

Question

Charter Corporation, which began business in 2013, appropriately uses the instalment sales method of accounting for its instalment sales. The following data were obtained for sales made during 2013 and 2014:

	2013	2014
instalment sales	\$370,000	\$360,000
Cost of instalment sales	185,000	252,000
Cash collections on instalment sales during:		
2013	160,000	110,000
2014	—	125,000

Required:

- How much gross profit should Charter recognize in 2013 and 2014 from instalment sales?
- What should be the balance in the deferred gross profit account at the end of 2013 and 2014?