

# Satisfaction Guaranteed

## Directions:

Sweet Pea Toy Co. sells many types of toys for children. On August 5, customers began complaining about the quality of one of its most popular toys. As a result, there was a product recall due to quality issues. The company provided many returns, discounts and allowances in a short period of time and due to the stress of the recall, the accountant forgot to record many transactions. Record journal entries for each transaction based on the information provided.

- On August 9, Sweet Pea Toy Co. unboxed \$500 worth of new toys from Yang Wholesale and realized many of them were broken. As a result, most of the toys were returned to the wholesaler on August 10. Because these items were bought on credit, Yang Wholesale decided to deduct \$350 from its \$3,000 bill. Record the return of the inventory and the credit given to Sweet Pea Toy Co.

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
Aug 10	Accounts Payable	350	
	Inventory		350

- On August 12, a very upset customer returned to the store with the toy in hand and showed the cashier how it was falling apart after being purchased only three days ago. The receipt stated the toy was purchased for a discounted price of \$45. The cashier decided to give the customer a cash refund. Record the return of the toy and the refund.

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
Aug 12	Sales Return and Allowance	45	
	Cash		45

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3. Sales were declining because of the toy recall. However, Julie Nguyen, a customer who had a credit account with the store, bought \$400 worth of toys on August 17 on account to show her support. As a result, the store offered her a five percent discount on her purchase if she pays the full balance in one week.
- Record the initial purchase.
  - Five days later, Julie paid the \$400 balance, so she received the discount she was promised. Record this transaction.

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
Aug 17	Accounts Receivable, J. Nguyen	400	
	Sales		400

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
Aug 22	Cash	380	
	Sales Discounts (400X5%)	20	
	Accounts Receivable, J. Nguyen		400

4. On August 19, Donna Bradford decided to return a \$200 credit purchase she made, although her items were not on the recall list. She currently has \$1,000 on her account which will be due in three months, so the store decided to reduce her bill if she returned the items. Record the return transaction.

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
Aug 19	Sales Return Allowance	200	
	Accounts Receivable, D. Bradford		200