

Chapter 10: Accounting for Sales and Cash Receipts: Chapter Overview

Chapter Overview

Accounting for Sales and Cash Receipts: Chapter Objectives

Accounting for Sales and Cash Receipts: Accounting in the Real World

Accounting for Sales and Cash Receipts: Key Terms

Accounting for Sales and Cash Receipts: Chapter Objectives

Learning Objectives

After studying Chapter 10, in addition to understanding key terms, you will be able to:

- LO1 Explain the relationship between the accounts receivable ledger and its controlling account.
- LO2 Record sales on account using a sales journal.
- LO3 Post sales on account to an accounts receivable ledger and a general ledger.
- LO4 Record cash and credit card sales using a cash receipts journal.
- LO5 Journalize cash receipts on account using a cash receipts journal.
- LO6 Post cash receipts to an accounts receivable ledger and a general ledger.
- LO7 Prepare a schedule of accounts receivable.

Accounting for Sales and Cash Receipts: Accounting in the Real World

Best Buy

With over 1,000 stores in the United States, Best Buy has established itself as a leader in retail electronics. The company has achieved consistent sales growth by responding to innovations in consumer electronics. By acquiring related technology businesses, such as Geek Squad and Napster, Best Buy has expanded its products and services to reach new markets.

Recognizing the opportunities in the international market, Best Buy expanded into Canada in 2002, followed by China in 2007 and Europe in 2009. In each case, Best Buy bought existing electronics stores to gain an immediate presence in those countries and, in doing so, gained valuable knowledge about local consumers. Where other businesses had failed in their attempts to expand internationally,

Best Buy knew to avoid an “if it works here, it can work there” approach to international expansion. Rather than rebranding each store, Best Buy strategically kept the names of the stores it acquired, using the market strength of each as a foundation while expanding product offerings with Best Buy-branded products.

Thus, Canadian consumers purchase Best Buy merchandise at Future Shop, while Chinese consumers shop at Jiangsu Five Star. Best Buy's consolidated income statement includes the total sales from each of its brands: Best Buy, Audiovisions, The Carphone Warehouse, Future Shop, Geek Squad, Jiangsu Five Star, Magnolia Audio Video, Napster, Pacific Sales, The Phone House, and Speakeasy.

Any corporation that buys another business faces many challenges. One challenge involves the accounting system. Will the purchased business be allowed to retain its own accounting system? Or will the corporation require the purchased business to adopt its accounting system?

Critical Thinking



1. Discuss Best Buy's strategy of maintaining local brands. What impact do you think this strategy would have on employees of an acquired business?
2. What accounting problems might exist in combining the accounting systems of two businesses?

Accounting for Sales and Cash Receipts: Key Terms

- selling price
- markup
- accounts receivable ledger
- sales tax
- sales journal
- cash sale
- point-of-sale (POS) terminal
- terminal summary
- batch report
- batching out
- cash receipts journal
- sales discount
- schedule of accounts receivable

Chapter 10: Accounting for Sales and Cash Receipts: Lesson 10-1: Accounting for Sales on Account

Lesson 10-1: Accounting for Sales on Account

Subsidiary Ledgers and Controlling Accounts LO1

Subsidiary Ledger Form

Sales Tax LO2

Sales Journal

Sales Invoice

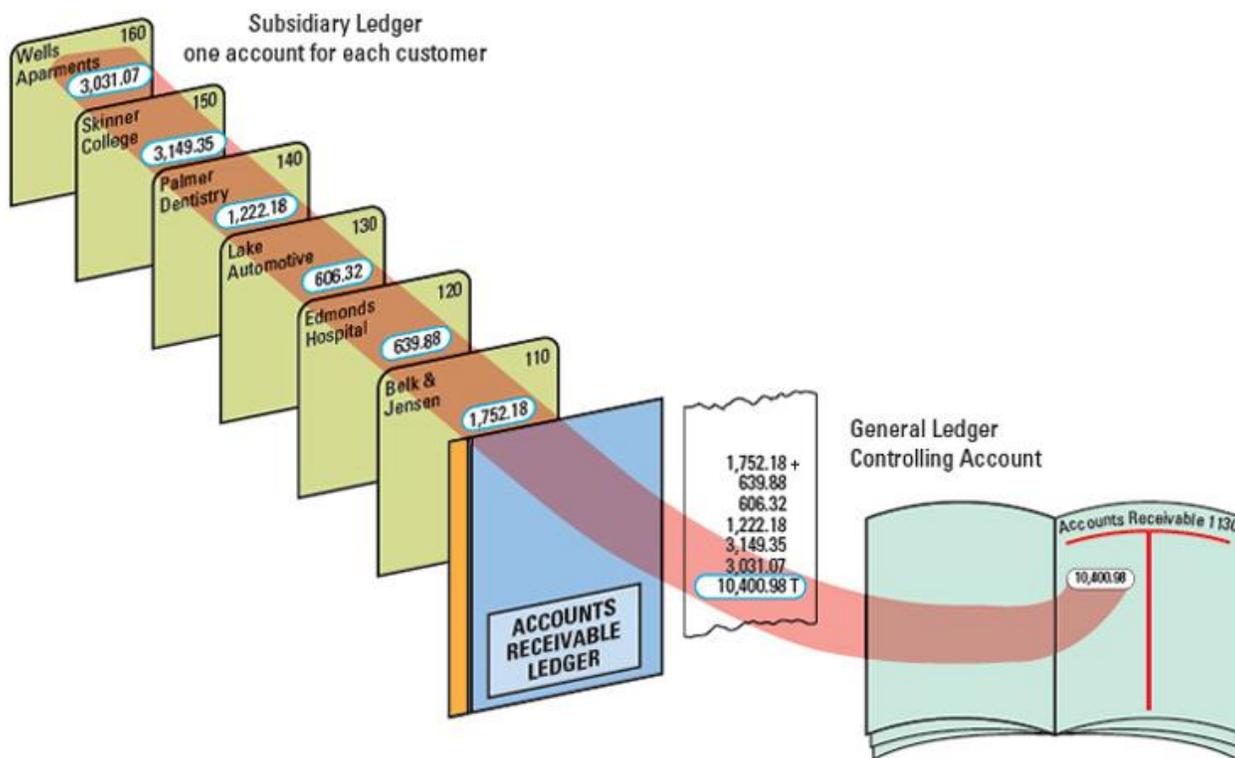
Sale on Account

End of Lesson Review

LO1 Explain the relationship between the accounts receivable ledger and its controlling account.

LO2 Record sales on account using a sales journal.

Subsidiary Ledgers and Controlling Accounts LO1



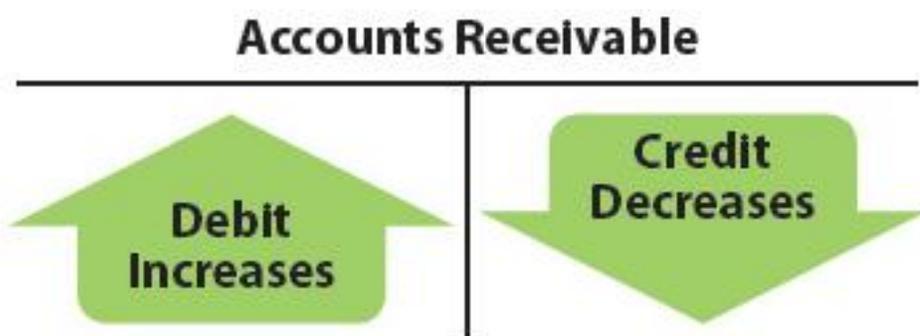
A merchandising business gets its revenue from the sale of merchandise. The amount a business receives from the sale of an item of merchandise is called the **selling price**. For a business to survive and grow, it must earn a profit. The amount a business adds to the cost of merchandise to establish

the selling price is called **markup** . (Cost of merchandise + Markup = Selling price.) The share of total revenue that results from the markup is what covers all the expenses of the business and returns a profit to the owners.

A sale of merchandise may be (1) on account or (2) for cash. Regardless of when payment is received, the revenue should be recorded when a sale is made, not on the date cash is received. [CONCEPT: Realization of Revenue] For example, on June 15, ThreeGreen sold merchandise on account to a customer. The customer paid ThreeGreen for the merchandise on July 9. ThreeGreen records the revenue on June 15, the date of the sale.

Delgado Web Services, the business in Part 1, used general ledger accounts to record transactions with each charge customer. This method is not practical for a business having a large number of customers. Like most businesses, ThreeGreen maintains a subsidiary ledger for its receivables. An **accounts receivable ledger** is a subsidiary ledger containing all accounts for charge customers. The total amount owed by these customers equals the balance in the controlling account, Accounts Receivable. An accurate accounts receivable ledger provides a business with the information necessary to ensure the collection of money owed the business while maintaining good relations with its charge customers.

Accounts Receivable, an asset account, is increased by a debit and decreased by a credit, so it has a normal debit balance.



Although any numbering scheme can be used, ThreeGreen uses three-digit numbers for its accounts receivable ledger. The first digit identifies the division of the chart of accounts where the

controlling account appears. The second two digits are unique to the customer. For example, the customer number for Skinner College is 150. The first digit, 1, shows that the controlling account, Accounts Receivable, is an asset. The second and third digits, 50, are the unique number assigned to Skinner College. Accounts in the subsidiary ledgers can be located by either number or name.

Subsidiary Ledger Form

The diagram illustrates the layout of a Subsidiary Ledger Form. It consists of two ledger pages. The top page is for a customer, Skinner College, with account number 150. The bottom page is for the Accounts Receivable account, with account number 1130. Red arrows and numbers 1 through 6 point to specific fields in the ledger entries:

- 1: Account Name (Skinner College)
- 2: Account Number (150)
- 3: Date (Nov. 1)
- 4: "Balance" (Item description)
- 5: Check Mark (Post. Ref. column)
- 6: Account Balance (3 0 6 0 95)

The accounts receivable ledger form is based on the general ledger form and contains the same columns, except the Credit Balance amount column. Because Accounts Receivable has a normal debit balance, the accounts receivable ledger form does not require a Credit Balance column. On November 1, ThreeGreen prepared a new page for Skinner College in the accounts receivable ledger, showing the account balance was \$3,060.95.

Starting a New Page in a Subsidiary Ledger

- 1 Write the account name, Skinner College.
- 2 Write the account number, 150.
- 3 Write the date, 20--, Nov. 1, in the Date column.
- 4 Write the word Balance in the Item column.
- 5 Place a check mark in the Post. Ref. column to show that the amount has been carried forward from a previous page rather than posted from a journal.
- 6 Write the balance, \$3,060.95, in the Debit Balance column.

Sales Tax LO2

ThreeGreen sells merchandise to a variety of customers, including individuals, businesses, schools, and churches. ThreeGreen uses the special journals described in this chapter to record transactions related to sales.

Laws of most states and some cities require that a tax be collected from customers for each sale made. A tax on a sale of merchandise or services is called a **sales tax**. Sales tax rates are usually stated as a percentage of sales. Regardless of the tax rates used, accounting procedures are the same.

Businesses must file reports with the proper government agency and pay the amount of sales tax collected. Every business collecting a sales tax needs accurate records of the amount of (1) total sales and (2) total sales tax collected. The amount of sales tax collected is a business liability until paid to the government agency. Therefore, the sales tax amount is recorded in a separate liability account titled Sales Tax

Payable. Sales

Tax Payable is increased by a credit and decreased by a debit, so it has a normal credit balance.



A state can choose to exempt from sales taxes some types of merchandise or sales to certain types of customers. For example, a sale of merchandise to a business that expects to resell the merchandise to its customers is normally exempt from sales tax. Only the final consumer of a product is normally required to pay sales tax. Some other common exemptions are:

3. Sales of necessities such as food, medicines, and clothing
4. Sales to nonprofit organizations such as schools, churches, and government agencies

Sales Journal

SALES JOURNAL											PAGE	
DATE	ACCOUNT DEBITED	SALE NO.	POST. REF.	1			2			3		
				ACCOUNTS RECEIVABLE DEBIT	SALES CREDIT	SALES TAX PAYABLE CREDIT						
1												1
2												2
3												3

A **sales journal** is a special journal used to record only sales of merchandise on account. ThreeGreen uses a sales journal to record all sales of merchandise on account transactions.

The special amount columns in this sales journal are Accounts Receivable Debit, Sales Credit, and Sales Tax Payable Credit. With these special amount columns, each sale on account transaction can be recorded on one line of the sales journal.

Sales Invoice

When merchandise is sold on account, the seller prepares an invoice to document the sale. An invoice is a form that describes the goods or services sold, the quantity and the price, and the terms of the sale.

[CONCEPT: Objective Evidence] The invoice used as a source document for recording a sale on account is often

referred to as a sales invoice, a sales ticket, or a sales slip. While the seller considers an invoice for a sale on account to be a sales invoice, the same invoice is considered by the customer to be a purchase invoice.

Mary Prisock uses a template in an electronic spreadsheet to prepare ThreeGreen's sales invoices. She prints two copies of each sales invoice. The original copy is given to the customer. The second copy is used as the source document for the sale on account transaction. Sales invoices are numbered in sequence. Number 498 is the number of the sales invoice issued to Wells Apartments.

SALES INVOICE

ThreeGreen Products, Inc.

1501 Commerce Street
Carlisle, PA 17013
717-555-4868

No. 498
Date: 11/4/--
Customer ID: 160
Terms: 2/10, n/30

To:

Wells Apartments
67 W. South Street
Carlisle, PA 17013
717-555-8490

Quantity	Item #	Description	Unit Price	Line Total
10	P-158	Copy paper, 10-pack box	\$25.49	\$254.90
40	B-100	100 watt incandescent light bulbs	4.99	199.60
			Subtotal	\$454.50
			Sales Tax	27.27
			Total	\$481.77



ThreeGreen operates in a state with a 6% sales tax rate. The total amount of the sale of merchandise in the invoice above is calculated as shown on page 288.

Sale on Account

ThreeGreen sells on account only to businesses that have previously applied and

SALES JOURNAL										PAGE 11						
DATE		ACCOUNT DEBITED	SALE NO.	POST. REF.	ACCOUNTS RECEIVABLE DEBIT		SALES CREDIT		SALES TAX PAYABLE CREDIT							
1	Nov. 4	Wells Apartments	498		4	8	1	77	4	5	4	50	2	7	27	1
2																2
3																3

Date 1 Customer Name 2 Sales Invoice Number 3 Total Amount Owed by Customer 4 Sales 5 Sales Tax 6

been approved to purchase on account. Other customers must either pay cash or use a credit or debit card.

November 4. Sold merchandise on account to Wells Apartments, \$454.50, plus sales tax, \$27.27; total, \$481.77. Sales Invoice No. 498.

A sale on account transaction increases the amount to be collected later from a customer. Payment for this sale will be received at a later date. However, the sale is recorded at the time the sale is made because the sale has taken place and payment is due to ThreeGreen. [CONCEPT: Realization of Revenue]

Accounts Receivable	
↑	481.77
Sales	
	↑ 454.50
Sales Tax Payable	
	↑ 27.27

Accounts Receivable is increased with a debit, so it is debited for the total amount of the sale plus sales tax, \$481.77, to show the increase in this asset account. Sales increases with a credit; therefore, Sales is credited for the price of the goods, \$454.50, to show the increase in this revenue account. Sales Tax Payable also increases with a credit, so a credit to Sales Tax Payable for the amount of sales tax, \$27.27, increases this liability

account.

The debit and credit amounts are recorded in special amount columns. So, writing the titles of the general ledger accounts in the

Debited column is not necessary.

However, the name of the customer is written in the Account Debited column to show who owes the amount.

Some states exempt schools and nonprofit organizations from paying

A sale to a tax-exempt organization would be recorded using the same amount in the Sales Credit and Accounts Receivable Debit columns. No amount would be entered in the Sales Tax Payable Credit column.

$$\begin{array}{rclclcl} \text{Price of} & & \text{Sales Tax} & & \text{Sales} & & \\ \text{Goods} & \times & \text{Rate} & = & \text{Tax} & & \\ \$454.50 & \times & 6\% & = & \$27.27 & & \end{array}$$

$$\begin{array}{rclclcl} \text{Price of} & & \text{Sales Tax} & & \text{Total} & & \\ \text{Goods} & + & & = & \text{Amount} & & \\ \$454.50 & + & \$27.27 & = & \$481.77 & & \end{array}$$

Account



other sales tax.

Journalizing a Sale on Account

- 1 Write the date, 20--, Nov. 4, in the Date column.
- 2 Write the account name, Wells Apartments, in the Account Debited column.
- 3 Write the sales invoice number, 498, in the Sale No. column.
- 4 Write the total amount owed by the customer, \$481.77, in the Accounts Receivable Debit column.
- 5 Write the sales amount, \$454.50, in the Sales Credit column.
- 6 Write the sales tax amount, \$27.27, in the Sales Tax Payable Credit column.

End of Lesson Review

LO1 Explain the relationship between the accounts receivable ledger and its controlling account.

LO2 Record sales on account using a sales journal.

Terms Review

- selling
- price
- markup
- accounts receivable ledger
- sales tax
- sales journal

Audit Your Understanding

1. How are selling price and markup related?
2. What is the relationship between the accounts receivable ledger and its controlling account?
3. What column on a general ledger form is not on an accounts receivable ledger form?
4. What is the title of the general ledger account used to summarize the total amount due from all charge customers?
5. How are sales tax rates usually stated?
6. Why is sales tax collected considered a liability?

Work Together 10-1

Accounting for sales on account

The sales journal and accounts receivable ledger forms for Classic Appliances are given in the Working Papers. Your instructor will guide you through the following examples. Save your work to complete Work Together 10-2.

1. Start a new page for an accounts receivable ledger account for Venice Café. The account number is 120, and the balance on September 1 of the current year is \$390.34.
2. Using the current year, journalize the following transactions on page 9 of the sales journal. Classic Appliances operates in a state with a 6% sales tax. The sales invoice source document is abbreviated as S.

Transactions:

Sept. 2. Sold merchandise on account to Lenny Stanford, \$1,600.00, plus sales tax. S221.

6. Sold merchandise on account to Washington City Schools, \$680.00. Washington City Schools is exempt from sales taxes. S222.

7. Sold merchandise on account to Venice Café, \$2,560.00, plus sales tax. S223.

15. Sold merchandise on account to Washington City Schools, \$1,849.00. S224.

On Your Own 10-1

Accounting for sales on account

The sales journal and accounts receivable ledger forms for Johnston Supplies are given in the Working Papers. Work this problem independently. Save your work to complete On Your Own 10-2.

1. Start a new page for an accounts receivable ledger account for Kelly Diller. The account number is 110, and the balance on June 1 of the current year is \$185.00.
2. Using the current year, journalize the following transactions on page 6 of the sales journal. Johnston Supplies operates in a state with a 6% sales tax. The sales invoice source document is abbreviated as S.

Transactions:

June 2. Sold merchandise on account to Kelly Diller, \$750.00, plus sales tax. S340.

9. Sold merchandise on account to FJT Plumbing, \$265.00, plus sales tax. S341.

14. Sold merchandise on account to Roberts College, \$692.00. Roberts College is exempt from sales taxes. S342.

16. Sold merchandise on account to FJT Plumbing, \$3,480.00, plus sales tax. S343.

Ethics in Action: Sharing the News

Instructions

The plant manager was somber as he announced the news to his three department managers. “Corporate headquarters has just informed me that this plant is going to be closed.” Pausing to let the managers absorb the bad news, he continued, “The four of us have been offered positions in the new plant overseas. We have 30 days to quietly get this plant ready to close. The employees will learn about it when they report to work on closing day. Corporate has authorized us to give them two weeks' severance pay and free enrollment in a trade school. Have their checks ready on that day.”

Phillip Walters, human resources manager, left the meeting and went straight to the phone to call his wife. “Corporate just informed us they're closing the plant. They're going to make the announcement in a month. I'll be able to keep my job if we're willing to move overseas.”

Instructions

Access the Code of Business Conduct of The Dow Chemical Company at http://www.dow.com/company/aboutdow/code_conduct/ethics_conduct.htm . Using this information and the ethical model, determine whether Phillip acted ethically by informing his wife of the impending plant closing.

Chapter 10:Accounting for Sales and Cash Receipts: Lesson 10-2: Posting from a Sales Journal

Lesson 10-2: Posting from a Sales Journal

Posting from a Sales Journal to an Accounts Receivable Ledger LO3

Totaling, Proving, and Ruling a Sales Journal

Posting Totals of a Sales Journal to a General Ledger

End of Lesson Review

LO3 Post sales on account to an accounts receivable ledger and a general ledger.

Posting from a Sales Journal to an Accounts Receivable Ledger LO3

SALES JOURNAL												PAGE 11				
DATE		ACCOUNT DEBITED	SALE NO.	POST. REF.	ACCOUNTS RECEIVABLE DEBIT			SALES CREDIT			SALES TAX PAYABLE CREDIT					
1	Nov. 4	Wells Apartments	498	160	4	8	1	77	4	5	4	50	2	7	27	1
2																2
3																3

DATE		ITEM	POST. REF.	DEBIT	CREDIT	DEBIT BALANCE
Nov. 1		Balance				1 9 8 0 50
4			S11	4 8 1 77		2 4 6 2 27

The only significant difference between the accounts payable and accounts receivable ledger forms is the column head above the balance column. The accounts payable ledger form has a Credit Balance column, while the accounts receivable ledger form shown above has a Debit Balance column. Because the ledger forms are similar, the process of posting transactions to the ledger forms is also similar.

A business should post sales transactions frequently to the accounts receivable ledger so that each customer account will show an up-to-date balance.

Posting from a Sales Journal to an Accounts Receivable Ledger

- 1 Write the date, 4, in the Date column of the account.
- 2 Write the sales journal page number, S11, in the Post. Ref. column of the account. S is the abbreviation used for the sales journal.
- 3 Write the debit amount, \$481.77, in the Debit column of the customer account.
- 4 Add the amount in the Debit column to the previous balance in the Debit Balance column ($\$1,980.50 + \$481.77 = \$2,462.27$). Write the new account balance, \$2,462.27, in the Debit Balance column.

5 Write the customer number, 160, in the Post. Ref. column of the sales journal.

Totaling, Proving, and Ruling a Sales Journal

At the end of each month, ThreeGreen totals, proves, and rules its sales journal. The proof for ThreeGreen's sales journal is calculated below.

SALES JOURNAL											PAGE 11								
DATE		ACCOUNT DEBITED	SALE NO.	POST. REF.	ACCOUNTS RECEIVABLE DEBIT			SALES CREDIT			SALES TAX PAYABLE CREDIT								
1	Nov. 4	Wells Apartments	498		4	8	1	77	4	5	4	50	2	7	27	1			
2	5	Skinner College	499		1	9	0	8	00	1	9	0	8	00		2			
3	9	Lake Automotive	500		6	0	6	32	5	7	2	00	3	4	32	3			
4	11	Palmer Dentistry	501		7	6	8	50	7	2	5	00	4	3	50	4			
5	16	Belk & Jensen	502		1	7	5	2	18	1	6	5	3	00	9	9	18	5	
6	19	Wells Apartments	503		2	5	4	9	30	2	4	0	5	00	1	4	4	30	6
7	24	Edmonds Hospital	504		1	6	7	48	1	5	8	00	9	48		7			
8	24	Skinner College	505		3	3	4	00	3	3	4	00				8			
9	29	Palmer Dentistry	506		4	5	3	68	4	2	8	00	2	5	68	9			
10	30	Totals			9	0	2	1	23	8	6	3	7	50	3	8	3	73	10

The two totals, \$9,021.23, are equal. Equality of debits and credits in ThreeGreen's sales journal for November is proved.

Totaling and Ruling a Sales Journal

- 1 Rule a single line across all amount columns directly below the last entry to indicate that all the columns are to be added.
- 2 On the next line, write the date, 30, in the Date column.
- 3 Write the word Totals in the Account Debited column.
- 4 Write each column total below the single rule.
- 5 Rule double lines across all amount columns to show that the totals have been verified as correct.

Column Title	Debit Totals	Credit Totals
Accounts Receivable Debit	\$9,021.23	
Sales Credit		\$8,637.50
Sales Tax Payable Credit		383.73
Totals	<u>\$9,021.23</u>	<u>\$9,021.23</u>



Posting Totals of a Sales Journal to a General Ledger

SALES JOURNAL										PAGE 11					
DATE	ACCOUNT DEBITED	SALE NO.	POST. REF.	1 ACCOUNTS RECEIVABLE DEBIT				2 SALES CREDIT			3 SALES TAX PAYABLE CREDIT				
9 29	Palmer Dentistry	506		4	5	3	68	4	2	8	00	2	5	68	9
10 30	Totals			9	0	2	1 23	8	6	3	7 50	3	8	3 73	10
11				(1130)				(4110)			(2120)		11		

ACCOUNT Accounts Receivable										ACCOUNT NO. 1130	
DATE	ITEM	POST. REF.	DEBIT				CREDIT			BALANCE	
										DEBIT	CREDIT
Nov. 1	Balance	✓								13	0 2 1 05
30		S11	9	0	2	1 23				22	0 4 2 28

ACCOUNT Sales										ACCOUNT NO. 4110	
DATE	ITEM	POST. REF.	DEBIT				CREDIT			BALANCE	
										DEBIT	CREDIT
Nov. 1	Balance	✓								485	1 9 6 31
30		S11					8	6	3 7 50	493	8 3 3 81

ACCOUNT Sales Tax Payable										ACCOUNT NO. 2120	
DATE	ITEM	POST. REF.	DEBIT				CREDIT			BALANCE	
										DEBIT	CREDIT
Nov. 1	Balance	✓									3 7 2 37
15		CP21	3	7	2	37					
30		S11					3	8	3 73	3	8 3 73

Posting Special Amount Columns of a Sales Journal

- 1 Write the date, 30, in the Date column of the accounts.
- 2 Write the sales journal page number, S11, in the Post. Ref. column of the accounts.
- 3 For each special amount column and account, write the column total in the Debit or Credit column of the related account.
- 4 For each account, calculate and write the new account balance in the Balance Debit or Credit column.
- 5 In the sales journal, write the general ledger account number in parentheses below each special amount column total.

End of Lesson Review

LO3 Post sales on account to an accounts receivable ledger and a general ledger.

Audit Your Understanding

1. Which accounts are impacted, and how, by the posting of the special columns of a sales journal?
2. List the five steps for posting transactions to accounts receivable ledger forms.

Work Together 10-2

Posting from a sales journal

Use the sales journal and accounts receivable ledger forms for Work Together 10-1. Selected general ledger accounts for Classic Appliances are given in the Working Papers. Your instructor will guide you through the following examples. Save your work to complete Work Together 10-4.

1. Post the transactions from the sales journal to the accounts receivable ledger.
2. Total, prove, and rule the sales journal.
3. Post the sales journal to the general ledger.

On Your Own 10-2

Posting from a sales journal

Use the sales journal and accounts receivable ledger forms for On Your Own 10-1. Selected general ledger accounts for Johnston Supplies are given in the Working Papers. Work this problem independently. Save your work to complete On Your Own 10-4.

1. Post the transactions from the sales journal to the accounts receivable ledger.
2. Total, prove, and rule the sales journal.
3. Post the sales journal to the general ledger.

Chapter 10: Accounting for Sales and Cash Receipts: Lesson 10-3: Accounting for Cash and Credit Card Sales

Lesson 10-3: Accounting for Cash and Credit Card Sales

Processing Sales Transactions LO4

Processing Credit Cards

Cash Receipts Journal

Cash and Credit Card Sales

Cash Receipts on Account LO5

Calculating Cash Receipts on Account with Sales Discount

Journalizing Cash Receipts on Account with Sales Discounts

End of Lesson Review

LO4 Record cash and credit card sales using a cash receipts journal.

LO5 Journalize cash receipts on account using a cash receipts journal.

Processing Sales Transactions LO4



A sale in which the customer pays for the total amount of the sale at the time of the transaction is called a **cash sale**. ThreeGreen accepts cash, credit cards, and debit cards.

TERMINAL SUMMARY	
ThreeGreen Products, Inc.	
Code:	35
Date:	11/4/--
Time:	19:34
VISA	033
Sales	689.40
Sales Tax	41.36
Total	<u>730.76</u>
MasterCard	029
Sales	784.60
Sales Tax	47.08
Total	<u>831.68</u>
Debit Cards	063
Sales	2,184.50
Sales Tax	131.07
Total	<u>2,315.57</u>
Cash	162
Sales	2,621.50
Sales Tax	157.29
Total	<u>2,778.79</u>
Totals	
Sales	6,280.00
Sales Tax	376.80
Total	<u>6,656.80</u>

Credit card and debit card sales are treated as cash sales because the business receives its cash in a very short time. A specialized computer used to collect, store, and report all the information about a sales transaction is called a **point-of-sale (POS) terminal** . Before any sale is entered, the number, description, price, and quantity on hand of each item of merchandise are stored in the POS terminal. When processing a sale, the sales clerk uses a scanning device to scan the Universal Product Code (UPC) symbol on the item.

The POS terminal matches the number represented by the UPC symbol with the merchandise number to obtain the description and price of the merchandise. When all the merchandise has been scanned, the sales clerk enters the customer's method of payment. For a cash sale, the sales clerk enters the amount of cash given by the customer, and the POS terminal computes the amount of change. For credit and debit card sales, the customer swipes the card in the card scanner and identifies whether the card is a credit or debit card. The POS system produces a receipt that contains detailed information about the sale.

Periodically, ThreeGreen instructs the POS terminal to print a report of all sales. The report that summarizes the cash and credit card sales of a point-of-sale terminal is called a **terminal summary** . A terminal summary is also known as a Z tape.

ThreeGreen uses the terminal summary as the source document for recording sales in its journals. [CONCEPT: Objective Evidence] At any time, the POS system can produce a variety of reports to help management make decisions. For example:

1. A report of sales by sales clerk would assist management to analyze a sales clerk's efficiency.
2. A report of sales by time of day would assist management in scheduling sales clerks to match busy periods.
3. A report of the average sale amount would enable management to track customer buying habits.

Processing Credit Cards

Using a credit card will produce a different outcome for a consumer than using a debit card, but merchandising businesses

BATCH REPORT	
MERCHANT:	02984893 155
TERMINAL:	934844
DATE:	11/4/-- 19:35
BATCH:	37
VISA	
COUNT	033
SALES	743.01
RETURNS	12.25
NET	<u>730.76</u>
MASTERCARD	
COUNT	029
SALES	869.83
RETURNS	38.15
NET	<u>831.68</u>
DEBIT CARDS	
COUNT	063
SALES	2,320.87
RETURNS	5.30
NET	<u>2,315.57</u>
TOTALS	
COUNT	125
SALES	3,933.71
RETURNS	55.70
NET	<u>3,878.01</u>
CONTROL NUMBER: 0934849534	

cash receipts journal. Since all cash receipt transactions affect Cash, a special column is provided for this general ledger account. In addition, ThreeGreen has many cash receipt transactions affecting Accounts Receivable, Sales, and Sales Tax Payable. Therefore, special columns are provided in ThreeGreen's cash receipts journal for these general ledger accounts.

To encourage early payment, ThreeGreen allows some customers who purchase merchandise on account to take a deduction from the invoice amount. A cash discount on a sale taken by the customer is called a **sales discount**. When a sales discount is taken, the customer pays less than the invoice amount previously recorded in Accounts Receivable. Sales discounts reduce the amount of cash ThreeGreen receives on sales on account. Because customers often take these discounts, ThreeGreen's cash receipts journal has a special column titled Sales Discount Debit. Cash receipts that do not occur often are recorded in the General columns.

Cash and Credit Card Sales

CASH RECEIPTS JOURNAL											PAGE 11
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT	
				DEBIT	CREDIT						
1 29-Nov. 4	✓	TS35	✓				6 280 00	3 76 80		6 656 80	1
2											2
3											3

① Date
 ② Check Mark
 ③ Terminal Summary Number
 ④ Check Mark
 ⑤ Sales
 ⑥ Sales Tax Payable
 ⑦ Cash

At the end of each week, ThreeGreen batches out and prints a terminal summary, which is assigned a sequential number by the POS terminal. The terminal summary serves as the source document for weekly cash and credit card sales transactions. The total of the terminal summary is recorded as a single cash sale transaction. ThreeGreen also batches out and prints a terminal summary at the end of each month so the company can analyze its monthly sales.

November 4. Recorded cash and credit card sales, \$6,280.00, plus sales tax, \$376.80; total, \$6,656.80. Terminal Summary 35.

Cash	
↑ 6,656.80	
Sales	
	↑ 6,280.00
Sales Tax Payable	
	↑ 376.80

Management is responsible for determining how often the business should batch out, deposit cash, and record sales in the sales journal. Most businesses perform these tasks at the end of every business day. (The weekly processing demonstrated in this textbook was selected to simplify the textbook illustrations and problems.)

The cash from sales, \$2,778.79, as shown on the terminal summary, is

deposited directly in the bank. The cash from credit card sales is received two or three days later when CreditCorp transfers \$3,878.01 to ThreeGreen's account at American Bank. The two deposits equal the total sales reported on the terminal summary.



$$\begin{array}{r}
 \text{Cash} \\
 \text{Sales}
 \end{array}
 +
 \begin{array}{r}
 \text{Credit} \\
 \text{Card Sales}
 \end{array}
 =
 \begin{array}{r}
 \text{Total} \\
 \text{Sales}
 \end{array}$$

$$\$2,778.79 + \$3,878.01 = \$6,656.80$$

Because Cash is increased by a debit, Cash is debited for the total sales and sales tax, \$6,656.80, to show the increase in this asset account. The Sales account is increased by a credit, so Sales is credited for the total price of all goods sold, \$6,280.00, to show the increase in this revenue account. The Sales Tax Payable account is also increased by a credit. Therefore, Sales Tax Payable is credited for the total sales tax, \$376.80, to show the increase in this liability account.

Journalizing Cash and Credit Card Sales

1 Write the date, 20--, Nov. 4, in the Date column.

2 Place a check mark in the Account Title column to show that no account title needs to be written. The debit and credit amounts will be recorded in special amount columns.

3 Write the terminal summary document number, TS35, in the Doc. No. column.

4 Place a check mark in the Post. Ref. column to show that amounts on this line are not to be posted individually.

5 Write the sales amount, \$6,280.00, in the Sales Credit column.

6 Write the sales tax amount, \$376.80, in the Sales Tax Payable Credit column.

7 Write the cash amount, \$6,656.80, in the Cash Debit column.

Cash Receipts on Account LO5

CASH RECEIPTS JOURNAL											PAGE 11
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT	
				DEBIT	CREDIT						
4	Edmonds Hospital	R610				2 5 1 6 8 0				2 5 1 6 8 0	

1 Date 2 Customer's Name 3 Receipt Number 4 Sales Invoice Amount 5 Cash Received

ThreeGreen prepares a receipt whenever cash is received on account from a customer. The receipts are prenumbered so that all receipts can be accounted for. Receipts are prepared in duplicate. The original receipt is given to the customer. The copy of the receipt is used as the source document for the cash receipt on account transaction. [CONCEPT: Objective Evidence]

November 4. Received cash on account from Edmonds Hospital, \$2,516.80, covering S448. Receipt No. 610.



Merchants are

Cash	
↑ 2,516.80	
Accounts Receivable	
	↓ 2,516.80

charged a fee every time a customer pays with a credit card. The fee can be a combination of a percent of the transaction and a charge per transaction. The fee is negotiated between the merchant and the business contracted to process the transactions. For example, a company having a 2% plus \$0.20 per transaction fee would pay a \$2.20 fee on a \$100.00 sale. For this reason, some merchants offer discounts to customers who pay cash.

A transaction in which cash is received on account will increase the balance in Cash and decrease the future amount to be collected from the customer, so the balance in Accounts Receivable decreases. Cash is debited for the amount of cash received, \$2,516.80, to show the increase in this asset account, and Accounts Receivable is credited for \$2,516.80 to show the decrease in this asset account.

Journalizing Cash Receipts on Account

1 Write the date, 4, in the Date column.

2 Write only the account name, Edmonds Hospital, in the Account Title column. The debit and credit amounts are entered in special amount columns. Therefore, the titles of the two general ledger accounts do not need to be written in the Account Title column.

3 Write the receipt number, R610, in the Doc. No. column.

4 Write the credit amount, \$2,516.80, in the Accounts Receivable Credit column.

5 Write the debit amount, \$2,516.80, in the Cash Debit column.

Calculating Cash Receipts on Account with Sales Discount

ThreeGreen offers credit terms of 2/10, n/30 to selected customers. When a customer pays the amount owed within ten days, ThreeGreen records a 2% sales discount. If the discount is not taken, the net amount is due in 30 days.

On October 27, ThreeGreen sold merchandise on account to Palmer Dentistry for \$1,450.00. On November 5, ThreeGreen received payment for this sale on account within the discount period. Because it made the payment within the discount period, Palmer Dentistry was entitled to deduct 2% from the \$1,450.00 it owed.



$$\begin{array}{rcl}
 \text{Sales Invoice Amount} & \times & \text{Sales Discount Rate} \\
 \$1,450.00 & \times & 2\% \\
 \hline
 & = & \text{Sales Discount} \\
 & = & \$29.00
 \end{array}$$

Journalizing Cash Receipts on Account with Sales Discounts

CASH RECEIPTS JOURNAL										PAGE 11
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT
				DEBIT	CREDIT					
5	Palmer Dentistry	R611				1 450 00			29 00	1 421 00

1 Date 2 Customer's Name 3 Receipt Number 4 Original Sales Amount 5 Sales Discount 6 Cash Received

Sales discounts are recorded in a general ledger account titled Sales Discount. Since sales discounts decrease sales, Sales Discount is a contra account to Sales and has a normal debit balance.

A business could debit Sales for the amount of the sales discount. However, better information is provided to management if these amounts are debited to Sales Discount. It enables business



November 5. Received cash on account from Palmer Dentistry, \$1,421.00, covering Sales Invoice No. 462 for \$1,450.00, less 2% discount, \$29.00. Receipt No. 611.

Cash	
↑ 1,421.00	
Accounts Receivable	
	↓ 1,450.00
Sales Discount	
↑ 29.00	

If a customer does not pay the amount owed within the discount period, the full invoice amount is due. If Palmer Dentistry had not taken advantage of the discount, the journal entry would be a debit to Cash, \$1,450.00, and a credit to Accounts Receivable, \$1,450.00.

Journalizing Cash Receipts on Account with Sales Discounts

1 Write the date, 5, in the Date column.

2 Write the customer's name, Palmer Dentistry, in the Account Title column.

3 Write the receipt number, R611, in the Doc. No. column.

4 Write the original invoice amount, \$1,450.00, in the Accounts Receivable Credit column.

5 Write the amount of sales discount, \$29.00, in the Sales Discount Debit column.

6 Write the amount of cash received, \$1,421.00, in the Cash Debit column.

End of Lesson Review

LO4 Record cash and credit card sales using a cash receipts journal.

LO5 Journalize cash receipts on account using a cash receipts journal.

Terms Review

- cash sale
- point-of-sale (POS) terminal
- terminal summary
- batch report
-
- batching out
- cash receipts journal
- sales discount

Audit Your Understanding

1. How does a POS terminal determine the price of an item?
2. What are the two types of batch reports?
3. What is meant by 2/10, n/30 credit terms?

Work Together 10-3

Accounting for cash and credit card sales

The cash receipts journal for Classic Appliances is given in the Working Papers. Your instructor will guide you through the following examples. Save your work to complete Work Together 10-4.

Using the current year, journalize the following transactions on page 9 of the cash receipts journal. Source documents are abbreviated as follows: receipt, R; terminal summary, TS.

Transactions:

Sept. 3. Received cash on account from Lenny Stafford covering S216, \$2,189.36, less 2% discount. R264.

6. Recorded cash and credit card sales, \$5,326.30, plus sales tax, \$298.15; total, \$5,624.45. TS38.

8. Received cash on account from Venice Café covering S218 for \$390.34, less 2% discount. R265.

20. Recorded cash and credit card sales, \$5,624.45, plus sales tax, \$320.59; total, \$5,945.04. TS39.

28. Received cash on account from Washington City Schools covering S199 for \$1,509.45. R266.

On Your Own 10-3

Accounting for cash and credit card sales

The cash receipts journal for Johnston Supplies is given in the Working Papers. Work this problem

independently. Save your work to complete On Your Own 10-4.

Using the current year, journalize the following transactions on page 6 of the cash receipts journal. Source documents are abbreviated as follows: receipt, R; terminal summary, TS.

Transactions:

June 3. Received cash on account from Kelly Diller, covering S330 for \$185.00, less 2% discount. R408.

5. Recorded cash and credit card sales, \$2,583.00, plus sales tax, \$154.98; total, \$2,737.98. TS23.

7. Received cash on account from FJT Plumbing, covering S332 for \$2,989.20, less 2% discount. R409.

12. Received cash on account from Roberts College, \$381.60, covering S319. R410.

18. Recorded cash and credit card sales, \$3,825.30, plus sales tax, \$229.52; total, \$4,054.82. TS24.

Chapter 10: Accounting for Sales and Cash Receipts: Why Accounting?: Costs of Prisons

Why Accounting?: Costs of Prisons

Critical Thinking

As the jail and prison population continues to increase, government corrections systems are looking for the most cost-effective way to house inmates. Years ago, even small cities had their own jail. Each state had a prison system. Today, many corrections systems send inmates to private prisons, sometimes in other states.

The use of prisons owned by private companies benefits both parties. The government benefits by avoiding the cost of building new, larger prisons. The main benefit to the private company which houses the inmates is the economy of scale. That is, large, efficient prisons can be run more cost effectively than smaller ones. Also, even though privately owned, these facilities often benefit from government subsidies such as low-rate loans and infrastructure assistance.



Why would a community offer government assistance to a private company to build a large prison in its area? One reason is the jobs the facility brings to the community—both during construction and when the facility is operational. However, officials must also consider the costs of locating a prison in the community. Some studies show that a large prison in a community makes it less attractive to other (sometimes more profitable) industries and to families that might consider living there.

Critical Thinking



1. Prisonville is home to a large prison facility. Most of the prison employees live in Houseville, which is 20 miles away. Name one advantage and one disadvantage of this situation to Prisonville.
2. What factors should Houseville consider when deciding whether to build its own prison or to send its inmates to Prisonville?

Chapter 10: Accounting for Sales and Cash Receipts: Global Awareness: International Financial Reporting Standards

Global Awareness: International Financial Reporting Standards

Critical Thinking

In the United States, accounting rules and principles are called generally accepted accounting principles, or GAAP. All publicly held U.S. companies must follow these rules when preparing financial statements.

Historically, each country had its own set of rules and regulations, which had to be followed when preparing financial statements in that country. In earlier times, when most companies only operated in their own countries, this was not a problem. However, as international trade increased, an effort was made to develop a set of international accounting rules.

The International Accounting Standards Board (IASB) is responsible for the development and publication of International Financial Reporting Standards (IFRS, pronounced i-fers). Beginning in

1973, acceptance of international accounting standards was very slow. Only a few countries were willing to follow them.

Recently, the momentum has increased. Today, more than 110 countries allow businesses to use international accounting standards. The United States is slowly moving toward acceptance of IFRS. Currently, foreign private companies are allowed to prepare and issue financial statements in the United States following IFRS. In February 2010, the Securities and Exchange Commission (SEC) issued a release which stated, "... we continue to encourage the convergence of U.S. GAAP and IFRS and expect that the differences will become fewer and narrower over time...."

Someday, there may be one set of international accounting standards with which all countries will comply.

Critical Thinking



1. What problems do you think the IASB might encounter when attempting to develop one set of international accounting standards?
2. The AICPA hosts an IFRS Resources site at www.ifrs.com. Go to that website and research the progress of one new standard. Write a report summarizing your findings.

Source: Securities and Exchange Commission Release Nos. 33-9109; 34-61578 Commission Statement in Support of Convergence and Global Accounting Standards, dated February 24, 2010.

Chapter 10: Accounting for Sales and Cash Receipts: Lesson 10-4: Posting from a Cash Receipts Journal

Lesson 10-4: Posting from a Cash Receipts Journal

Posting from a Cash Receipts Journal to an Accounts Receivable Ledger LO6

Totaling, Proving, and Ruling a Cash Receipts Journal

Proving Cash at the End of a Month

Posting Special Amount Column Totals of a Cash Receipts Journal to a General Ledger

Completed Accounts Receivable Ledger

Proving the Accounts Receivable Ledger LO7

End of Lesson Review

LO6 Post cash receipts to an accounts receivable ledger and a general ledger.

LO7 Prepare a schedule of accounts receivable.

Posting from a Cash Receipts Journal to an Accounts Receivable Ledger LO6

CASH RECEIPTS JOURNAL											PAGE	11		
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT				
				DEBIT	CREDIT									
11	15	Lake Automotive	R608	130							381.60		381.60	11
12														12
13														13

CUSTOMER Lake Automotive				CUSTOMER NO. 130			
DATE	ITEM	POST. REF.	DEBIT	CREDIT	DEBIT BALANCE		
Nov. 1	Balance	✓			381.60		
9		SI11	606.32		987.92		
15		CR11		381.60	606.32		

Diagram annotations: 1 Date, 2 Journal Page Number, 3 Credit, 4 Account Balance, 5 Customer Number.

Each entry in the Accounts Receivable Credit column of the cash receipts journal is posted to the accounts receivable ledger account of the customer shown in the Account Title column. The updated accounts receivable ledger form provides a history of activity with the customer. If a customer questions a charge on an invoice or whether a payment was credited to its account, the posting references on the accounts receivable ledger form enable the company to locate the sales invoices and receipts supporting each transaction.

Posting from a Cash Receipts Journal to an Accounts Receivable Ledger

- 1 Write the date, 15, in the Date column of the account.
- 2 Write the cash receipts journal page number, CR11, in the Post. Ref. column of the account. CR is the abbreviation for the cash receipts journal.
- 3 Write the credit amount, \$381.60, in the Credit column of the customer account.
- 4 Subtract the amount in the Credit column from the previous balance in the Debit Balance column ($\$987.92 - \$381.60 = \$606.32$). Write the new balance, \$606.32, in the Debit Balance column.
- 5 Write the customer number, 130, in the Post. Ref. column of the cash receipts journal.

Totaling, Proving, and Ruling a Cash Receipts Journal

CASH RECEIPTS JOURNAL											PAGE 11	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT		
				DEBIT	CREDIT							
25	30 ✓	TS40	✓				3 184 00	19 104			3 375 04	25
26	30 Totals					11 641 30	43 119 33	2 381 46	72 25	57 069 84		26
27												27

The procedures for totaling, proving, and ruling a cash receipts journal are the same as the procedures described for ThreeGreen's sales journal. At the end of each month, equality of debits and credits is proved for a cash receipts journal. The proof for ThreeGreen's cash receipts journal for November is calculated as shown below. The two totals, \$57,142.09, are equal. Equality of debits and credits is proved.



Column Title	Debit Totals	Credit Totals
General Debit	—	
General Credit		—
Accounts Receivable Credit		\$11,641.30
Sales Credit		43,119.33
Sales Tax Payable Credit		2,381.46
Sales Discount Debit	\$ 72.25	
Cash Debit	57,069.84	
Totals	<u>\$57,142.09</u>	<u>\$57,142.09</u>

Proving Cash at the End of a Month

After the cash receipts journal is proved at the end of each month, cash is proved. ThreeGreen's cash proof at the end of November is calculated as shown. The balance on the next unused check stub is \$52,465.15. Since the balance on the next unused check stub is the



same as the cash proof, cash is proved.

Cash on hand at the beginning of the month	\$18,941.69
(Nov. 1 balance of general ledger cash account)	
Plus total cash received during the month.....	<u>57,069.84</u>
(Cash Debit column total, cash receipts journal)	
Equal total	\$76,011.53
Less total cash paid during the month.....	<u>23,546.38</u>
(Cash Credit column total, cash payments journal)	
Equals cash balance on hand at the end of the month	<u>\$52,465.15</u>
Checkbook balance on the next unused check stub.....	<u>\$52,465.15</u>

Posting Special Amount Column Totals of a Cash Receipts Journal to a General Ledger

CASH RECEIPTS JOURNAL											PAGE 11
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	SALES DISCOUNT DEBIT	CASH DEBIT	
				DEBIT	CREDIT						
25	30 ✓	TS40	✓				3 1 8 4 0 0	1 9 1 0 4		3 3 7 5 0 4	
26	30 Totals					11 6 4 1 3 0	43 1 1 9 3 3	2 3 8 1 4 6	7 2 2 5	5 7 0 6 9 8 4	
27						(1130)	(4110)	(2120)	(4120)	(1110)	

Date 1 Journal Number 2 Debit or Credit 3 Account Number 5

ACCOUNT Accounts Receivable						ACCOUNT NO. 1130
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20-Nov. 1	Balance	✓			13 0 2 1 0 5	
30		S11	9 0 2 1 2 3		22 0 4 2 2 8	
30		CR11		11 6 4 1 3 0	10 4 0 0 9 8	

4 Account Balance

ACCOUNT Sales						ACCOUNT NO. 4110
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20-Nov. 1	Balance	✓			485 1 9 6 3 1	
30		S11		8 6 3 7 5 0	493 8 3 3 8 1	
30		CR11	43 1 1 9 3 3		536 9 5 3 1 4	

ACCOUNT Sales Tax Payable						ACCOUNT NO. 2120
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20-Nov. 1	Balance	✓			29 1 0 4 1 7	
30		S11		3 8 3 7 3	29 4 8 7 9 0	
30		CR11	2 3 8 1 4 6		31 8 6 9 3 6	

ACCOUNT Sales Discount						ACCOUNT NO. 4120
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20-Nov. 1	Balance	✓			1 0 7 6 1 4	
30		CR11	7 2 2 5		1 1 4 8 3 9	

ACCOUNT Cash						ACCOUNT NO. 1110
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20-Nov. 1	Balance	✓			18 9 4 1 6 9	
21		CP21		11 2 7 7 1 0	7 6 6 4 5 9	
30		CR11	5 7 0 6 9 8 4		6 4 7 3 4 4 3	
30		CP23		1 2 2 6 9 2 8	5 2 4 6 5 1 5	

After cash is proved, the total of each special amount column is posted to the corresponding general ledger account.

Posting Special Amount Column Totals of a Cash Receipts Journal

- 1 Write the date, 30, in the Date column of each account.
- 2 Write the cash receipts journal page number, CR11, in the Post. Ref. column of each account. The abbreviation CR11 means page 11 of the cash receipts journal.
- 3 For each special amount column and account, write the special amount column total in the Debit or Credit column of the account.
- 4 For each account, calculate and write the new account balance in the Balance Debit or Credit column.
- 5 Return to the cash receipts journal and write the general ledger account number in parentheses below each special amount column total.

Completed Accounts Receivable Ledger

CUSTOMER Belk & Jensen

CUSTOMER NO. 110

DATE	ITEM	POST. REF.	DEBIT	CREDIT	DEBIT BALANCE
Nov. 1	Balance	✓			3 1 5 8 80
6		CR11		2 1 6 2 40	9 9 6 40
16		S11	1 7 5 2 18		2 7 4 8 58
29		CR11		9 9 6 40	1 7 5 2 18

CUSTOMER Edmonds Hospital

CUSTOMER NO. 120

DATE	ITEM	POST. REF.	DEBIT	CREDIT	DEBIT BALANCE
Nov. 1	Balance	✓			2 9 8 9 20
4		CR11		2 5 1 6 80	4 7 2 40
24		S11	1 6 7 48		6 3 9 88

CUSTOMER Lake Automotive

CUSTOMER NO. 130

DATE	ITEM	POST. REF.	DEBIT	CREDIT	DEBIT BALANCE
Nov. 1	Balance	✓			3 8 1 60
9		S11	6 0 6 32		9 8 7 92
15		CR11		3 8 1 60	6 0 6 32

CUSTOMER Palmer Dentistry

CUSTOMER NO. 140

DATE	ITEM	POST. REF.	DEBIT	CREDIT	DEBIT BALANCE
Nov. 1	Balance	✓			1 4 5 0 00
5		CR11		1 4 5 0 00	
11		S11	7 6 8 50		7 6 8 50
29		S11	4 5 3 68		1 2 2 2 18

CUSTOMER Skinner College

CUSTOMER NO. 150

DATE	ITEM	POST. REF.	DEBIT	CREDIT	DEBIT BALANCE
Nov. 1	Balance	✓			3 0 6 0 95
4		CR11		4 8 2 60	2 5 7 8 35
5		S11	1 9 0 8 00		4 4 8 6 35
24		S11	3 3 4 00		4 8 2 0 35
28		CR11		1 6 7 1 00	3 1 4 9 35

CUSTOMER Wells Apartments

CUSTOMER NO. 160

DATE	ITEM	POST. REF.	DEBIT	CREDIT	DEBIT BALANCE
Nov. 1	Balance	✓			1 9 8 0 50
4		S11	4 8 1 77		2 4 6 2 27
12		CR11		1 9 8 0 50	4 8 1 77
19		S11	2 5 4 9 30		3 0 3 1 07

ThreeGreen's accounts receivable ledger has been posted for the month of November.

Proving the
Accounts
Receivable
Ledger LO7

ThreeGreen Products, Inc.					
Schedule of Accounts Receivable					
November 30, 20--					
Belk & Jensen	1	7	5	2	18
Edmonds Hospital		6	3	9	88
Lake Automotive		6	0	6	32
Palmer Dentistry	1	2	2	2	18
Skinner College	3	1	4	9	35
Wells Apartments	3	0	3	1	07
Total Accounts Receivable	10	4	0	0	98

A listing of
customer
accounts,
account
balances, and
total amount
due from all
customers is

called a [schedule of accounts receivable](#) . Some businesses call the listing the accounts receivable trial balance. A schedule of accounts receivable is prepared after all entries in a journal are posted. The balance of Accounts Receivable in the general ledger is \$10,400.98. The total of the schedule of accounts receivable is \$10,400.98. Because the two amounts are the same, the accounts receivable ledger is proved.

End of Lesson Review

LO6 Post cash receipts to an accounts receivable ledger and a general ledger.

LO7 Prepare a schedule of accounts receivable.

Term Review

- schedule of accounts receivable

Audit Your Understanding

1. From which column of the cash receipts journal are amounts posted individually to the accounts receivable ledger?
2. What is another name for the schedule of accounts receivable?

Work Together 10-4

Posting from a cash receipts journal

Use the cash receipts journal for Work Together 10-3 and the accounts receivable and general ledger forms from Work Together 10-2. A blank form for a schedule of accounts receivable is given in the Working Papers. Your instructor will guide you through the following examples.

1. Post the transactions on the cash receipts journal to the accounts receivable ledger.
2. Total and prove the cash receipts journal.
3. Prove cash. On September 30, the balance on the next unused check stub was \$17,608.96.
4. Rule the cash receipts journal.
5. Post the cash receipts journal to the general ledger.
6. Prepare a schedule of accounts receivable.

On Your Own 10-4

Posting from a cash receipts journal

Use the cash receipts journal for On Your Own 10-3 and the accounts receivable and general ledger forms from On Your Own 10-2. A blank form for a schedule of accounts receivable is given in the Working Papers. Work this problem independently.

1. Post the transactions on the cash receipts journal to the accounts receivable ledger.
2. Total and prove the cash receipts journal.
3. Prove cash. On June 30, the balance on the next unused check stub was \$11,953.98.
4. Rule the cash receipts journal.
5. Post the cash receipts journal to the general ledger.
6. Prepare a schedule of accounts receivable.

Chapter 10: Accounting for Sales and Cash Receipts: Think Like an Accountant: Analyzing Home Sales

Think Like an Accountant: Analyzing Home Sales

Donovan Homes builds homes in select communities across the nation. The company is organized into geographic regions under the control of regional managers. Each regional manager is responsible for maximizing sales within that region.

Customers can select from over 25 house plans and contract for upgrades such as extra garage space, granite counter tops, and hardwood floors. The calculation of the sales price for a home begins with the base price for the selected model. The base price is multiplied by an adjustment ratio that reflects differences in building costs among the regions. For example, a \$256,000 base price home built in the Atlantic region is multiplied by an adjustment factor of 1.67, resulting in an adjusted base price of \$427,520. Any upgrades are added to the adjusted base price to calculate the total sales price.

The national sales manager is preparing for a sales meeting and wants an analysis of home sales for the past year.

Open the Spreadsheet TLA_CH10



Answer the following questions:

1. What were the most and least popular models? Identify the total sales for these two models in millions of dollars, e.g., \$7.8 million.
2. Last year, Donovan Homes implemented a special upgrades promotion for the Newport model. How successful was that promotion in the Northeast region, as measured by the average upgrades?
3. The architect of the Coastal, Islands, and Tidewater models will be attending the sales meeting. Donovan Homes may suggest that the architect modify the plans for any model that is not selling well. How many of each of these models were sold?

Chapter 10: Accounting for Sales and Cash Receipts: Forensic Accounting: Occupational Fraud: Theft at Pirate's Treasure Miniature Golf

Forensic Accounting: Occupational Fraud: Theft at Pirate's Treasure Miniature Golf

Instructions

Craig Carpenter thought he had designed an effective system of internal controls for his new business, Pirate's Treasure Miniature Golf. Then, one day, some green golf balls appeared in the collection containers at the 18th hole. Pirate's Treasure uses blue golf balls.

The 18th hole is a key internal control for most miniature golf courses. Each attendant begins the day with an established number of balls provided by another employee or the owner. The last hole is designed to limit the player to a single shot, capturing the ball regardless of the accuracy of the putt. If the player sinks the putt in a single shot—a hole-in-one—the ball drops into a separate container and a bell rings notifying the attendant to issue a “Free Play” certificate.

Each morning, Craig arrives at the course well before it opens. He counts the number of balls in both containers at the 18th hole. Then he compares the number of balls in the hole-in-one container to the number of pre-numbered “Free Play” certificates issued the previous day. He also reconciles the total number of balls in both containers to the revenue recorded in the point-of-sale terminal.

Since Craig opened Pirate's Treasure, there has never been a problem reconciling the number of “Free Play” certificates. In contrast, the total number of golf balls is frequently a few short of the number indicated by the cash register. Craig knows why. He has witnessed some energetic customers accidentally hit their shots over the fence, across the parking lot, and down the street.

But the green golf balls trouble him. Especially so, considering that revenue at the course did not increase as expected during the summer months. Unsure what he should do, he downloaded his sales data from the point-of-sale terminal and asked you to “take a look.”

Performing a forensic investigation requires a full understanding of the business. Your first step is to spend an evening playing several rounds at Pirate's Treasure. As you are playing, you pay particular attention to the color of balls being used and make a note of anything unusual.

Nothing appears out of the ordinary until later in the evening when you notice a group of individuals playing with green golf balls. As they finish the 17th hole, the group walks right past the 18th hole. They return their golf balls to the attendant and talk a while before leaving the course.

Based on this information, you believe an employee may be providing selected customers with his own green golf balls. In exchange for not playing the 18th hole, he may be allowing them to play at a discounted price with the proceeds going into his own pocket. Using a different color golf ball would enable him to keep track of his fraudulent activity. Unfortunately for the employee, it appears that some of those individuals decided to play the 18th hole with their green golf balls.

Instructions



Open the spreadsheet FA_CH10 and use the sales data in the workbook to answer the following questions:

1. Do the hourly sales for any employee differ significantly from the hourly sales trends of other employees?
2. Does the sales trend for any employee support your suspicions of fraud?
3. What would you suggest as the next step in your forensic investigation?

Chapter 10: Accounting for Sales and Cash Receipts: End of Chapter Review

End of Chapter Review

[Accounting for Sales and Cash Receipts: A Look at Accounting Software](#)

[Accounting for Sales and Cash Receipts: Chapter Summary](#)

[Accounting for Sales and Cash Receipts: Explore Accounting](#)

[Accounting for Sales and Cash Receipts: Apply Your Understanding: Application Problem](#)

[Accounting for Sales and Cash Receipts: Apply Your Understanding: Mastery Problem](#)

[Accounting for Sales and Cash Receipts: Apply Your Understanding: Source Documents Problem](#)

[Accounting for Sales and Cash Receipts: Apply Your Understanding: Challenge Problem](#)

[Accounting for Sales and Cash Receipts: 21st Century Skills](#)

[Accounting for Sales and Cash Receipts: Analyzing Nike's Financial Statements](#)

[Accounting for Sales and Cash Receipts: A Look at Accounting Software](#)

In a manual accounting system, accounting for a sales transaction requires entry in a sales journal and posting to both general and subsidiary ledgers. At each step, errors can occur. Accounting for cash receipts can be even more complicated and leads to many errors in the real world. A computerized accounting system simplifies both the journalizing and posting of these transactions.

You can see from the windows illustrated here how few entries users need to make to record the transactions. Since most calculations and all postings are directed by the system, the opportunity for error is greatly minimized and much time is saved. When sales reports are needed, they can be produced in seconds and customized easily. With a manual system, these reports can require hours.

the inventory file.

7 The user enters the quantity. The unit price is entered by the system from the inventory file. The price can be overwritten if it has changed or if the customer has been offered a lower price.

8 The system calculates line and invoice totals. Sales tax is computed and added automatically, but can be deleted if the customer is exempt from sales tax.

9 Clicking Save posts the transaction to Sales, Accounts Receivable, Sales Tax Payable, and the customer's account. Inventory quantities are also updated. The user clicks Print to print the invoice. Print cannot be selected until the window is saved. Multiple copies will probably be printed. Usually, two or more copies go to the customer and one is retained in the company files.

Receiving a Cash Payment on Account

Receive Cash

1 Received on Account

Customer No.: 120 4 Date Received: Dec. 4, 20-- 2

Customer Name: Edmonds Hospital 3

Edmonds Hospital
1645 Fulton St.
Harrisburg, PA 17101
(717) 555-9355

Payment Method: Check 5

Amount Received: 164.13

Account Balance: 416.29

Account No.: 1110 6

Account Title: Cash

Account Balance: 4,883.00 8

PD	Invoice No.	Due Date	Amount Due	Discount	Amount Paid	Memo
✓	522 7	Dec. 24, 20--	167.48	3.35	164.13	Paid in full
	537	Dec. 30, 20--	416.29	8.33	0.00	

Entered by user Entered automatically

1 The user may choose to enter a cash sale or an amount received on account. In the window above, the user is receiving cash on account from Edmonds Hospital. Cash sales would be

entered in this window, not in the Create Sales Invoices window. Receipt from a cash sale was illustrated in Chapter 2.

2 The system enters the date.

3 The system enters the next available cash receipt number.

4 The user enters the customer by number or name, and the system displays the customer information.

5 The user selects the customer's method of payment and the amount received. Payment options would be cash, check, credit card, or debit card.

6 The system enters the default cash account. However, if the company maintains more than one cash account, a different account could be selected.

7 All unpaid invoices issued to Edmonds Hospital would be listed in these rows. Data from the accounts receivable file would populate the invoice numbers, due dates, amounts due, and discounts, if earned. The amount paid is entered automatically from the Amount Received field. The user may enter a memo notation.

8 The system displays the new customer account balance and new cash account balance.

9 The user clicks Save to post the transaction to Cash, Accounts Receivable, Sales Discount, and the customer's account.

Accounting for Sales and Cash Receipts: Chapter Summary

A merchandising business must maintain an accounting system that provides its managers with the information necessary to ensure the collection of money owed by its charge customers. Each sale on account, including any sales taxes owed, is efficiently recorded on a single line of a sales journal. The transaction is immediately posted to the customer's accounts receivable ledger account to update the amount owed by the customer. The totals of the special columns of a completed sales journal are posted to the general ledger.

Each state determines its sales tax rate and how sales taxes are applied. State sales tax laws may

exempt the collection of sales tax on sales to nonprofit organizations such as schools and churches. A state can also exempt from sales taxes the sales of selected merchandise, such as food, medicine, and clothing.

A business receives cash from cash sales and collections of its sales on account. Cash sales for a period of time are summarized and recorded on a single line of the cash receipts journal. Cash sales include sales to customers who paid with a credit or debit card.

When a charge customer pays on account, the transaction is recorded individually in the cash receipts journal and posted to the accounts receivable ledger, reducing the amount owed by the customer. To encourage early payment, a business may allow its charge customers to take a cash discount. When a customer takes a cash discount, the merchandising business regards it as a discount on sales, and a journal entry is made in the cash receipts journal to Sales Discount and Accounts Receivable. Sales Discount is a contra account to Sales.

The totals of the special columns of a completed cash receipts journal are posted to the general ledger. A business can ensure the accuracy of its accounts receivable ledger by preparing a schedule of accounts receivable. The total of the schedule should equal the updated balance of Accounts Receivable, the controlling account for the accounts receivable ledger.

Accounting for Sales and Cash Receipts: Explore Accounting

Journalizing Sales Discounts

Most retail sales are made to individuals who pay with cash or a credit card. Individual customers are expected to pay the full amount of the invoice at the time of the sale. In contrast, most sales to other businesses are made on account. A sale on account to a business customer usually includes an offer of a cash discount. Cash discount terms such as 2/10, n/30, as discussed in Chapter 9, encourage early payment. Remember, when a cash discount is taken by a customer, it is recorded as a sales discount.

Sales on account that involve both sales taxes and cash discounts present an interesting accounting problem. Assume Country Crafters purchases \$100.00 of merchandise, plus \$6.00 sales tax, for a total sale of \$106.00, with 2/10, n/30 payment terms. Nine days later, Country Crafters pays \$103.88 in full payment of the invoice. How should the cash receipt be journalized?

Because the payment is received within the discount period, the sales amount is reduced by the amount of the discount, \$2.12. The amount of sales tax may also be reduced because the amount of the sale is reduced. Thus, the following journal entry may be recorded:

Cash	103.88	
Sales Tax Payable	0.12	
Sales Discount	2.00	
Accounts Receivable		106.00

The net sales amount is \$98.00—the original \$100.00 sales less a 2% discount of \$2.00. The net sales tax payable is \$5.88—the original \$6.00 sales tax less a 2% discount of \$0.12. The end result is that a \$98.00 sale was made on which \$5.88 sales tax ($\$98.00 \times 6\%$) was collected.

It is essential for accountants to be familiar with the sales tax laws in states where their companies do business. Each state regulates how sales taxes should be paid. In some states, state regulations may require that sales taxes be paid only on actual sales realized—\$5.88 for this transaction. In some states, sales taxes must be paid on the original invoice amount of a sale—\$6.00 for this transaction. In these states, a sales discount would not result in a reduction in the sales tax liability. The following journal entry would be recorded:

Cash	103.88	
Sales Discount	2.12	
Accounts Receivable		106.00

Some states may allow a business to pay a percent of its original or gross sales rather than the amount of sales tax collected, assuming the amounts will be nearly identical. The business may elect not to recognize any impact on the amount of sales tax due to the relatively small dollar amount involved.

Instructions

Research the sales tax laws of your state. Contact a local business or use the Internet to determine how state law instructs a business to calculate its sales tax liability. Does the law explain how sales discounts impact the amount of sales tax owed?

INSTRUCTIONS: Download problem instructions for Excel, QuickBooks, and Peachtree from the textbook companion website at www.C21accounting.com .

10-1 Application Problem: Journalizing Sales on Account LO 2



1. Journalize and post transactions on account to the sales journal.
2. Print the sales journal and accounts receivable ledger.
3.  Go to www.cengage.com/login
4. Click on AA Online to access.
5. Go to the online assignment and follow the instructions.

Health Fashions is a clothing store specializing in uniforms for medical providers.

Instructions:

Journalize the following transactions completed during November of the current year on page 11 of the sales journal given in the Working Papers. The sales tax rate is 6%. The sales invoice source document is abbreviated as S. Save your work to complete Problem 10-2.

Transactions:

- Nov. 2. Sold merchandise on account to Paulson Medical Clinic, \$2,049.00, plus sales tax. S589.
- 4. Sold merchandise on account to Central Medical Clinic, \$694.00, plus sales tax. S590.
- 7. Sold merchandise on account to Mason College, \$1,648.00. Mason College is exempt from paying sales tax. S591.
- 9. Sold merchandise on account to Trannon Emergency Center, \$828.00, plus sales tax. S592.
- 19. Sold merchandise on account to Fairview Hospital, \$1,948.00, plus sales tax. S593.
- 25. Sold merchandise on account to Central Medical Clinic, \$3,482.00, plus sales tax. S594.

10-2 Application Problem: Posting from a Sales Journal LO3

The accounts receivable ledger forms and selected general ledger accounts for Health Fashions are given in the Working Papers. Use the sales journal from Problem 10-1. Save your work to complete Problem 10-4.

Instructions:

1. Post the transactions on the sales journal to the accounts receivable ledger.
2. Total, prove, and rule the sales journal.
3. Post the sales journal to the general ledger.

10-3 Application Problem: Journalizing Cash Receipts LO4, 5

The cash receipts journal for Health Fashions is given in the Working Papers.

Instructions:

Journalize the following transactions completed during November of the current year on page 11 of the cash receipts journal. Source documents are abbreviated as follows: receipt, R; sales invoice, S; terminal summary, TS. Save the cash receipts journal to complete Problem 10-4.

Transactions:

Nov. 6. Received cash on account from Paulson Medical Clinic covering S587 for \$1,547.15, less 2% discount. R568.

7. Recorded cash and credit card sales, \$3,480.00, plus sales tax, \$208.80; total, \$3,688.80. TS41.

8. Received cash on account from Mason College covering S588 for \$679.19, less 2% discount. R569.

14. Recorded cash and credit card sales, \$2,940.00, plus sales tax, \$176.40; total, \$3,116.40. TS42.

16. Received cash on account from Trannon Emergency Center, \$2,184.14, covering S585. R570.

21. Recorded cash and credit card sales, \$2,875.00, plus sales tax, \$172.50; total, \$3,047.50.

TS43.

28. Received cash on account from Central Medical Clinic, \$1,648.96, covering S584. R571.

10-4 Application Problem: Posting from a Cash Receipts Journal LO6, 7

1.  Go to www.cengage.com/login
2. Click on AA Online to access.
3. Go to the online assignment and follow the instructions.

Use Health Fashions' cash receipts journal from Problem 10-3 and the accounts receivable and general ledgers from Problem 10-2.

Instructions:

1. Post the transactions from the cash receipts journal to the accounts receivable ledger.
2. Total and prove the cash receipts journal.
3. Prove cash. On November 30, the balance on the next unused check stub was \$17,882.35.
4. Rule the cash receipts journal.
5. Post the cash receipts journal to the general ledger.
6. Prepare a schedule of accounts receivable.

Accounting for Sales and Cash Receipts: Apply Your Understanding: Mastery Problem

10-M Mastery Problem: Journalizing Sales and Cash Receipts Transactions LO2, 3, 4, 5, 6, 7

University Designs sells custom imprinted products.

The sales journal, cash receipts journal, account receivable ledger forms, and selected general ledger accounts are given in the Working Papers.

Instructions:

1. Journalize the transactions on page 315 completed during the remainder of March in the appropriate journal. Use page 3 for the sales journal and page 3 for the cash receipts journal. Post

any transaction impacting Accounts Receivable to the accounts receivable subsidiary ledger when the transaction is journalized. The sales tax rate is 7%. Source documents are abbreviated as follows: receipt, R; sales invoice, S; terminal summary, TS.

Transactions:

Mar. 3. Sold merchandise on account to Traylor Stores, \$3,248.00, plus sales tax. S321.

4. Received cash on account from Jenkins & Sanders LLP, covering S312 for \$945.00. R348.

5. Recorded cash and credit card sales, \$1,485.00, plus sales tax, \$92.14; total, \$1,577.14. TS6.

9. Received cash on account from Luxury Suites, \$4,219.00, covering S320, less a 2% discount. R349.

10. Sold merchandise on account to Southwestern University, \$1,435.00. Southwestern University is exempt from sales tax. S322.

12. Received cash on account from Daniel Smith Promotions, \$1,471.00 covering S345. R350.

16. Recorded cash and credit card sales, \$1,020.50, plus sales tax, \$64.59; total, \$1,085.09. TS7.

2. Total, prove, and rule the sales journal.

3. Post the sales journal to the general ledger.

4. Total and prove the cash receipts journal.

5. Prove cash. On March 31, the balance on the next unused check stub was \$11,582.54.

6. Rule the cash receipts journal.

7. Post the cash receipts journal to the general ledger.

8. Prepare a schedule of accounts receivable.



1. Journalize and post transactions on account to the sales journal and cash receipts journal.
2. On the Customers worksheet, sort the customer information.
3. Print the worksheets.



1. Journalize and post to the sales journal and cash receipts journal.
2. From the menu bar, select Reports & Forms; Accounts Receivable.
3. Print the sales journal and cash receipts journal.



1. Journalize and post sales on account in the Create Invoices window.
2. Journalize and post cash receipts in the Receive Payments window.
3. From the menu bar, select Reports; Customers and Receivables, Customer Balance Detail.
4. In the Dates drop-down box, select All and make the selections to print.



1. Go to www.cengage.com/login
2. Click on AA Online to access.
3. Go to the online assignment and follow the instructions.

Accounting for Sales and Cash Receipts: Apply Your Understanding: Source Documents Problem

10-S Source Documents Problem: Journalizing Sales and Cash Receipts Transactions; Proving and Ruling Journals LO2, 3, 4, 5, 6

Golfer's Paradise sells golf and other recreational equipment. Source documents related to the sales and cash receipts are provided in the Working Papers.

Sales journal page 11 and cash receipts journal page 13 for Golfer's Paradise are given in the Working Papers.

Instructions:

1. Journalize the transactions shown in the source documents in the appropriate journal. The sales tax rate is 7.5%.
2. Total, prove, and rule the sales journal.

3. Total, prove, and rule the cash receipts journal.

1.  Go to www.cengage.com/login

2. Click on AA Online to access.

3. Go to the online assignment and follow the instructions.

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Accounting for Sales and Cash Receipts: Apply Your Understanding: Challenge Problem

10-C Challenge Problem: Journalizing Sales and Cash Receipts Transactions LO2, 3, 4, 5, 6

Innovative Technology is a merchandising company that specializes in selling computer and network equipment to small businesses. To encourage prompt payment, the company offers 2/10, n/30 credit terms. Unfortunately, many of its customers claim the sales discount despite sending their payments after the ten-day discount period. Because Innovative Technology has been giving its customers the discount regardless of when payment is received, customers have been increasingly taking advantage of the discount policy.

Innovative Technology's president has directed the accounting department to track these unearned sales discounts. To accomplish this task, an additional column labeled "Unearned Sales Discount Debit" has been added to the cash receipts journal.

Instructions:

1. Using the sales and cash receipts journals and accounts receivable ledger forms given in the Working Papers, journalize the sales and cash receipts made during December. Use page 12 for the sales journal and page 12 for the cash receipts journal. The sales tax rate is 6%. Post the transactions to the accounts receivable ledger when the transactions are recorded in the journals.

Hint: Innovative Technology records the sales invoice number in the Item column of the accounts receivable ledger forms. When a customer pays an invoice, determine whether any claimed discount is earned (received within ten days of the sale) or unearned (received after ten days). Record the sales discount in the appropriate column.

Transactions:

- Dec. 2. Sold merchandise on account to Andersen & Smith LLP, \$3,248.00, plus sales tax. S898.
 3. Received a check for \$2,947.77 from Jenson College in full payment of S894. R948.
 4. Sold merchandise on account to Olsen Manufacturing, \$627.19, plus sales tax. S899.
 6. Received a check for \$1,554.96 cash from Andersen & Smith LLP in full payment of S893. R949.
 7. Received a \$3,000.00 check from Randle Distribution Centers in partial payment of S895. R950.
 8. Received a check for \$958.51 from Olsen Manufacturing in full payment of S892 and S897. R951.
 9. Received a check for \$4,900.00 from Northern Regional Airlines with a note stating "partial payment of \$5,000.00 against our account." R952.
 14. Sold merchandise on account to Jenson College, \$1,436.00. Jenson College is not subject to sales tax. S900.
 15. Sold merchandise on account to Randle Distribution Centers, \$2,498.00, plus sales tax. S901.
 16. Received a \$3,374.02 check from Andersen & Smith LLP in full payment of S898. R953.
 23. Received a check for \$1,135.25 from Randle Distribution Centers with the note "for the outstanding amount due on our November 28 purchase." R954.
 24. Sold merchandise on account to Northern Regional Airlines, \$1,249.19, plus sales tax. S902.
2. Total, prove, and rule the journals.
 3. Prepare an email message to the company president describing the amount of unearned sales

discounts.



1. Journalize and post to the sales journal and cash receipts journal.
2. From the menu bar, select Reports & Forms; Accounts Receivable.
3. Make the selections to print the sales journal and cash receipts journal.



1. Journalize and post sales on account in the Create Invoices window.
2. Journalize and post cash receipts in the Receive Payments window.
3. From the menu bar, select Reports; Customers and Receivables, Customer Balance Detail.
4. In the Dates drop-down box, select All and make the selections to print.



1. Go to www.cengage.com/login
2. Click on AA Online to access.
3. Go to the online assignment and follow the instructions.

Accounting for Sales and Cash Receipts: 21st Century Skills

Engineering Meets Business

Theme: Science, Business Literacy

Skills: Critical Thinking and Problem Solving, ICT Literacy

Collaboration between engineering and other departments within a business is vital. An engineer's design work would likely be flawed without the support of others. In addition to design work, engineers are often required to write business plans, conduct market research, and figure out how best to build their designs. To do that successfully and at low cost, engineers must work hand in hand with other professionals such as accountants, marketers, and sales representatives.

A resource often used by engineers to find a manufacturer for a new product, or parts for its assembly, is the Thomas Register. This online directory lists manufacturers for all types of products. So, when an engineer needs a source for a part, the Thomas Register is often the first place to look. Sometimes a manufacturer only sells through a distributor. Distributors can also be found in the Thomas Register.

Application

1. You have designed the following products and you need to find a manufacturer or distributor for parts to build each product. Log on to ThomasRegister.com to find suppliers. Complete the table below.

New Product	Part Needed	Supplier Needed	Supplier Found
Security camera	Lens	Manufacturer	
Computer	Hard drive	Manufacturer	
Lamp	Socket	Distributor	
Coffee pot	Rubber handle	Distributor	
Luggage	Wheels	Manufacturer	

2. Contact a local distributor. Ask what advantages they provide versus buying direct from a manufacturer.

Accounting for Sales and Cash Receipts: Analyzing Nike's Financial Statements

What do Kentucky Fried Chicken, Pizza Hut, and Taco Bell have in common? Each of these well-known companies is owned by Yum! Brands, Inc. A company that is owned by another company is known as a subsidiary. When Yum! Brands prepares its financial statements, it includes financial information from each subsidiary. These financial statements are referred to as consolidated financial statements.

Instructions

1. Use the Description of Business section of Note 1 on page B-10 in Appendix B to identify Nike's subsidiaries.
2. What do these subsidiaries have in common with Nike?