CHAPTER 6: REPORTING AN INTERPRETING SALES REVENUE, RECEIVABLES, AND CASH

Exercise 1: Sales Journal Entries

Part A: Prepare journal entries to record the following transactions.

March 2	Gooddeal.com sold merchandise for $4,000. Customer A paid by credit card. The credit card company charged a 3% service fee.
March 5	Gooddeal.com sold merchandise to Customer B for $2,500, terms 2/10 n/30.
March 12	Customer B paid for the merchandise purchased on March 5, taking advantage of the permitted discount.
March 16	Customer B returned $1,250 (or one-half) of the merchandise that was purchased back on March 5.

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Date		Account Titles and Explanation	Debit	Credit

Part B: Calculate "net sales" from the above transactions.

Sales revenue			________
Less	Credit card discounts	________	
	Sales discounts	________	
	Sales returns and allowances	________	________
Net Sales			________

Exercise 2: Accounts Receivable Journal Entries

Part A: Prepare journal entries to record the following transactions.

a. On December 15, 2013, Vandolay Industries recorded $150,000 sales on credit.

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Date		Account Titles and Explanation	Debit	Credit

b. On December 31, 2013, the company estimated bad debt expenses of $15,000.

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Date		Account Titles and Explanation	Debit	Credit

c. On January 12, 2014, the company collected $100,000 worth of accounts receivable.

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Date		Account Titles and Explanation	Debit	Credit

d. After many collection attempts, the company determined on May 15, 2014 that it would not collect $10,000 in accounts receivables from Pendant Publishing. It decided to write-off this account.

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Date		Account Titles and Explanation	Debit	Credit

e. On August 16, 2014, Pendant Publishing called to say that they have had financial problems but can afford to pay $7,000 to settle their $10,000 debt in full. The company agreed to these terms, and reversed $7,000 of the prior write-off. It received a $7,000 check from Pendant the next day.

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Date		Account Titles and Explanation	Debit	Credit

Part B: Post the above entries to the following T-accounts.

+ Accounts Receivable (A) –				- Allowance for Doubtful Accounts (XA) +			
End Bal.							End Bal.

Part C: Show all revenue-related accounts in the following statement of financial position (partial) and statement of income (partial) as of December 31, 2013 and 2014.

VANDOLAY INDUSTRIES INC.

Statement of Financial Position (partial)

As of December 31, 2013

Accounts receivable ____________

Less: Allowance for doubtful accounts ____________

Accounts receivable - net ____________

VANDOLAY INDUSTRIES INC.

Statement of Income (partial)

For the year ended December 31, 2013

Bad debt expenses ____________

VANDOLAY INDUSTRIES INC.

Statement of Financial Position (partial)

As of December 31, 2014

Accounts receivable ____________

Less: Allowance for doubtful accounts ____________

Accounts receivable - net ____________

VANDOLAY INDUSTRIES INC.

Statement of Income (partial)

For the year ended December 31, 2014

Bad debt expenses ____________

Exercise 3: Estimation and Recording of Uncollectible Accounts – Percentage of Sales Method

Part A: Prepare the required adjusting journal entry.

During 2013, Vandolay Industries reported $300,000 in sales. The company's allowance for doubtful accounts has an unadjusted credit balance of $12,000 at December 31, 2013. Based on prior experience, management estimates that 2.5% of sales will result in bad debts.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit

+ Bad Debt Expense (E) –			
End Bal.			

- Allowance for Doubtful Accounts (XA) +			
			Beg. Bal.
			End Bal.

Part B: Prepare the required adjusting journal entry.

Assume instead that the company's allowance for doubtful accounts has an unadjusted debit balance of $400.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit

+ Bad Debt Expense (E) –			
End Bal.			

- Allowance for Doubtful Accounts (XA) +			
			Beg. Bal.
			End Bal.

Exercise 4: Estimation and Recording of Uncollectible Accounts – Aging Of Accounts Receivable Method

Part A: Prepare the required adjusting journal entry.

During 2013, Vandolay Industries reported $300,000 in sales. The company's allowance for doubtful accounts has an unadjusted credit balance of $12,000 at December 31, 2013. Vandolay Industries accountants prepared the following Aging of Accounts Receivable:

Customer	Total	Number of Days Unpaid			
		0-30	30-60	60-90	Over 90
Alpha Sales	$ 700		$ 700		
Gamma Manufacturing Co.	1,900	$ 1,900			
Delta Shipping Corp.	2,200			$ 2,200	
Epsilon Industries	6,000				$ 6,000
Theta Manufacturing	1,800		1,800		
Zeta Industries	600		600		
Other customers	136,800	88,100	26,900	9,800	12,000
Totals	$150,000	$90,000	$30,000	$12,000	$18,000

Vandolay accountants believe that receivables 0-30 days old have a 5% chance of non-collection. Receivables 30-60 days old have a 10% chance of non-collection. Receivables 60-90 days old have a 20% chance of non-collection. Receivables over 90 days old have a 40% chance of non-collection.

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Date		Account Titles and Explanation	Debit	Credit

+ Bad Debt Expense (E) –			
End Bal.			

- Allowance for Doubtful Accounts (XA) +			
			Beg. Bal.
			End Bal.

Part B: Assume instead that the company's allowance for doubtful accounts has an unadjusted debit balance of $400.

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Date		Account Titles and Explanation	Debit	Credit

+ Bad Debt Expense (E) –			
End Bal.			

- Allowance for Doubtful Accounts (XA) +			
			Beg. Bal.
			End Bal.

Exercise 5: Bank Reconciliation

Prepare the bank reconciliation for Donna's Day Care using the following information:

Cash balance per bank, June 30, 2014	$5,586
Cash balance per general ledger, June 30, 2014	5,055
Outstanding checks, June 30, 2014	1,816
Deposit in transit, June 30, 2014	750
NSF check (from a customer for a payment on account) returned by bank	450
June interest earned per bank statement, not yet recorded in the book	15
Check no. 800 in payment of accounts payable cleared the bank for $1,100, but was erroneously recorded in the books at $800.	
Deposit in amount of $5,800, recorded properly on books, erroneously credited on bank statement as $6,000.	

Part A: Prepare the bank reconciliation as of June 30, 2014 for Donna's Day Care.

DONNA'S DAY CARE
Bank Reconciliation
As of June 30, 2014

Balance per bank, Jun 30, 2014	______	Balance per book, Jun 30, 2014	______
Additions:		Additions:	
______	______	______	______
______	______	______	______
Deductions:		Deductions:	
______	______	______	______
______	______	______	______
Correct cash balance, Jun 30, 2014	______	Correct cash balance, Jun 30, 2014	______

Part B: Prepare any journal entries that should be made as a result of the bank reconciliation.

GENERAL JOURNAL				
Date		**Account Titles and Explanation**	**Debit**	**Credit**