

General File. Company records are stored in a number of general file cabinets. For the purposes of this practice set, these documents will be stored in a single folder separated by guides or dividers. You have already labeled these tabs when you completed your W4 form.

Merchandise Purchases. A periodic inventory system is used to account for merchandise purchased for resale. Balances are verified once a year with a physical count.

The purchase of merchandise for resale starts with a purchase requisition completed by a sales associate and approved by you or Mr. Lee. A purchase order is then prepared by the office assistant and forwarded to the supplier. When the order is filled, a purchase invoice is forwarded by the supplier to Keystone Furniture.

Upon receipt, the purchase invoice is verified by you. Prices, quantities, and gross amounts are compared to the purchase order. All purchase invoices will be paid within the discount period, if an early cash-payment discount is offered. The date due is determined, and a sequential number is assigned for internal purposes. Your numbering will continue with 1611.

Next the invoice is recorded in either the purchases journal or general journal, depending on which journals you are using. If you are using the purchases journal, posting from the purchases journal to the accounts payable subsidiary ledger follows. ***If you are using the general journal, post the transaction accordingly to the general ledger and accounts payable subsidiary ledger.***

Finally the invoice is stored in the general file according to date due.

If merchandise must be returned, a credit memorandum is obtained from the supplier and attached to the appropriate purchase invoice. Incoming freight charges are either paid by Keystone Furniture directly to the delivery company or to the supplier when added to invoices. All freight is charged to Freight-In regardless of the payment method. All credit returns of merchandise purchased for resale go in the general journal regardless of which journals are

being used.

Credit Payments. All payments, except those from the petty cash fund, are made by check. The check stub is completed first and the check is written and signed by you. The check and invoice are stored in the general file under Outgoing Papers and Paid Invoices respectively.

Next, the transaction is journalized in either the cash payments journal or general journal, depending on which journals you are using. If you are using the cash payments journal, posting from the cash payments journal to the accounts payable subsidiary ledger follows. ***If you are using the general journal, post the transaction accordingly to the general ledger and accounts payable subsidiary ledger.***

Merchandise Sales. The sale of merchandise starts with a sales ticket (if cash or charge) or a credit card ticket prepared by a sales associate. Bank credit card sales are immediately entered in the cash register, while charge sales are forwarded to you. Daily cash register tapes are summarized once a week by the office clerk on a document called "Cash and Bank Credit Card Sales Recapitulation." This document is then passed to you for processing.

Upon receipt, the charge sales ticket is verified by you. Next the ticket is recorded (plus sales tax) in either the sales journal or general journal, depending on which journals you are using. If you are using the sales journal, posting from the sales journal to the accounts receivable ledger follows. ***If you are using the general journal, post the transaction accordingly to the general ledger and accounts receivable subsidiary ledger.*** Finally the ticket is stored in the general file in alphabetical order.

If merchandise must be returned, a credit memorandum is issued by Keystone Furniture and attached to the appropriate sales ticket. All credit merchandise returns are recorded in the general journal regardless of journals being used and posted daily. Merchandise returns for cash are either recorded in the cash payments journal or general journal, depending on which journals you are using.