

CONCEPT: SERVICE COMPANY VS MERCHANDISING COMPANY

- A **service company** provides a _____ to the customer. There is no _____ transferred.

□ Examples: Tutoring, House Cleaning, Shipping, Lawyers

REMEMBER: Revenue is recognized when the company fulfills their end of the bargain, not when the cash is received.

A service company earns its revenue when it _____ the service.

Squeaky Cleaners cleaned Squirt's shirts at a price of \$20.

Journal Entry:

Assets

=

Liabilities

+

Equity

- A **merchandising company** provides a _____ to the customer. Merchandising companies are _____

□ Examples: Clothing Store, Grocery, Wal-Mart

A merchandising company earns its revenue when it _____ the good to the customer.

Things on Shelves (TOS) Company sells Things. Mandy walks in and buys a Thing for \$15. The Thing cost TOS \$5.

Journal Entry for Revenue:

Journal Entry for COGS:

Assets

=

Liabilities

+

Equity

- **Cost of Goods Sold (COGS)** – An _____ account that shows the amount _____ paid for goods it sold.

□ Goods flow from Inventory into COGS