Unit 2: Accounting for a Merchandise Business Organized as a Corporation

Chapter 10- Journalizing Sales and Cash Receipts using Special Journals

10-1 Using a Sales Journal

Read the tan box on page 268 and define the following terms:

customer -

sales tax -

sales journal -

credit card sale –

point-of-sale (pos) terminal –

terminal summary –

batch report –

batching out –

cash receipts journal –

sales discount –

sales return –

sales allowance –

credit memorandum -

 **Sales Tax (p. 270):**

Purchases and sales merchandise are the two major activities of a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ business.

Businesses must file reports with the proper government unit (state and local) and pay the amount of sales tax collected. Therefore accurate records of 1) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and 2) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ must be kept.

What kind of account is Sales Tax Payable (account classification, where would you find it in the chart of accounts)? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Its’ normal balance is \_\_\_\_\_\_\_\_\_\_\_\_\_\_, increases with a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and decreases with a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Sales of Merchandise on Account: (p. 271)**
A sale of merchandise may be 1) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and 2) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. A sale increases the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of a business. Regardless of when payment is received, revenue should be recorded \_\_\_\_\_ \_\_\_\_\_\_ \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_? This is the concept of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_ \_\_\_\_\_\_\_\_\_\_\_\_. When a sale for which cash will be received at a later date is known as a \_\_\_\_\_\_ \_\_ \_\_\_\_\_\_\_\_\_\_. Sometimes it may also be called a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_. We will use a general ledger account titled \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

What kind of account is Accounts Receivable (account classification, where would you find it in the chart of accounts)? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Its’ normal balance is \_\_\_\_\_\_\_\_\_\_\_\_\_\_, increases with a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and decreases with a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Sales Journal (p. 272):**
We will use a special journal to record \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_\_\_\_\_ (where our entry would be to debit Accounts Receivable, credit Sales Tax Payable and credit Sales) called the \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The concept of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ states that an invoice used as a source document for recording a sale on account ( \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) is prepared.

Price of Goods x Sales Tax Rate = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Price of Goods + Sales Tax = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

A sale on account \_\_\_\_\_\_\_\_\_\_\_\_\_\_ the amount to be collected from a customer. Payment will be \_\_\_\_\_\_\_\_\_\_\_\_\_ later. Accounts Receivable as a \_\_\_\_\_\_\_\_\_\_\_ normal balance, sales has a \_\_\_\_\_\_\_\_\_\_ normal balance, sales tax payable has a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ normal balance.

At the end of each month, we will total, prove and rule our sales journal. Please make certain you take at the completed Sales Journal on page 274 to see exactly what the totaling, proving and ruling looks (see the bold entries) like. We will “prove” that we are still in balance by using the following procedure:
 Debit Credit
 Column Title Totals Totals
 Accounts Receivable Debit
 Sales Credit
 Sales Tax Payable Credit \_\_\_\_\_\_\_ \_\_\_\_\_\_\_
 Totals $\_\_\_\_\_\_ $\_\_\_\_\_\_

**Assignments:
1) Do Work Together 10 – 1 on page 275.
2) Do application problem 10 – 1 on page 289.**