SOLUTIONS

Learning Goal 19

Multiple Choice

1. a
2. c
3. d
4. d
5. a
6. c
7. b Calculation: $12,250/.98 = $12,500
8. b Calculation: ($108,000 – $14,000) (1.07) = $100,580. Then, $100,580 + $14,000 = $114,580 total cash collected.
9. a Calculation: ($20,580 – $1,960)/.98 = $19,000. Remove the part of the collection that does not relate to Sales—the shipping charges—and the remainder is 98% of the sales amount.
10. b The credit memo would show a credit to Accounts Receivable of $2,000.
11. b Sales returns and allowances reduce net sales. Shipping charges paid by the seller are either an expense or a receivable reimbursed by the buyer. Sales tax is a liability.
12. c
13. c A credit memo indicates a reduction in accounts receivable.
14. a $8,000 × .75 × .85 × .98 = $4,998

SOLUTIONS

Learning Goal 19, continued

Reinforcement Problems

LG 19-1.

a.

March 1	Cash		3,500	
	Accounts Receivable			3,500
	Collection of account receivable with no discount taken			

b.

March 3	Cash		3,430	
	Sales Discounts		70	
	Accounts Receivable			3,500
	Collection of account receivable less 2% discount			

c.

March 4	Sales Returns and Allowances		250	
	Accounts Receivable			250
	Credit for unsatisfactory merchandise			

d.

March 5	Accounts Receivable		500	
	Freight-out Expense		50	
	Sales			500
	Cash			50
	Sale made and seller pays the freight cost as expense			

SOLUTIONS

Learning Goal 19, continued

LG 19-2.

June 8	Accounts Receivable		5,800	
	Sales			5,800
11	Accounts Receivable		750	
	Freight-out		100	
	Sales			750
	Cash			100
14	Accounts Receivable		3,950	
	Sales			3,750
	Cash			200
19	Sales Returns and Allowances		700	
	Accounts Receivable			700
20	Cash		735	
	Sales Discounts		15	
	Accounts Receivable			750
21	Cash		5,049	
	Sales Discounts		51	
	Accounts Receivable			5,100
23	Cash		3,875	
	Sales Discounts		75	
	Accounts Receivable			3,950

SOLUTIONS

Learning Goal 19, continued

LG 19-3.

Date	Account	Post. Ref.	Dr.	Cr.
Nov. 3	Cash		5,400	
	Sales			5,000
	Sales Tax Payable			400
7	Accounts Receivable		2,000	
	Sales			2,000
8	Cash		840	
	Sales			840
10	Sales Returns and Allowances		650	
	Accounts Receivable			650
13	Accounts Receivable		10,400	
	Sales			10,000
	Cash			400
15	Cash		1,900	
	Sales			1,900
16	Cash		2,916	
	Sales			2,700
	Sales Tax Payable			216
17	Cash		1,323	
	Sales Discounts		27	
	Accounts Receivable			1,350
20	Cash		500	
	Sales			500
22	Accounts Receivable		19,440	
	Sales			19,440
	(27,000 × .9 × .8 = 19,440)			

SOLUTIONS

Learning Goal 19, continued

LG 19-3, *continued*

Date	Account	Post. Ref.	Dr.	Cr.
Nov. 24	Cash		10,400	
	Accounts Receivable			10,400
29	Cash		2,700	
	Sales			2,500
	Sales Tax Payable			200
30	Sales		240	
	Sales Tax Payable			240
	(840 + 1,900 + 500 = 3,240)/1.08 = 3,000			

LG 19-4.

Date	Account	Post. Ref.	Dr.	Cr.
March 1	Cash		3,922	
	Sales			3,700
	Sales Tax Payable			222
3	Cash		600	
	Sales			600
4	Accounts Receivable		7,500	
	Sales			7,500
7	Accounts Receivable		11,800	
	Freight-out		620	
	Sales			11,800
	Cash			620
8	Cash		6,678	
	Sales			6,300
	Sales Tax Payable			378

SOLUTIONS

Learning Goal 19, continued

LG 19-4, *continued*

Date	Account	Post. Ref.	Dr.	Cr.
March 10	Cash		2,650	
	Sales			2,650
12	Cash		5,000	
	Sales Discounts		102	
	Accounts Receivable			5,102
	(5,000/.98 = 5,102)			
13	Accounts Receivable		10,240	
	Sales			10,000
	Cash			240
14	Sales Returns and Allowances		1,000	
	Accounts Receivable			1,000
14	Cash		725	
	Sales			725
15	Accounts Receivable		3,800	
	Sales			3,800
17	Cash		7,500	
	Sales Discounts		153	
	Accounts Receivable			7,653
	(7,500/.98 = 7,653)			
24	Accounts Receivable		34,200	
	Sales			34,200
	(40,000 × .95 × .90 = 34,200)			
24	Cash		2,398	
	Accounts Receivable			2,398
29	Cash		10,240	
	Accounts Receivable			10,240

SOLUTIONS

Learning Goal 19, continued

LG 19-4, *continued*

Date	Account	Post. Ref.	Dr.	Cr.
March 30	Cash		33,516	
	Sales Discounts		684	
	Accounts Receivable			34,200
31	Cash		3,147	
	Accounts Receivable			3,147
	(11,800 – 1,000 – 7,653 = 3,147)			
31	Sales		225	
	Sales Tax Payable			225
	(600 + 2,650 + 725 = 3,975)/1.06 = 3,750 sales			

Comment: Sales plus sales tax collected for computer supplies is $3,975. This represents 106% of the sales amount, which is $3,750 ($3,975/1.06 = $3,750). The difference of $225 is the sales tax that is removed from Sales.

LG 19-5.

Date	Account	Post. Ref.	Dr.	Cr.
March 2	Accounts Receivable		5,200	
	Sales			5,200
5	Accounts Receivable		7,000	
	Sales			7,000
8	Sales Returns and Allowances		900	
	Accounts Receivable			900
11	Accounts Receivable		4,150	
	Sales			4,000
	Cash			150
12	Cash		4,214	
	Sales Discounts		86	
	Accounts Receivable			4,300

SOLUTIONS

Learning Goal 19, continued

LG 19-5, *continued*

Date	Account	Post. Ref.	Dr.	Cr.
March 15	Cash		5,880	
	Sales Discounts		120	
	Accounts Receivable			6,000
17	Accounts Receivable		15,000	
	Sales			15,000
	Freight-out Expense		350	
	Cash			350
21	Cash		4,070	
	Sales Discounts		80	
	Accounts Receivable			4,150
30	Cash		15,000	
	Accounts Receivable			15,000
31	Cash		1,000	
	Accounts Receivable			1,000
31	Cash		980	
	Accounts Receivable			980

Comments:

March 15: This is a cash receipt within the discount period, so it is considered to be net of the discount—in other words, *after* a discount has been applied to a larger amount of Accounts Receivable (the invoice amount). The Accounts Receivable (invoice) amount is calculated: $5,880/.98 = $6,000.

March 22: This sale is FOB *destination,* and there is no indication that the merchandise has arrived. Therefore, no sale can be recorded because ownership has not yet transferred to the buyer.

March 31: The customer payment is $1,000 of the *invoice amount* and is within the discount period, so the cash received is $1,000 × .98 = $980.

SOLUTIONS

Learning Goal 19, continued

LG 19-6.

a.

Date	Account	Post. Ref.	Dr.	Cr.
January 3	Accounts Receivable		10,000	
	Sales			10,000
5	Cash		6,090	
	Sales			5,800
	Sales Tax Payable			290
6	Accounts Receivable		8,600	
	Sales			8,600
9	Sales Returns and Allowances		2,000	
	Accounts Receivable			2,000
11	Cash		3,920	
	Sales Discounts		80	
	Accounts Receivable			4,000
12	Cash		5,250	
	Sales			5,000
	Sales Tax Payable			250
13	Cash		5,390	
	Sales Discounts		110	
	Accounts Receivable			5,500
14	Cash		3,885	
	Sales			3,700
	Sales Tax Payable			185
16	Sales Returns and Allowances		1,600	
	Sales Tax Payable		80	
	Cash			1,680

SOLUTIONS

Learning Goal 19, continued

LG 19-6, *continued*

Date	Account	Post. Ref.	Dr.	Cr.
Jan. 19	Cash		4,000	
	Accounts Receivable			4,000
20	Accounts Receivable		15,000	
	Sales			15,000
24	Cash		2,625	
	Sales			2,500
	Sales Tax Payable			125
28	Cash		14,700	
	Sales Discounts		300	
	Accounts Receivable			15,000
31	Sales Tax Payable		770	
	Cash			770

Comments:

January 11: The $4,000 is an invoice amount; therefore, the discount is calculated on this amount and the cash received is $4,000 × .98 = $3,920.

January 13: This is cash received within the discount period, so it is considered to be an amount received after applying the discount to a larger Accounts Receivable (invoice amount) portion. The Accounts Receivable amount is $5,390/.98 = $5,500.

January 31: Determine the total sales tax liability by using a T account. Be sure to debit the liability for the sales tax on the returned merchandise on January 16.

b. You need to determine the net combined sales and sales tax for the taxable sales transactions. Total taxable sales plus sales tax in one account would be $17,850. Next, determine the combined amount of the return. This is the $1,680 on January 16. Subtract the $1,680 to determine the combined net sales and sales tax: $17,850 – $1,680 = $16,170. This is 105% of the actual sales: $16,170/1.05 = $15,400. The sales tax liability is $16,170 – $15,400 = $770.