

B. J. Stewart Furniture Company had the following transactions relating to the purchase and sale of leather sofas. There was no beginning inventory.

Purchased 100 units on account at \$1,000 per unit

Sold 75 units for cash at \$2,000 per unit

Customers returned 3 defective units for cash refunds

Stewart returned the 3 defective units to its supplier for credit on account

- (a) Assuming Stewart uses a periodic inventory system, what journal entries would be needed to record the preceding activity?
- (b) Assuming Stewart uses a periodic inventory system, show the calculation of gross profit. You may assume that Stewart conducted a physical count of ending inventory and confirmed that 25 were still on hand.
- (c) Assuming Stewart uses a perpetual inventory system, what journal entries would be needed to record the preceding activity?
- (d) Assuming Stewart uses a perpetual inventory system, show the calculation of gross profit. If Stewart uses a perpetual system, would there be any need to perform a periodic physical count of leather sofas on hand?