**APPLICATION EXERCISE 5 – SUGGESTED SOLUTION**

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| **ITEM:** ‘Dhawan’ rug **Cost method:** First In, First Out**SUPPLIER:** Tonka Threads |
|  | **IN** | **OUT** | **BALANCE** |
| Date | Document | Qty | Cost | Total | Qty | Cost | Total | Qty | Cost | Total |
| 01/06 | Balance |  |  |  |  |  |  | 8 | 580 | 4 640 |
| 05/06 | Inv. 175 | 15 | 600 | 9 000 |  |  |  | 8 | 580 | 4 640 |
|  |  |  |  |  |  |  |  | 15 | 600 | 9 000 |
| 09/06 | Rec. 412 |  |  |  | 2 | 580 | 1 160 | 6 | 580 | 3 480 |
|  |  |  |  |  |  |  |  | 15 | 600 | 9 000 |
| 16/06 | Inv. 309 |  |  |  | 6 | 580 | 3 480 |  |  |  |
|  |  |  |  |  | 2 | 600 | 1 200 | 13 | 600 | 7 800 |
| 18/06 | C/N. 24 | 1 | 580 | 580 |  |  |  | 1 | 580 | 580 |
|  |  | 2 | 600 | 1 200 |  |  |  | 15 | 600 | 9 000 |
| 20/06 | C/N. 47 |  |  |  | 3 | 600 | 1 800 | 1 | 580 | 580 |
|  |  |  |  |  |  |  |  | 12 | 600 | 7 200 |
| 30/06 | Memo 52 |  |  |  | 1 | 580 | 580 |  |  |  |
|  |  |  |  |  | 1 | 600 | 600 | 11 | 600 | 6 600 |

**General Journal**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Details** | **Debit** | **Credit** |
| 05/06 | Inventory | 9 000 |  |
|  | GST Clearing | 900 |  |
|  | Accounts Payable |  | 9 900 |
| 09/06 | Cash Sales |  | 2 800 |
|  | GST Clearing |  | 280 |
|  | Bank | 3 080 |  |
|  | Cost of Sales | 1 160 |  |
|  | Inventory |  | 1 160 |
| 16/06 | Credit Sales |  | 12 000 |
|  | GST Clearing |  | 1 200 |
|  | Accounts Receivable | 13 200 |  |
|  | Cost of Sales | 4 680 |  |
|  | Inventory |  | 4 680 |
| 18/06 | Sales Returns | 4 500 |  |
|  | GST Clearing | 450 |  |
|  | Accounts Receivable |  | 4 950 |
|  | Inventory  | 1 780 |  |
|  | Cost of Sales |  | 1 780 |
| 20/06 | Accounts Payable | 1 980 |  |
|  | Inventory |  | 1 800 |
|  | GST Clearing |  | 180 |
| 30/06 | Inventory Loss | 1 180 |  |
|  | Inventory |  | 1 180 |
|  | Inventory loss of 2 ‘Dhawan’ rugs as per inventory count (Memo 52) |  |  |