppliers give us discounts in the form of a credit note for CHF 3'000.-.
10. Customers pay us into our bank account the total of fr. 24'304.- after a deduction of 2%.
11. To save time, and customer returns photovoltaic systems directly to the supplier. The transport costs of fr. 500.- are paid by the customer and are on him. We sold him these photovoltaic systems for fr. 14'600.-.
12. Payment of the monthly salaries for December, transfer is done from our bank account for fr. 8'900.-.
13. Debit note from the bank following the purchase of a computer, fr. 4'550.-.
14. Credit notice of the mortgage current account for the receipt of the quarterly rents, fr. 36'000.-.

15. Suppliers provide us with rebates in the form of a credit note for fr. 1,000.-, as well as gratuities for a purchase value of fr. 2'000.-.
16. Towards the end of December, he contacted a new supplier specialized in the installation of wind energy for individuals. An exclusive contract for Valais has been signed, subject to a minimum annual order of Fr. 25,000.- for the first year.
17. The boss, who is a shareholder, takes from the petty cash fr. 2'000.- for the rental of a holiday chalet in the Gruyère region.

### **Some inventory and closing operations**

18. Vehicle depreciation fr. 2'800.-.
19. Final inventory of solar photovoltaic systems fr. 36'000.-.

NB: all amounts must be rounded to the nearest franc.

### **Work to be done:**

Please book all the above journal entries in the general ledger.

# Financial accounting

## *Merchandise operations (periodic)*

Mr. Solar has his business in the legal form of sole proprietorship. He decides to manage his stocks of photovoltaic systems according to the periodic inventory process. VAT is not taken into account, even if it exceeds 100,000 turnover.

In addition to his main activity, he owns a rental property, on which a mortgage with BCVs. A six-monthly annuity is set as of June 15<sup>th</sup> and December 15<sup>th</sup>. For a total amount of fr. 20'000.-.



At the end of November, our books have the below balances:

	<b>Debit</b>	<b>Credit</b>
Petty cash	18'000.00	
Post account	35'800.00	
Trade receivables / customers	24'600.00	
Stock of photovoltaic systems	48'000.00	
Vehicle	14'000.00	
Computer		
Building	800'000.00	
Trade payables / Suppliers		29'870.00
Mortgage BCVs 4%		400'000.00
Mortgage BCVs current account (30'000.--)		15'600.00
Private account		1'860.00
Equity		300'000.00
Sales & Installation of photovoltaic systems		584'000.00
Sales to ourselves		2'860.00
Selling expenses	1'560.00	
Purchase of photovoltaic systems	316'875.00	
Salaires / payroll	50'800.00	
Depreciation		
Other operating expenses	89'600.00	
Expenses & revenue on rental building		65'045.00

### **Transactions done during last month:**

1. Purchase of photovoltaic systems on credit for fr. 25'000.-. Transport costs for a total amount of fr. 2'000.—Transport costs are paid directly to the carrier.
2. Sale and installation of photovoltaic systems on credit for fr. 57'000.-.
3. On a construction site in progress, photovoltaic systems are returned to stock, because the size does not correspond, for fr. 5'800.- to the selling price. These photovoltaic systems have already been invoiced to customers.
4. Payment of the mortgage annuity from the post account according to the above information.
5. The manager decides to install solar photovoltaic systems on his holiday cottage. He takes photovoltaic systems purchased for fr. 4,500.-.
6. The company returns defective photovoltaic systems for fr. 8'760.- to the supplier, who replaces them immediately. The transport costs of fr. 500.- are on him.
7. Suppliers give us discounts of CHF 3'000.-.
8. Customers pay us with a transfer to our Post account for a total of fr. 24'304.- after deducting of 2% discount.
9. To save time, a client returns photovoltaic systems directly to the supplier. The transport costs of fr. 500.- are paid by the customer. We sold him these photovoltaic systems for fr. 14'600.-. The supplier's invoice was fr. 8'760.-.
10. Payment by post account of the salaries of our employees for, fr. 8'900.-.
11. Debit note from the mortgage current account after the purchase of a computer, fr. 4'550.-.

### **Some inventory and closing operations**

12. Vehicle depreciation fr. 2'800.-.
13. Final inventory of goods fr. 36'000.-.

NB: all amounts must be rounded to the nearest franc.

### **Work to be done:**

Please book all the above journal entries in the general ledger.