

Ahson Tariq is director of operations for CTC which specializes in global merchandising of the world's finest cotton fibers. It is common practice for CTC to purchase cotton in bulk from regional growers, and then apply grading and measurement techniques to the fiber. Substandard fibers are subject to return or purchase price adjustment. CTC has negotiated credit terms with all suppliers of 1/10, n/30. Following are summary statements about June's purchases.

Purchased cotton for 80,000,000 Pakistan Rupees (PKR), on account.

Returned cotton for credit on account, PKR 3,000,000.

Agreed with suppliers to purchase price allowances, PKR 5,000,000.

Made payment of PKR 60,000,000 on open accounts within discount period and received PKR 600,000 purchase discounts.

Made payment of PKR 12,000,000 on open accounts outside of discount period and lost PKR 120,000 purchase discounts.

Additional information for June follows:

Net sales, PKR 97,000,000

Beginning inventory, PKR 6,000,000

Ending inventory, PKR 5,000,000

Freight-in, PKR 2,200,000

Freight-out, PKR 1,700,000

Rent expense, PKR 3,500,000

Salaries expense, PKR 2,400,000

- (a) Prepare summary journal entries for the purchase related transactions using the "gross" method.
- (b) Prepare summary journal entries for the purchase related transactions using the "net" method.
- (c) Prepare an income statement for June assuming use of the entries recorded in part (a).
- (d) Prepare an income statement for June assuming use of the entries recorded in part (b).