**Chapter 5 – Merchandising Operations and the Multiple-Step Income Statement**

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| **Page** | **Topic** |
| **228** | **We’re switching our studies from a service company to a merchandising company** |
| **229** | **Periodic vs perpetual inventory systems. Text emphasizes perpetual.** |
| **240** | **Single-Step Income Statement for Wal-Mart** |
| **243** | **Multiple-Step Income Statement for PW Audio- Please commit this to memory** |
| **245** | **Calculation of cost of goods sold under periodic inventory system** |
| **245-247** | **Profitability ratios- Gross Profit Ratio (gross profit/net sales)** |
| **247** | **Profit Margin Ratio (net income/net sales) (aka, return on sales)** |
| **248** | **Quality of Earnings (cash from operating activities/net income)** |
| **231-235** | **Journal entries involving the purchase of merchandise** |
| **231** | **Purchase merchandise on credit** |
| **233** | **Freight costs on merchandise purchased** |
| **234** | **Purchase returns and allowances** |
| **234** | **Purchase discounts** |
| **235** | **Summary of purchase transactions** |
| **236-239** | **Recording sale of merchandise** |
| **236** | **Sale on account and related cost of goods sold** |
| **237** | **Sales returns and allowances- reversing prior two entries** |
| **238** | **Sales discounts** |
| **239** | **Sales transactions – Do it!** |
| **251** | **Periodic Inventory System-You are not responsible for this** |
| **254** | **Comprehensive Do it! Put a star on this!!** |
| **276** | **A Look at IFRS (Entries for merchandise and format of the Income Statement)** |

**Chapter 10 – Reporting and Analyzing Liabilities (Long-term liabilities, pages 512-531 and 533-539)**

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| **Page** | **Topic** |
|  | **Current liabilities (pages 506-511) will be discussed later in the course** |
| **512** | **Types of bonds- secured and unsecured, convertible, callable** |
| **513** | **Terms-bond certificate, face value, maturity date, contractual (stated) interest rate, effective interest rate** |
| **513-514** | **Value of a bond- pv of $ plus pv of A** |
| **515-521** | **Accounting for bond issues- entries to issue, pay or accrue interest, amortize premium or discount, retire** |
| **522** | **Balance sheet presentation** |
| **524-525** | **Ratios- current ratio, debt to total assets, times interest earned** |
| **526-527** | **Off balance sheet financing- contingent liabilities (record if probable and reasonable estimate can be made. If possibly, a footnote disclosure may be appropriate. If remote possibility, ignore.**  **Enron** |
| **527** | **Leasing- operating lease vs. capital lease** |
| **531-533** | **SKIP THIS SECTION Appendix 10A- Straight-line amortization of bond premium or discount. We will use effective-interest method** |
| **533** | **Appendix 10B- Effective-interest amortization.**  **Straight-line and effective interest methods yield the same amount of interest expense over the life of the bond but the amount reported each year differs** |
| **535** | **Schedule for Bond Discount Amortization** |
| **535** | **Journal entries for recording bond interest expense and bond discount amortization** |
| **536** | **Schedule for Bond Premium Amortization** |
| **537** | **Journal entries for recording bond interest expense and bond premium amortization** |
| **537** | **Effective interest rate=  (interest paid – premium amortization) / carrying value of bond or**  **(interest paid + discount amortization) / carrying value of bond** |
| **537** | **Accounting for long-term notes payable** |
| **538** | **Mortgage installment payment schedule and journal entries** |
| **564** | **A Look at IFRS (Accounting for Liabilities)** |

**Chapter 11 – Reporting and Analyzing Stockholders’ Equity**

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| **Page** | **Topic** |
| **570-573** | **Characteristics of a Corp. Advantages- separate legal existence (sue, be sued, ownership, enter into contracts), limited liability (personal assets of owners not at risk), transferability of ownership (sell shares), ability to acquire capital (stock and bonds), unlimited life, professional management (due to size)**  **Disadvantages – government regulations, additional taxes, management decisions that favor management rather than the corporation** |
| **575** | **Rights of Common Stockholders**  **Right to vote, share profits (receive dividends), preemptive right, share assets upon liquidation** |
|  | **Rights of Preferred Stockholders Same as above but no right to vote, and no preemptive right Preference to dividends and sharing assets upon liquidation** |
| **575** | **Authorized (in charter), Issued (actually sold), and outstanding shares (issued minus treasury stock)** |
| **575** | **Franklin Life Insurance stock certificate** |
| **577** | **Par value, no-par stock, no-par with a stated value** |
| **578-581** | **Journal entries for common stock- Sale of common stock at par, sale at a premium, treasury stock** |
| **581** | **Stockholders’ equity on the balance sheet** |
| **582** | **Journal entries for preferred stock Similar to entries for common stock** |
| **582** | **Dividends on preferred stock- cumulative and noncumulative Dividends in arrears** |
| **584** | **Cash dividends prerequisites- available cash, adequate retained earnings, declaration by board of directors** |
| **585** | **Entries for cash dividend (date of declaration, date of record, date of payment)** |
| **586** | **Stock dividends (dividend paid in shares of co’s stock rather than cash)** |
| **587** | **Stock splits** |
| **589** | **Retained earnings and restrictions (Amazon balance sheet )** |
| **591** | **Stockholders’ equity on balance sheet- Graber, Inc.** |
| **593** | **Payout Ratio = cash dividends / net income** |
| **594** | **Return on common stockholders’ equity = (net income – preferred stock dividends)/ average number of common shares outstanding** |
| **594** | **Illustration 11-23 Finance by issue of stock vs. issue of bonds** |
| **619** | **A Look at IFRS (Accounting for Stockholders’ Equity)** |