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

Chapter 10- Journalizing Sales and Cash Receipts using Special Journals

10-3 Recording Transactions Using a General Journal

**Credit Memorandum for Sales Returns and Allowances (p. 285):**

Occasionally, a business has a sales-related \_\_\_\_\_\_\_\_\_\_\_\_\_\_ that is recorded in a general journal rather than the \_\_\_\_\_\_\_\_\_\_\_ journal or \_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ journal.

Sales Returns and Allowances:

Most business expect to have some \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ returned. A customer may have received a \_\_\_\_\_\_\_\_ item or \_\_\_\_\_\_\_\_\_\_\_\_ goods. These merchandise items may be returned for a \_\_\_\_\_\_\_\_\_ on account or a \_\_\_\_\_\_ refund. Credit allowed a customer for the sales price of returned merchandise, resulting in a \_\_\_\_\_\_\_\_\_\_\_\_\_\_ in the vendor’s accounts receivable is called a \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_. Credit allowed a customer for part of the \_\_\_\_\_\_\_ price of merchandise that is not returned, resulting in a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in the vendor’s accounts receivable is called a \_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. A form prepared to inform the customer, in writing, of the amount deducted for returns and allowances is called a \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Sales \_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_ the amount of sales. Therefore this account is a \_\_\_\_\_\_\_\_ account to the revenue account \_\_\_\_\_\_\_\_. Thus the normal balance is a \_\_\_\_\_\_, the opposite normal balance of Sales, a \_\_\_\_\_\_\_\_\_\_\_.

A business could debit the \_\_\_\_\_ account for the amount of a return or allowance, however, better information is provided if these amounts are \_\_\_\_\_\_\_\_ to Sales Returns and Allowances. This contra account enables management to identify if the amount of Sales Returns and Allowances compared to sales is greater than expected.

Please see the journal entry on the top of page 286 to see how this entry would be recorded in the general journal. Don’t forget that when you record credits in the general journal, these account titles are slightly indented (versus the debit account titles) to help you see the different journal entries.

**Assignments:  
1) Do Work Together 10 – 3 on page 287.  
2) Do application problems 10 – 3, 4 and 5 on pages 290 and 291.**