

Special Journals: Sales and Cash Receipts

BEFORE
You

READ

What You'll Learn

1. Identify the special journals and explain how they are used in a merchandising business.
2. Record transactions in sales and cash receipts journals.
3. Post from the sales and cash receipts journals to customer accounts in the accounts receivable subsidiary ledger.
4. Foot, prove, total, and rule the sales and cash receipts journals.
5. Post column totals from the sales and cash receipts journals to general ledger accounts.
6. Prepare a schedule of accounts receivable.
7. Define the accounting terms introduced in this chapter.

Why It's Important

- Using special journals instead of the general journal can save time and reduce errors.

**THE
SHARPER
IMAGE®**

Predict

1. What does the chapter title tell you?
2. What do you already know about this subject from personal experience?
3. What have you learned about this in the earlier chapters?
4. What gaps exist in your knowledge of this subject?

Exploring the *Real World* of Business

ANALYZING SALES GROWTH

The Sharper Image

The Sharper Image has everything you never thought you needed. How about a robotic massage chair? A heat sensitive foam pillow? Wireless outdoor speakers? **The Sharper Image** is known for its selection of innovative and fun lifestyle products.

Founded in 1977, the company sells products in more than 175 stores, through its primary Web site, and through a monthly catalog. **The Sharper Image** also sells close-out inventory through an online auction Web site.

Companies like **The Sharper Image** often track and try to identify customer shopping trends. For example, over a one year period, the company reported an increase of 22 percent in its Internet sales. Catalog sales in that period were also up by 20 percent. Meanwhile, in-store sales for the same time frame decreased by 1 percent.

What Do You Think?

How do you think data on customer shopping habits might be used to improve overall financial performance?



Working in the *Real World*

APPLYING YOUR ACCOUNTING KNOWLEDGE

In earlier chapters you learned about the cycle of buying and selling merchandise. Dollars from sales are used to buy merchandise, which is in turn sold to customers. Some sales dollars come from customers who pay cash, while others come from sales on credit. Both types are recorded in the accounting records. In this chapter you will see how special journals simplify the process of recording sales.

Personal Connection

1. In your job, do you handle cash and personal checks? Do you handle credit card sales?
2. If a business did not accept credit cards, how do you think this would affect overall sales?

Online Connection

Go to glencoeaccounting.glencoe.com and click on **Student Center**. Click on **Working in the Real World** and select **Chapter 16**.





SECTION I

**BEFORE
YOU**

READ

Main Idea

The sales journal is used to record credit sales of merchandise.

Read to Learn...

- the purpose of special journals. (p. 450)
- how to use the sales journal. (p. 450)

Key Terms

special journals
sales journal
footing

The Sales Journal

You have learned how to record a variety of business transactions in a general journal. A merchandising business can record all of its transactions in a general journal. However, each transaction requires at least three journal lines—one line for the debit, one line for the credit, and one line for the explanation. Each debit and credit is posted separately to the general ledger. For merchandising businesses with many sales transactions, such as Crate & Barrel, this would be very time consuming. To improve efficiency many merchandising businesses use special journals. In this chapter and the next chapter, you will learn how to record transactions in special journals.

Using Special Journals

Why Are Special Journals Used?

Special journals have amount columns that are used to record debits and credits to specific general ledger accounts. Most transactions are recorded on one line. Special journals thus simplify the journalizing and posting process. The four most commonly used special journals and the type of transaction recorded in each journal are:

Journal	Transaction
Sales journal	sale of merchandise on account
Cash receipts journal	receipt of cash
Purchases journal	purchase of any asset on account
Cash payments journal	payment of cash, including payment by check

Businesses that use special journals still need the general journal to record transactions that cannot be entered in the special journals. Let's first look at the sales journal.

Journalizing and Posting to the Sales Journal

How Do You Use the Sales Journal?

The **sales journal** is a special journal used to record sales of merchandise on account. **Figure 16–1** shows a page from the sales journal used by On Your Mark Athletic Wear.

Like the general journal, the sales journal has a space for the page number and columns for the date and the posting reference. There is a separate column in which to record the sales slip number and a column

Record the amount of the merchandise sold on account _____

Record the amount of sales tax on the sale _____

Record the total amount to be received from the customer on account _____

in which to record the name of the charge customer. There are also three special amount columns. **Figure 16-1** illustrates what is to be recorded in each column.

Are you ready to record a sale on account in the sales journal? It's simple. Let's look at the same transactions you analyzed in Chapter 14 for On Your Mark Athletic Wear. This time we will record transactions using the sales journal.

Business Transaction

On December 1 On Your Mark sold merchandise on account to Casey Klein for \$200 plus \$12 sales tax, Sales Slip 50.

JOURNAL ENTRY

SALES JOURNAL										PAGE 12			
	DATE	SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT			SALES TAX PAYABLE CREDIT			ACCOUNTS RECEIVABLE DEBIT		
1	20--												
2	Dec. 1	50	Casey Klein			200	00			12	00		212
3	1	2	3			4				5			6

To record the transaction in the sales journal, journalize from left to right by following these steps.

1. Enter the date of the sales slip in the Date column.
2. Enter the sales slip number in the Sales Slip No. column.
3. Enter the name of the customer in the Customer's Account Debited column.
4. Enter the total of the merchandise sold in the Sales Credit column. (This is the amount shown in the subtotal box of the sales slip.)
5. Enter the amount of the sales tax in the Sales Tax Payable Credit column.
6. Enter the total amount to be received from the customer in the Accounts Receivable Debit column. (This is the amount shown in the total box of the sales slip.)



You learned in Chapter 14 that businesses do not impose sales tax on the sale of merchandise to tax-exempt organizations. The next business transaction involves a sale that On Your Mark makes to an organization that has tax-exempt status.

This transaction is analyzed in the same manner as the previous transac-

ON YOUR MARK
ATHLETIC WEAR
595 Leslie Street, Dallas, TX 75207

DATE: December 3, 20--
NO. 51

SOLD TO	South Branch High School Athletics 1750 Rutgers Dr. Dallas, TX 75207		
CLERK B.E.	CASH	CHARGE ✓	TERMS 2/10, n/30

QTY.	DESCRIPTION	UNIT PRICE	AMOUNT
15	Baseball Uniforms	\$ 40.00	\$ 600 00
15	Baseball Caps	20.00	300 00
15	Baseball Mitts	35.00	525 00
2	Baseballs	15.00	30 00
3	Baseball Bats	15.00	45 00
SUBTOTAL			\$ 1,500 00
SALES TAX			0 00
TOTAL			\$ 1,500 00

Thank You!

Business Transaction

On December 3 On Your Mark sold merchandise on account to South Branch High School Athletics for \$1,500, Sales Slip 51.

JOURNAL ENTRY

SALES JOURNAL								PAGE	12
	DATE	SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE DEBIT		
3	3	51	South Branch H.S. Ath.		1 500 00		1 500 00	3	
4	1	2	3		4		5	4	

tion—except there is no sales tax. Journalizing this transaction involves only five steps. The first four steps are the same. There is no sales tax so the fifth step is to enter the total amount to be received from the customer in the Accounts Receivable Debit column.

For sales that do not include a sales tax, amounts entered in the Sales Credit column and in the Accounts Receivable Debit column are the same.

As You READ

Key Point

Sales Journal Entry

For each line of the sales journal, make sure that the credits (Sales and Sales Tax Payable) equal the debit (Accounts Receivable).

Posting a Sales Journal Entry to the Accounts Receivable Subsidiary Ledger

In Chapter 14 you learned about posting to the accounts receivable subsidiary ledger. To keep the balances of the customer accounts current, sales journal transactions are posted daily to the accounts receivable subsidiary ledger. Whether you use the general journal or the sales journal when posting to the accounts receivable subsidiary ledger, the process is similar. Refer to Figure 16–2 and follow these steps.

1. Enter the date of the transaction in the Date column of the subsidiary ledger account. Use the same date as the journal entry.
2. In the Posting Reference column of the subsidiary ledger account, enter the journal letter and the journal page number. Use the letter S for the sales journal.
3. In the Debit column of the subsidiary ledger account, enter the total amount to be received from the customer.
4. Compute the new balance and enter it in the Balance column. To find the new balance, add the amount in the Debit column to the previous balance amount.

SALES JOURNAL												PAGE <u>12</u>
	DATE	SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT			SALES TAX PAYABLE CREDIT			ACCOUNTS RECEIVABLE DEBIT	
1	20--											1
2	Dec. 1	50	Casey Klein	✓	2	0	0	0	1	2	0	2
3				5								3

NAME Casey Klein
ADDRESS 3345 Spring Creek Parkway, Plano, TX 75094

	DATE	DESCRIPTION	POST. REF.	DEBIT			CREDIT			BALANCE			
	20--												
	Dec. 1	Balance	✓							5	0	0	
		1	S12	2	1	2	0			7	1	2	4

- Return to the sales journal and enter a check mark (✓) in the Posting Reference column. The check mark indicates that the transaction has been posted to the accounts receivable subsidiary ledger. In manual accounting systems, customer accounts are not numbered, so a check mark is used in the Posting Reference column.

Figure 16-2 Posting a Sales Journal Entry to the Accounts Receivable Subsidiary Ledger

Completing the Sales Journal

All special journals have amount columns used to record debits and credits to specific general ledger accounts. These amount columns simplify posting. Instead of posting each transaction separately to the general ledger, only the amount column totals are posted. For the sales journal, the column totals posted are the Sales Credit, the Sales Tax Payable Credit, and the Accounts Receivable Debit. Therefore, only three postings are made to the general ledger from the sales journal.

Footings, Proving, Totaling, and Ruling the Sales Journal

Before posting amounts to the general ledger, calculate and verify the column totals. Refer to **Figure 16-3** on page 454 for each step.

- Draw a single rule across the three amount columns, just below the last transaction.
- Foot the amount columns. A **footing** is a column total written in small penciled figures. A footing must be verified. It is written in pencil so that it can be erased if a mistake is discovered.
- On a separate sheet of paper, test for the equality of debits and credits. The total of the debit column should equal the total of the two credit columns.

Debit Column		Credit Columns	
Accounts Receivable	\$11,305	Sales Tax Payable	\$ 555
		Sales	10,750
Total	<u>\$11,305</u>	Total	<u>\$11,305</u>

As You READ

Key Point

Erasing a Footing

A footing can be erased to correct an error because it is not a formal entry in the accounting records. It is an interim step that is done to prove the journal.

SALES JOURNAL												PAGE 12
	DATE	SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE DEBIT					
1	20--											1
2	Dec. 1	50	Casey Klein	✓	2 00 00	12 00	2 12 00					2
3	3	51	South Branch High School Athletics	✓	1 50 00		1 50 00					3
4	5	52	Break Point Sports Club	✓	3 50 00	2 10 00	3 71 00					4
5	9	53	Gabriel Ramos	✓	3 00 00	18 00	3 18 00					5
6	10	54	Kim Wong	✓	1 00 00	6 00	1 06 00					6
7	12	55	Robert Galvin	✓	2 50 00	15 00	2 65 00					7
8	18	56	Joe Dimaio	✓	4 00 00	24 00	4 24 00					8
9	20	57	Megan Sullivan	✓	5 00 00	30 00	5 30 00					9
10	24	58	Tammy's Fitness Club	✓	1 00 00	60 00	1 06 00					10
11	26	59	Anita Montero	✓	3 50 00	21 00	3 71 00					11
12	28	60	Shashi Rahim	✓	2 00 00	12 00	2 12 00					12
13	30	61	Lara Young	✓	2 45 00	147 00	2 59 70					13
14	31		Totals		10 75 00	555 00	11 305 00					14
15												15

Figure 16-3 Totaled and Ruled Sales Journal

4. In the Date column, on the line below the single rule, enter the date the journal is being totaled.
5. On the same line, in the Customer's Account Debited column, enter the word *Totals*.
6. Enter the column totals, in ink, just below the footings.
7. Double-rule the three amount columns. A double rule, as you know, indicates that the totals have been verified.

After the sales journal has been footed, proved, totaled, and ruled, the column totals are posted to the general ledger.

Posting the Total of the Sales Credit Column

Refer to **Figure 16-4** as you read the procedure for posting the total of the Sales Credit column to the **Sales** account in the general ledger.

1. In the Date column of the **Sales** account in the general ledger, enter the date from the Totals line of the sales journal.
2. Enter the sales journal letter and page number in the Posting Reference column. Remember that S is the letter for the sales journal.
3. In the Credit column, enter the total from the Sales Credit column of the sales journal.
4. Compute the new balance and enter it in the Credit Balance column. To determine the new balance, add the amount entered in the Credit column to the previous balance.
5. Return to the sales journal and enter the **Sales** account number, in parentheses, below the double rule in the Sales Credit column. The number written in parentheses indicates that the column total has been posted to the general ledger account.

As You READ

Key Point

Posting from a Special Journal Post information from left to right across the ledger form. By following this procedure, you will post all information from the journal entry.

SALES JOURNAL

PAGE 12

	DATE	SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE DEBIT	
1	20--							1
2	Dec. 1	50	Casey Klein	✓	2 0 0 00	1 2 00	2 1 2 00	2
13	30	61	Lara Young	✓	2 4 5 0 00	1 4 7 00	2 5 9 7 00	13
14	31		Totals		10 7 5 0 00	5 5 5 00	11 3 0 5 00	14
15					(4 0 1)			15
16								16

1

3

5

ACCOUNT Sales

ACCOUNT NO. 401

DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
20--							
Dec. 1	Balance	✓				300 0 0 0 00	
31		S12		10 7 5 0 00		310 7 5 0 00	4

2

4

Posting the Total of the Sales Tax Payable Credit Column

The next amount to be posted is the Sales Tax Payable Credit column total. Refer to **Figure 16–5** as you read the following procedure.

1. In the Date column of the **Sales Tax Payable** account, enter the date from the Totals line of the sales journal.
2. Enter the sales journal letter and page number in the Posting Reference column.
3. In the Credit column, enter the total from the Sales Tax Payable Credit column of the sales journal.

Figure 16–4 Posting the Sales Credit Total to the General Ledger Account

SALES JOURNAL

PAGE 12

	DATE	SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE DEBIT	
1	20--							1
2	Dec.	1	50 Casey Klein	✓	2 0 0 00	1 2 00	2 1 2 00	2
13		31	61 Lara Young	✓	2 4 5 0 00	1 4 7 00	2 5 9 7 00	13
14		31	Totals		10 7 5 0 00	5 5 5 00	11 3 0 5 00	14
15					(4 0 1)	(2 2 0)		15
16								16

1

ACCOUNT Sales Tax Payable

ACCOUNT NO. 220

3

5

2

DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE		
					DEBIT	CREDIT	
20--							
Dec.	1 Balance	✓				1 3 0 0 00	
	4	G20	9 00			1 2 9 1 00	
	31	S12		5 5 5 00		1 8 4 6 00	4

Figure 16–5 Posting the Sales Tax Payable Credit Total to the General Ledger

Key Point

Posting a Special Journal Column Total

Entering an account number in parentheses under a column total means that the column total has been posted to the general ledger.

4. Compute the new balance and enter it in the Credit Balance column.
5. Return to the sales journal and enter the Sales Tax Payable account number, in parentheses, below the double rule in the Sales Tax Payable Credit column.

Posting the Total of the Accounts Receivable Debit Column

The last column of the sales journal to be posted is the Accounts Receivable Debit column. Refer to **Figure 16–6** as you read these steps.

1. In the Date column of the **Accounts Receivable** account, enter the date from the Totals line of the sales journal.
2. Enter the sales journal letter and page number in the Posting Reference column.
3. In the Debit column, enter the total from the Accounts Receivable Debit column of the sales journal.
4. Compute the new balance and enter it in the Debit Balance column.
5. Return to the sales journal and enter the **Accounts Receivable** account number, in parentheses, below the double rule in the Accounts Receivable Debit column.

SALES JOURNAL										PAGE <u>12</u>	
	DATE	SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE DEBIT				
1	20--										1
2	Dec. 1	50	Casey Klein	✓	2 0 0 00	1 2 00	2 1 2 00				2
13	30	61	Lara Young	✓	2 4 5 0 00	1 4 7 00	2 5 9 7 00				13
14	31		Totals		10 7 5 0 00	5 5 5 00	11 3 0 5 00				14
15					(4 0 1)	(2 2 0)	(1 1 5)				15
16											16

ACCOUNT <u>Accounts Receivable</u>										ACCOUNT NO. <u>115</u>	
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE					
						DEBIT	CREDIT				
	20--										
	Dec. 1	Balance	✓			6 2 5 9 00					
	4		G20		1 5 9 00	6 1 0 0 00					
	31		S12		11 3 0 5 00	17 4 0 5 00					4

Figure 16–6 Posting Accounts Receivable Debit Total to the General Ledger

SALES JOURNAL										PAGE 12
	DATE	SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE DEBIT			
16	Jan. 2	62	Casey Klein		6 0 0 00	3 6 00	6 3 6 00	16		
32	23	79	Kim Wong		9 0 0 00	5 4 00	9 5 4 00	32		
33	24	80	Robert Galvin		1 1 0 0 00	6 6 00	1 1 6 6 00	33	1	
34	24		Carried Forward	✓	12 5 0 0 00	6 9 0 00	13 1 9 0 00	34	5	
35								35		

SALES JOURNAL										PAGE 6 13
	DATE	SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE DEBIT			
1	20--							1		
2	Jan. 24	✓	Brought Forward	✓	12 5 0 0 00	6 9 0 00	13 1 9 0 00	2		
3								3		

Proving the Sales Journal at the End of a Page

All special journals are totaled and proved at the end of every month. Sometimes, however, a business has so many transactions in one month that it is impossible to fit them all on one journal page. When this occurs, the journal page is totaled and ruled before a new page is started.

Refer to **Figure 16-7** and follow these steps to record the totals and carry them forward to the next page.

1. Draw a single rule across the three amount columns below the last transaction. Foot the columns and prove the equality of debits and credits.
2. On the line following the last transaction, enter the date of the last transaction in the Date column.
3. In the Customer's Account Debited column, write *Carried Forward*.
4. Place a check mark (✓) in the Posting Reference column. This check mark indicates that these totals are not to be posted.
5. Enter the column totals in ink. *Do not* place a double rule under the columns.
6. On the next journal page, enter the new page number.
7. On lines 1 and 2, enter the complete date (year, month, and day) in the Date column. Use the same date as on the last line of the previous page.
8. Place a check mark (✓) in the Sales Slip No. column and write *Brought Forward* in the Customer's Account Debited column.
9. Place a check mark (✓) in the Posting Reference column.
10. Enter the column totals from the previous page on line 2.

The journal page is now ready for the recording of the next transaction.

Figure 16-7 Starting a New Journal Page

As You READ

In Your Experience

Proving Accuracy

How have you proved the accuracy of your personal financial documents?

AFTER
You READ

Reinforce the Main Idea

Create a table similar to this one to identify the four special journals and the kind of transaction recorded in each.

Special Journal	Kind of Transaction



Do the Math

Vijay Products had the following amounts entered in the Sales Credit Column of its October Sales Journal.

Oct. 2	\$1,500
10	3,400
17	8,200
30	7,600

Assume a 3% sales tax was imposed on each sale. Answer the following questions.

1. What amount should be entered in the Sales Tax Payable Credit Column for each sale?
2. What amount should be entered in the Accounts Receivable Debit Column for each sale?



Problem 16-1 Posting Column Totals from the Sales Journal

Instructions Here are the column totals of the sales journal for the month of April. In your working papers, post these totals to the appropriate general ledger accounts.

SALES JOURNAL								PAGE	4
	DATE	SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE DEBIT		
1	20--								1
2	Apr. 1	47	Amy Anderson	✓	800 00	48 00	848 00		2
32	30		Totals		12 000 00	720 00	12 720 00		32
33									33




Problem 16-2 Analyzing a Source Document

Metro Sports Distributors had this transaction that occurred on June 15.

Instructions

1. Analyze the sales slip shown. In your working papers, record the required entry on page 3 of the sales journal.
2. Post to the customer's account in the accounts receivable subsidiary ledger.

 METRO SPORTS DISTRIBUTORS <small>Kingslon Mall, Williamsburg, Virginia 23185</small>			
DATE: June 15, 20--		NO. 113	
SOLD TO	M&M Consultants 2816 Mt. Odin Drive Williamsburg, VA 23185		
CLERK RDP	CASH	CHARGE ✓	TERMS 3/15, n/45
QTY.	DESCRIPTION	UNIT PRICE	AMOUNT
10	Golf Bags	\$ 50.00	\$ 500 00
2 doz.	Ladies Golf Shirts	100.00/doz	200 00
20	Golf Caps	6.00	120 00
SUBTOTAL			\$ 820 00
SALES TAX			41 00
TOTAL			\$ 861 00
Thank You!			



SECTION 2

The Cash Receipts Journal

In Chapter 14 you learned that the three most common sources of cash for a merchandising business are payments from charge customers, cash sales, and bankcard sales. These businesses also receive cash, but less frequently, from the sale of other business assets.

Can you imagine how many checks local cable television, electric, and telephone companies receive daily? They must have a streamlined cash receipts process to record checks efficiently. In this section you will learn to use a cash receipts journal as an efficient way to record cash receipts.

Journalizing and Posting to the Cash Receipts Journal

How Do You Use the Cash Receipts Journal?

The **cash receipts journal** is a special journal used to record all cash receipt transactions. It always has a Cash in Bank Debit column since every transaction in it debits the **Cash in Bank** account. The number of credit columns varies, depending on the company's needs. On Your Mark's cash receipts journal in **Figure 16–8** has six amount columns plus the date, source document, account name, and posting reference columns.

To keep the customer account balances current, the entries in the Accounts Receivable Credit column are posted daily to the accounts

BEFORE YOU READ

Main Idea

The cash receipts journal is used to record the cash a business receives.

Read to Learn...

- how to use the cash receipts journal. (p. 459)
- the purpose of the schedule of accounts receivable. (p. 466)
- about Internet sales. (p. 468)

Key Terms

cash receipts journal
schedule of accounts receivable

CASH RECEIPTS JOURNAL											PAGE 13
	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
1											1
2											2
3											3

- Record credits to accounts for which there is no special column
- Record amount of merchandise purchased by customers using cash or bankcards
- Record amount of sales tax collected on cash or bankcard sales
- Record payments from charge customers here
- Record the amount of cash discounts taken by charge customers
- Record the amount of cash actually received in the transaction

Figure 16–8 Cash Receipts Journal

receivable subsidiary ledger. The entries in the General Credit column are also posted daily to the individual general ledger accounts. At month-end all special amount column totals are posted to the general ledger accounts named in the column headings.

As You READ

Key Point

Cash Receipts Journal

Entry Be sure that the debit and credit entries on each line of the cash receipts journal are equal.

Recording Cash from Charge Customers

Follow these steps when journalizing cash receipts from charge customers. The source document for this transaction is the receipt.

1. Enter the date of the transaction in the Date column.
2. Enter the receipt number in the Document Number column. Write the letter *R* (for receipt) before the receipt number.
3. Enter the name of the customer in the Account Name column.
4. Enter the decrease in the amount owed by the customer in the Accounts Receivable Credit column.
5. Enter the amount of cash received in the Cash in Bank Debit column.

Business Transaction

On December 5 On Your Mark received \$212 from Casey Klein to apply on account, Receipt 301.

ON YOUR MARK
ATHLETIC WEAR
595 Leslie Street, Dallas, TX 75207

RECEIPT
No. 301

Dec. 5 20 --
RECEIVED FROM Casey Klein \$ 212.00
Two hundred twelve and ^{no}/₁₀₀ DOLLARS
FOR On account
RECEIVED BY Michael Smith

JOURNAL ENTRY

CASH RECEIPTS JOURNAL

PAGE 13

	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
1	20--										1
2	Dec. 5	R301	Casey Klein					212.00		212.00	2
3	1	2	3					4		5	3

When this entry has been posted to the customer's account in the accounts receivable subsidiary ledger, enter a check mark (✓) in the Posting Reference column of the cash receipts journal.

As You READ

Key Point

Journalizing Cash Receipts

When journalizing a cash receipt transaction involving a sales discount, be sure to credit **Accounts Receivable** for the amount of the original sales transaction less any related sales returns or allowances.

Recording Cash Received on Account, Less a Cash Discount

Let's use these steps to record a cash receipt transaction with a cash discount.

1. Enter the date of the receipt in the Date column.
2. Enter the receipt number in the Document Number column. Remember to write the letter *R* before the receipt number.
3. Enter the name of the customer in the Account Name column.
4. In the Accounts Receivable Credit column, enter the amount of the original sales transaction (the amount that was debited in the sales journal) less any related sales returns or allowances.
5. Enter the cash discount amount in the Sales Discounts Debit column.
6. Enter the amount of cash received in the Cash in Bank Debit column.

Business Transaction

On December 12 On Your Mark received \$1,470 from South Branch High School Athletics in payment of Sales Slip 51 for \$1,500 less the discount of \$30, Receipt 302.

JOURNAL ENTRY

ON YOUR MARK
ATHLETIC WEAR
595 Leslie Street, Dallas, TX 75207

RECEIPT
No. 302

Dec. 12 20 --
RECEIVED FROM South Branch H.S. Athletics \$ 1,470.00
One thousand four hundred seventy and ^{no}/₁₀₀ DOLLARS
FOR On account
RECEIVED BY Michael Smith

CASH RECEIPTS JOURNAL											PAGE 13
	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
3	12	R302	South Branch H.S. Ath.					1 500 00	30 00	1 470 00	3
4	1	2	3					4	5	6	4

Recording Cash Sales

On Your Mark records cash sales every two weeks, but many businesses journalize cash sales and deposit cash daily. Follow these steps to enter cash sales in the cash receipts journal. The source document is the cash register tape.

1. Enter the date written on the cash register tape in the Date column.
2. Enter the number of the tape in the Document Number column.
Write the letter *T* (for tape) before the tape number.
3. Enter the words *Cash Sales* in the Account Name column.
4. Enter a dash in the Posting Reference column to indicate that no entry has been posted individually to the general ledger accounts.
Cash sales amounts are posted to the general ledger as part of the column totals at month-end.
5. Enter the amount of merchandise sold in the Sales Credit column.
6. Enter the amount of the sales taxes collected in the Sales Tax Payable Credit column.
7. Enter the total cash received in the Cash in Bank Debit column.

Business Transaction

On December 15 On Your Mark records the cash sales for the first two weeks of December, \$3,000, and \$180 in related sales taxes, Tape 55.

JOURNAL ENTRY

CASH RECEIPTS JOURNAL											PAGE 13
	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
4	15	T55	Cash Sales	—		3 000 00	180 00			3 180 00	4
5	1	2	3	4		5	6			7	5

Dec. 15
Tape 55

3000.00 CA
180.00 ST

As You READ

Instant Recall

Normal Credit Balances

Sales
Sales Tax Payable

Recording Bankcard Sales

A business can record and deposit bankcard sales slips at any interval. On Your Mark processes them every two weeks. Follow these steps to enter bankcard sales in the cash receipts journal. Note the similarity to recording a cash sale. The entry's source document is the cash register tape.

1. Enter the date of the cash register tape in the Date column.
2. Enter the number of the tape in the Document Number column. Remember to write the letter *T* before the tape number.
3. Enter the words *Bankcard Sales* in the Account Name column.
4. Enter a dash in the Posting Reference column. The amounts recorded in the bankcard sales entry will be posted to the general ledger as part of the column totals at the end of the month.
5. Enter the amount of merchandise sold in the Sales Credit column.
6. Enter the sales taxes collected in the Sales Tax Payable Credit column.
7. Enter the total cash received in the Cash in Bank Debit column.

Business Transaction

On December 15 On Your Mark recorded bankcard sales of \$700 for the first two weeks of December and related sales taxes of \$42, Tape 55.

Dec. 15
Tape 55

700.00 BCS
42.00 ST

JOURNAL ENTRY

CASH RECEIPTS JOURNAL											
											PAGE 13
	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
5	15	T55	Bankcard Sales	—		700.00	42.00			742.00	5
6	1	2	3	4		5	6			7	6

Recording Other Cash Receipts

Occasionally, a retail business receives cash from a transaction that does not involve the sale of merchandise. Since the business is receiving cash, it enters the transaction in the cash receipts journal. These are the steps to enter the next business transaction in the cash receipts journal:

1. Enter the date of the receipt in the Date column.
2. Enter an *R* and the receipt number in the Document Number column.
3. Enter *Office Equipment* in the Account Name column.
4. Enter the amount of the credit in the General Credit column. Use the General Credit column when the credit part of the entry is to an account that does not have a special amount column.
5. Enter the amount of cash received in the Cash in Bank Debit column.

As You READ

Instant Recall

Normal Debit Balances

Accounts Receivable
Sales Discounts
Cash in Bank

Business Transaction

On December 16 On Your Mark received \$30 from Mandy Harris, an office employee. She purchased a calculator that the business was no longer using, Receipt 303.

ON YOUR MARK
ATHLETIC WEAR
595 Leslie Street, Dallas, TX 75207

RECEIPT

No. 303

Dec. 16 20 --

RECEIVED FROM Mandy Harris \$ 30.00

Thirty and ^{no}/₁₀₀ _____ DOLLARS

FOR calculator

RECEIVED BY Michael Smith

JOURNAL ENTRY

CASH RECEIPTS JOURNAL											PAGE <u>13</u>
	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
6	16	R303	Office Equipment		30 00					30 00	6
7	1	2	3		4					5	7

Posting to the Accounts Receivable Subsidiary Ledger

A business posts daily from the Accounts Receivable Credit column to the accounts receivable subsidiary ledger so that customer accounts are always current. To post a cash receipt transaction to an account in the accounts receivable subsidiary ledger, follow these steps. Refer to Figure 16-9.

1. Enter the date of the transaction in the Date column of the subsidiary ledger account.
2. In the subsidiary ledger Posting Reference column, enter the journal letters and the page number. Use CR for the cash receipts journal.
3. In the subsidiary ledger Credit column, enter the amount from the Accounts Receivable Credit column of the cash receipts journal.
4. Compute and enter the new balance in the Balance column. If the account balance is zero, draw a line through the Balance column.

Figure 16-9 Posting from the Cash Receipts Journal to the Accounts Receivable Subsidiary Ledger

CASH RECEIPTS JOURNAL

PAGE 13

	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
1	20--										1
2	Dec.	5	R301 Casey Klein	✓				212 00		212 00	2
3				5							3

NAME Casey Klein

ADDRESS 3345 Spring Creek Parkway, Plano, TX 75094

	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE	
	20--						
	Dec.	1 Balance	✓			5 00 00	
		1	S12	2 12 00		7 12 00	
		5	CR13		2 12 00	5 00 00	4

Key Point

Posting from the Cash Receipts Journal

When posting a cash receipts journal entry to the accounts receivable subsidiary ledger, be sure to post the amount recorded in the Accounts Receivable Credit column.

- Return to the cash receipts journal and enter a check mark (✓) in the Posting Reference column.

Posting the General Credit Column

A business posts daily from the General Credit column of the cash receipts journal to the appropriate accounts in the general ledger. Refer to Figure 16–10 as you read the steps for posting amounts from this column.

- Enter the transaction date in the general ledger account Date column.
- Enter the journal letters and page number in the Posting Reference column of the ledger account. Use CR for cash receipts journal.
- In the Credit column of the ledger account, enter the amount from the General Credit column of the cash receipts journal.
- Compute and enter the new account balance in the proper Balance column. For the **Office Equipment** account shown in Figure 16–10, use the Debit Balance column. If the account balance is zero, draw a line through the appropriate Balance column.
- Return to the cash receipts journal and enter the general ledger account number in the Posting Reference column.

The cash receipts journal entry for the December 16 transaction is now posted. All transactions in the General Credit column are posted this way.

Footings, Proving, Totaling, and Ruling the Cash Receipts Journal

Follow these steps to complete the cash receipts journal. Refer to Figure 16–11.

- Draw a single rule across the six amount columns, just below the last transaction.
- Foot the columns.
- Test for the equality of debits and credits as follows.

Figure 16–10 Posting from the General Credit Column of the Cash Receipts Journal

CASH RECEIPTS JOURNAL

PAGE 13

	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
1	20--										1
2	Dec. 5	R301	Casey Klein	✓				21200		21200	2
3	12	R302	South Branch H.S. Ath.	✓				150000	3000	147000	3
4	15	T55	Cash Sales	—		300000	18000			318000	4
5	15	T55	Bankcard Sales	—		70000	4200			74200	5
6	16	R303	Office Equipment	145	3000					3000	6
7											7

1

ACCOUNT Office Equipment

ACCOUNT NO. 145

DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE	
			DEBIT	CREDIT	DEBIT	CREDIT
20--						
Dec. 1	Balance	✓			985500	
16		CR13		3000	982500	4

Debit Columns	
Sales Discounts	\$ 30
Cash in Bank	17,283
<hr/>	
Total	<u>\$ 17,313</u>

Credit Columns	
General	\$ 30
Sales	9,700
Sales Tax Payable	582
Accounts Receivable	7,001
<hr/>	
Total	<u>\$ 17,313</u>

As You READ

In Your Own Words

What does it mean to "foot" the journal?

4. In the Date column, on the line below the single rule, enter the date the journal is being totaled.
5. On the same line in the Account Name column, enter the word *Totals*.
6. Enter the column totals, in ink, just below the footings.
7. Double-rule the amount columns.

Review the completed cash receipts journal. Consider time saved by using this special journal to record cash receipts in one location instead of on many general journal pages. After the cash receipts journal is footed, proved, totaled, and ruled, the column totals are posted to the general ledger.

Posting Column Totals to the General Ledger

On Your Mark uses a cash receipts journal with six amount columns. Only five of them are posted to the general ledger. The General Credit column total is *not* posted. The entries in this column have already been posted individually to the general ledger accounts. (See Figure 16–10.)

The total in each amount column is posted to the general ledger account named in the column heading. See Figure 16–12 on page 467. The column heading indicates whether to post the amount to the ledger account's Debit or Credit column.

Figure 16–11 Totaled and Ruled Cash Receipts Journal

CASH RECEIPTS JOURNAL											PAGE 13
	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
1	20--										1
2	Dec. 5	R301	Casey Klein	✓				21200		21200	2
3	12	R302	South Branch H.S. Ath.	✓				150000	3000	147000	3
4	15	T55	Cash Sales	–		300000	18000			318000	4
5	15	T55	Bankcard Sales	–		70000	4200			74200	5
6	16	R303	Office Equipment	145	3000					3000	6
7	18	R304	Break Point Sports Club	✓				100000		100000	7
8	20	R305	Anita Montero	✓				10000		10000	8
9	22	R306	Gabriel Ramos	✓				50000		50000	9
10	23	R307	South Branch H.S. Ath.	✓				100000		100000	10
11	24	R308	Tammy's Fitness Club	✓				130000		130000	11
12	26	R309	Kim Wong	✓				30000		30000	12
13	27	R310	Lara Young	✓				20000		20000	13
14	27	R311	Robert Galvin	✓				46500		46500	14
15	28	R312	Joe Dimaio	✓				42400		42400	15
16	31	T56	Cash Sales	–		500000	30000			530000	16
17	31	T56	Bankcard Sales	–		100000	6000			106000	17
18	31		Totals		3000	970000	58200	700100	3000	1728300	18
19					(✓)						19

4

5

3

1

2

6

7

CULTURAL



Diversity

Misinterpreting Gestures

Gestures that are common in the United States can be offensive to other cultures. For example, the okay symbol (the thumb and forefinger making a circle) is considered rude in parts of South America and Eastern Europe.

Refer to **Figure 16–12** on page 467 and follow these steps to post column totals to the general ledger.

1. Place a check mark in parentheses under the General Credit column total to indicate that this total is not posted.
2. Post the **Sales** total to the **Sales** account Credit column.
3. Post the **Sales Tax Payable** total to the **Sales Tax Payable** account Credit column.
4. Post the **Accounts Receivable** total to the **Accounts Receivable** controlling account Credit column.
5. Post the **Sales Discounts** total to the **Sales Discounts** account Debit column.
6. Post the **Cash in Bank** total to the **Cash in Bank** account Debit column.
7. Compute new balances for each general ledger account.
8. Write each account number in parentheses below the double rule in the cash receipts journal.

Using the Schedule of Accounts Receivable

What Is a Schedule of Accounts Receivable?

Accountants prepare a schedule for each subsidiary ledger to determine whether the subsidiary ledger's sum equals the controlling account's ending balance.

Proving the Accounts Receivable Subsidiary Ledger

To prove the accounts receivable subsidiary ledger, accountants prepare a **schedule of accounts receivable** that lists each charge customer, the balance in the customer's account, and the total amount due from all customers. The **Accounts Receivable** account is the controlling account for the accounts receivable subsidiary ledger. That is, the controlling account is a summary of all customer accounts in the subsidiary ledger. At month-end after all posting is completed, the balance of **Accounts Receivable** (controlling) in the general ledger should equal the total of the balances of the individual accounts receivable subsidiary ledger accounts.

The schedule of accounts receivable may be prepared on plain paper, accounting stationery, or on a computer. The heading identifies the schedule type and the date. All customer accounts appear in alphabetical order, as they do in the accounts receivable subsidiary ledger. All accounts are included, even those with zero balances. This prevents omitting a customer by mistake. **Figure 16–13** on page 468 shows On Your Mark's schedule of accounts receivable for the end of December. Its total amount to be received from all customers is \$10,404, which matches the balance of the **Accounts Receivable** account in the general ledger. This proves the accounts receivable subsidiary ledger.

As You READ

It's Not What It Seems

Schedule You might think of a *schedule* as a timetable. In accounting, a *schedule* is a detailed list of the items that make up a general ledger account balance.

CASH RECEIPTS JOURNAL											PAGE 13
	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
1	20--										1
2	Dec. 5	R301	Casey Klein	✓				212 00		212 00	2
17	31	T56	Bankcard Sales	—		1 000 00	6 000			1 060 00	17
18	31		Totals		30 00	9 700 00	58 200	7 001 00	3 000	17 283 00	18
19				(✓)	(401)	(220)	(115)	(405)		(101)	19
20											20

ACCOUNT <u>Cash in Bank</u>					ACCOUNT NO. <u>101</u>				
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE		DEBIT	CREDIT	
20--									
Dec. 1	Balance	✓				15 000 00			
31		CR13	17 283 00			32 283 00			

ACCOUNT <u>Accounts Receivable</u>					ACCOUNT NO. <u>115</u>				
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE		DEBIT	CREDIT	
20--									
Dec. 1	Balance	✓				6 259 00			
4		G20		1 59 00		6 100 00			
31		S12	11 305 00			17 405 00			
31		CR13		7 001 00		10 404 00			

ACCOUNT <u>Sales Tax Payable</u>					ACCOUNT NO. <u>220</u>				
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE		DEBIT	CREDIT	
20--									
Dec. 1	Balance	✓				1 300 00			
8		G20	9 00			1 291 00			
31		S12		5 55 00		1 846 00			
31		CR13		5 82 00		2 428 00			

ACCOUNT <u>Sales</u>					ACCOUNT NO. <u>401</u>				
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE		DEBIT	CREDIT	
20--									
Dec. 1	Balance	✓				300 000 00			
31		S12		10 750 00		310 750 00			
31		CR13		9 700 00		320 450 00			

ACCOUNT <u>Sales Discounts</u>					ACCOUNT NO. <u>405</u>				
DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	BALANCE		DEBIT	CREDIT	
20--									
Dec. 1	Balance	✓				7 00 00			
31		CR13	30 00			7 30 00			

Figure 16–12 Posting Column Totals from the Cash Receipts Journal

ACCOUNT <i>Accounts Receivable</i>										ACCOUNT NO. <i>115</i>									
DATE	DESCRIPTION			POST. REF.	DEBIT			CREDIT			BALANCE								
											DEBIT			CREDIT					
20--																			
Dec. 1		Balance		✓							6	2	5	9	00				
	4			G20				1	5	9	00	6	1	0	0	00			
	31			S12	11	3	0	5	00					17	4	0	5	00	
	31			CR13				7	0	0	1	00	10	4	0	4	00		

On Your Mark Athletic Wear									
Schedule of Accounts Receivable									
December 31, 20--									
Break Point Sports Club					3	7	1	0	00
Joe Dimaio									
Robert Galvin									
Casey Klein						5	0	0	00
Anita Montero						3	7	1	00
Shashi Rahim						2	1	2	00
Gabriel Ramos						3	1	8	00
South Branch High School Athletics					1	0	0	0	00
Megan Sullivan						5	3	0	00
Tammy's Fitness Club					1	0	6	0	00
Kim Wong						1	0	6	00
Lara Young					2	5	9	7	00
Total Accounts Receivable									10 4 0 4 00

The balance of the **Accounts Receivable** account should equal the total of the schedule of accounts receivable.

Figure 16–13 Schedule of Accounts Receivable

Detecting Errors in the Subsidiary Ledger

Proving the accounts receivable subsidiary ledger with the controlling account verifies that the sum of the subsidiary ledger equals the controlling account's ending balance. This internal control procedure uncovers certain errors such as failing to post a transaction, or miscalculating an account balance. It does *not* ensure that transactions were posted to the correct customer account. The subsidiary ledger and the controlling account can balance even if an amount was posted to the wrong account. Often this type of error is discovered when a customer finds the error on a bill and reports it.

Internet Sales

How Do Internet Companies Receive Cash?

Companies can sell products with little expense and effort over the Internet, but they must have procedures and systems for processing online sales transactions. Companies can use an *Internet merchant account* for credit and debit card payments or an online payment service such as PayPal. Most Internet sales systems batch transactions daily to provide updated sales and inventory entries for the company's computer systems.

Online sales transactions must be secure. Businesses can use a card verification service to authenticate credit card security codes and personal identification data to protect against online fraud.

AFTER
You READ

Reinforce the Main Idea

Create a table similar to this one to identify the journal to be used and the accounts to be debited and credited for each transaction.

Transaction	Journal	Account(s) Debited	Account(s) Credited
Bankcard Sales			
Sale of Merchandise on Account			
Sale of Asset for Cash			
Cash Sales			



Do the Math

You are hired to audit the books for a computer software retailer, Software Biz. As you review the books, you realize that the sales tax was not calculated on a sales slip. You also want to estimate cash receipts from a sale. On a separate sheet of paper, make the following calculations:

- Accounts Receivable—Business World; Sales Slip 47: software for \$550; sales tax at 6%.
What is the total due?
- Accounts Receivable—Cindy Caskey; Sales Slip 48:

Software	\$46.53
Sales tax	<u>2.79</u>
Total	\$49.32

Terms: 1/10, n/30.

How much will be received if it is paid within the discount period?



Problem 16–3 Completing the Cash Receipts Journal

The cash receipts journal for the month of January is provided in your working papers and illustrated here.

Instructions In your working papers, foot, prove, total, and rule the cash receipts journal.

CASH RECEIPTS JOURNAL											PAGE 10
	DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT	SALES CREDIT	SALES TAX PAYABLE CREDIT	ACCOUNTS RECEIVABLE CREDIT	SALES DISCOUNTS DEBIT	CASH IN BANK DEBIT	
1	20--										1
2	Jan.	3 R502	Jennifer Smith	✓				8000		8000	2
3		5 R503	Wilton High School	✓				310000	6200	303800	3
4		8 R504	Store Equipment	155	7500					7500	4
5	15	T42	Cash Sales	—		500000	30000			530000	5
6	15	T42	Bankcard Sales	—		120000	7200			127200	6
7	20	R505	Norwin High School	✓				240000	4800	235200	7
8	30	R506	Supplies	115	3000					3000	8
9											9



Key Concepts

1. Businesses that have many transactions use *special journals* to simplify the process of recording transactions. Special journals

- have amount columns to record debits and credits to specific general ledger accounts
- use one line to record most transactions

Four special journals are commonly used in merchandising businesses:

- sales journal
- purchases journal
- cash receipts journal
- cash payments journal

2. A *sales journal* is used when two conditions are met:

- merchandise is sold, and
- the sale is on account instead of for cash

The sales journal entry to record the sale of merchandise on account is illustrated here.

SALES JOURNAL														PAGE	1		
	DATE		SALES SLIP NO.	CUSTOMER'S ACCOUNT DEBITED	POST. REF.	SALES CREDIT			SALES TAX PAYABLE CREDIT			ACCOUNTS RECEIVABLE DEBIT					
1	Date		Sales Slip No.	Customer's Account Name			x	x	x	xx			x	x	xx		1
2																	2
3																	3

The *cash receipts journal* is used to record all cash that a business receives. The following types of transactions are recorded in the cash receipts journal:

- (a) cash received from a charge customer
- (b) cash received from a charge customer less a cash discount
- (c) cash sales
- (d) bankcard sales
- (e) cash received from the sale of other assets

CASH RECEIPTS JOURNAL																	PAGE	1						
		DATE	DOC. NO.	ACCOUNT NAME	POST. REF.	GENERAL CREDIT			SALES CREDIT			SALES TAX PAYABLE CREDIT			ACCOUNTS RECEIVABLE CREDIT			SALES DISCOUNTS DEBIT			CASH IN BANK DEBIT			
(a)	1	Date of Receipt	Receipt No.	Customer's Name													x x x x x						x x x x x	1
(b)	2	Date of Receipt	Receipt No.	Customer's Name													x x x x x		x x x x				x x x x x	2
(c)	3	Date of Tape	Tape No.	Cash Sales								x x x x x		x x x x									x x x x x	3
(d)	4	Date of Tape	Tape No.	Bankcard Sales								x x x x x		x x x x									x x x x x	4
(e)	5	Date of Receipt	Receipt No.	Account Affected								x x x x x											x x x x x	5

3. Post these columns' individual amounts *daily*:

Journal	Individual Column Amounts	Are Posted To:
Sales Journal	Accounts Receivable Debit column ➤	Subsidiary ledger customer account
Cash Receipts Journal	Accounts Receivable Credit column ➤	Subsidiary ledger customer account
	General Credit column ➤	General ledger account

4. Complete seven steps before you post special journal column totals to the general ledger:

- Rule the amount columns.
- Foot the amount columns.
- Prove the journal.
- Under the last transaction, enter the date the journal is totaled in the Date column.
- On the same line, enter the word *Totals* in the Customer's Account Debited column (sales journal) or the Account Name column (cash receipts journal).
- Enter the column totals, in ink, just below the footings.
- Double-rule the amount columns.

5. Post these column totals at *month-end*:

Journal	Column Total	Is Posted To:
Sales Journal	Sales Credit column ➤	Sales account
	Sales Tax Payable Credit column ➤	Sales Tax Payable account
	Accounts Receivable Debit column ➤	Accounts Receivable account
Cash Receipts Journal	Sales Credit column ➤	Sales account
	Sales Tax Payable Credit column ➤	Sales Tax Payable account
	Accounts Receivable Credit column ➤	Accounts Receivable account
	Sales Discounts Debit column ➤	Sales Discounts account
	Cash in Bank Debit column ➤	Cash in Bank account

6. To prove the accounts receivable subsidiary ledger, prepare a *schedule of accounts receivable*, which lists each charge customer, the balance in the customer's account, and the total amount due from all customers. **Accounts Receivable** is the controlling account for the accounts receivable subsidiary ledger. Review this relationship in **Figure 16–13** on page 468.

Key Terms

cash receipts journal	(p. 459)	schedule of accounts	
footing	(p. 453)	receivable	(p. 466)
sales journal	(p. 450)	special journals	(p. 450)

Check Your Understanding

1. Special Journals

- When are special journals used in an accounting system?
- Name four commonly used special journals and describe the transactions entered in each.

2. Sales Journal and Cash Receipts Journal

- List the steps to record transactions in the sales journal.
- What are the source documents for transactions recorded in the cash receipts journal?

3. Posting Single Transactions

- When are sales transactions posted to the accounts receivable subsidiary ledger? Why?
- When are transactions in the cash receipts journal posted to the accounts receivable subsidiary ledger? Why?

4. Footing, Proving, Totaling, and Ruling

- What is a *footing*?
- Which columns in the sales journal are double-ruled? What does the double rule indicate?

5. Posting Column Totals

- Which sales journal column total is posted to the general ledger **Sales** account?
- When posting column totals from the cash receipts journal to the general ledger, which total is *not* posted?

6. Schedule of Accounts Receivable

- What is the purpose of a schedule of accounts receivable?
- The schedule of accounts receivable does *not* uncover what type of error?

Apply Key Terms

Imagine that you are the accounting manager for EarthWear Clothing. Recently you noticed that several sales associates are not keeping good records of sales transactions. Write an informational memorandum to the sales staff about the need for accurate, complete sales records. Use the following terms to describe a systematic method to track sales.

cash receipts journal
footing
sales journal

schedule of accounts
receivable
special journals



Mastering Sales and Cash Receipts

Making the Transition from a Manual to a Computerized System

Task	Manual Methods	Computerized Methods
Setting up customer records	<ul style="list-style-type: none"> Ledger sheets or cards are prepared with customer account details such as customer name, address, and contact information. Account activities are posted to the customer's subsidiary ledger account. 	<ul style="list-style-type: none"> Assign each customer an ID code. Record details of customer accounts into customer records. The customer's sales and payment history is maintained automatically.
Issuing and Recording a Credit Memorandum	<ul style="list-style-type: none"> A credit memorandum is prepared. A journal entry is prepared to record the credit memorandum. The journal entry is posted to the customer's account and to the general ledger. 	<ul style="list-style-type: none"> The accounting software will create a credit memo and apply it to the appropriate outstanding customer invoice. The credit memo is posted automatically to the customer account and to the general ledger.



Peachtree® Q & A

Peachtree Question	Answer
How do I set up a new customer account?	<ol style="list-style-type: none"> From the Maintain menu, select Customers/Prospects. Assign a Customer ID to the customer account. Enter customer name and contact information. Click on the Sales Defaults tab. Verify or enter the appropriate sales default GL account number.
How do I issue and record a credit memorandum?	<ol style="list-style-type: none"> From the Tasks menu, select Sales/Invoicing. Enter a customer ID and a reference number. Click on the Apply to Sales tab and fill out the Apply to Invoice.



QuickBooks Q & A

QuickBooks Question	Answer
How do I set up a new customer account?	<ol style="list-style-type: none"> From the Lists menu, select Customer:Job List. Click the Customer:Job drop-down list and select New. Enter customer name and contact information. Click on the Additional Info tab and enter any additional customer data.
How do I issue and record a credit memorandum?	<ol style="list-style-type: none"> From the Customers menu, select Create Credit Memos/Refunds. Enter customer name, date, and credit invoice number. In the Item column, select the item returned. Enter the number returned in the <i>Qty</i> field.

For detailed instructions, see your Glencoe Accounting Chapter Study Guides and Working Papers.

Complete problems using:

Manual Glencoe
Working Papers

OR

Peachtree Complete
Accounting Software

OR

QuickBooks
Templates

Peachtree®

SMART GUIDE

Step-by-Step Instructions: Problem 16-4

1. Select the problem set for Shutterbug Cameras (Prob. 16-4).
2. Rename the company and set the system date.
3. Enter all sales on account transactions using the **Sales/Invoicing** option.
4. Record all cash sales using the **Receipts** option.
5. Print a Sales Journal report and a Cash Receipts Journal report.
6. Proof your work.
7. Print a General Ledger report and Customer Ledgers report.
8. Complete the Analyze activity.
9. End the session.

TIP: When you print a report, such as the General Ledger, you can use the filter options to customize the information that appears on the report.

Problem 16-4 Recording and Posting Sales Transactions

Shutterbug Cameras records its transactions in special journals. The accounts receivable subsidiary ledger and certain general ledger accounts are included in your working papers.

Instructions In your working papers:

1. Record each transaction on page 12 of the sales journal or on page 13 of the cash receipts journal.
2. Post to the customer accounts in the accounts receivable subsidiary ledger on a daily basis.
3. Foot, prove, total, and rule the sales journal.
4. Post the column totals from the sales journal and the cash receipts journal to the general ledger accounts named in the column headings.
5. Prepare a schedule of accounts receivable.

Date	Transactions
May 1	Sold merchandise on account to Yoko Nakata, \$500 plus 4% sales tax of \$20, Sales Slip 220.
3	Cash sales totaled \$1,500 plus \$60 in sales tax, Tape 10.
7	Cash sales totaled \$200 plus \$8 in sales tax, Tape 11.
9	Sold merchandise on account to Heather Sullivan for \$100 plus sales tax of \$4, Sales Slip 223.
12	Cash sales totaled \$400 plus \$16 in sales tax, Tape 12.
15	Sold \$3,000 in merchandise on account to FastForward Productions plus sales tax of \$120, Sales Slip 225.
18	Sold merchandise on account to Yoko Nakata, \$200 plus sales tax of \$8, Sales Slip 226.

Analyze

Based on these transactions, calculate how much cash was collected for the month.

Problem 16-5 Recording and Posting Cash Receipts

River's Edge Canoe & Kayak uses special journals and an accounts receivable subsidiary ledger for recording business transactions. The accounts receivable subsidiary ledger accounts and certain general ledger accounts are included in your working papers. The current account balances are recorded in the accounts.

Instructions In your working papers:

1. Record the transactions on page 7 in the cash receipts journal.
2. Post the amounts from the Accounts Receivable Credit column to the customers' accounts in the accounts receivable subsidiary ledger. Post the individual amounts in the General Credit column to the general ledger accounts.
3. Foot, prove, total, and rule the cash receipts journal.
4. Post the column totals to the general ledger accounts named in the column headings.
5. Prepare a schedule of accounts receivable.

Date	Transactions
May 2	Received \$400 from Paul Drake to apply on his account, Receipt 505.
5	Received \$2,940 from Adventure River Tours in payment of its \$3,000 account less a 2% cash discount of \$60, Receipt 506.
7	Sold old shelving (Store Equipment) for \$50, Receipt 507.
10	Wildwood Resorts sent us a check for \$2,425 in payment of its account, \$2,500 less a 3% cash discount of \$75, Receipt 508.
15	Cash sales totaled \$2,000 plus \$100 in sales tax, Tape 20.
15	Bankcard sales were \$3,000 plus \$150 in sales tax, Tape 20.
18	Celeste Everett sent us a check for \$150 to apply on her account, Receipt 509.
20	Isabel Rodriquez sent us \$100 to apply on her account, Receipt 510.
30	Cash sales were \$4,500 plus \$225 sales tax, Tape 21. Bankcard sales totaled \$3,800 plus sales tax of \$190, Tape 21.

Analyze Identify the source document that would be used to record bankcard sales and cash sales.



Problem 16-6 Recording and Posting Sales and Cash Receipts

Buzz Newsstand had the following sales and cash receipt transactions for May. In your working papers, the accounts receivable subsidiary ledger and general ledger accounts have been opened with current balances.

Instructions

1. Record the sales and cash receipts for May on page 11 of the sales journal and page 11 of the cash receipts journal.
2. Post to the customer accounts in the accounts receivable subsidiary ledger on a daily basis.
3. Post from the General Credit column of the cash receipts journal on a daily basis.

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SMART GUIDE

Step-by-Step Instructions: Problem 16-5

1. Select the problem set for River's Edge Canoe & Kayak (Prob. 16-5).
2. Rename the company and set the system date.
3. Record all cash receipts using the **Receipts** option.
4. Print the following reports: Cash Receipts Journal, General Ledger, and Customer Ledgers.
5. Proof your work.
6. Complete the Analyze activity.
7. End the session.

TIP: You can apply a partial payment from a customer.

QuickBooks

PROBLEM GUIDE

Step-by-Step Instructions: Problem 16-5

1. Restore the Problem 16-5.QBB file.
2. Enter all cash receipts using the **Receive Payments** option.
3. Print a Journal report, a Customer Balance Summary, and a General Ledger.
4. Proof your work.
5. Complete the Analyze activity.
6. Back up your work.

SOURCE DOCUMENT PROBLEM

Problem 16-6

Use the source documents in your working papers to complete this problem.

CONTINUE

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SMART GUIDE

Step-by-Step Instructions: Problem 16-6

1. Select the problem set for Buzz Newsstand (Prob. 16-6).
2. Rename the company and set the system date.
3. Enter all sales on account transactions.
4. Record all cash receipts.
5. Print a Sales Journal report and a Cash Receipts Journal report.
6. Proof your work.
7. Print a General Ledger report and Customer Ledgers report.
8. Complete the Analyze activity.
9. End the session.

QuickBooks

PROBLEM GUIDE

Step-by-Step Instructions: Problem 16-6

1. Restore the Problem 16-6.QBB file.
2. Enter all sales on account transactions.
3. Record all cash receipts.
4. Print a Journal report, a Customer Balance Summary, and a General Ledger report.
5. Proof your work.
6. Complete the Analyze activity.
7. Back up your work.

4. Foot, prove, total, and rule both journals.
5. Post the column totals of the sales journal to the general ledger accounts named in the column headings.
6. Post the column totals from the cash receipts journal to the general ledger accounts named in the column headings.
7. Prepare a schedule of accounts receivable.

Date	Transactions
May 1	Sold \$300 in merchandise plus 6% sales tax of \$18 on account to Ilya Bodonski, Sales Slip 170.
3	Received \$490 from Katz Properties in payment of its \$500 account balance less a 2% discount of \$10, Receipt 145.
5	As a favor, sold \$60 in supplies to Straka Stores, received cash, Receipt 146.
7	Rothwell Management Inc. sent us a check for \$294 in payment of its \$300 account balance less a \$6 cash discount, Receipt 147.
9	Sold \$100 in merchandise plus \$6 sales tax on account to Saba Nadal, Sales Slip 171.
10	Sold \$600 in merchandise plus \$36 sales tax on account to Java Shops Inc., terms 2/10, n/30, Sales Slip 172.
12	Sold \$50 in merchandise plus \$3 sales tax on account to Lee Adkins, Sales Slip 173.
15	Received a check for \$196 from Rolling Hills Pharmacies in payment of its \$200 account less a 2% cash discount of \$4, Receipt 148.
15	Cash sales were \$2,400 plus \$144 sales tax, Tape 33.
15	Bankcard sales totaled \$2,000 plus sales tax of \$120, Tape 33.
18	Sold \$1,000 in merchandise plus sales tax of \$60 on account to Katz Properties, terms 2/10, n/30, Sales Slip 174.
20	Received \$100 from Ilya Bodonski to apply on her account, Receipt 149.
22	Sold \$800 in merchandise plus \$48 sales tax on account to Rothwell Management Inc., terms 2/10, n/30, Sales Slip 175.
23	Lee Adkins sent us a check for \$53 in payment of his account, Receipt 150.
24	Received a \$106 check from Saba Nadal to apply on account, Receipt 151.
26	Java Shops Inc. sent us a check for \$200 to apply on account, Receipt 152.
27	Sold \$200 in merchandise plus sales tax of \$12 on account to Lee Adkins, Sales Slip 176.
28	Received \$75 from the sale of excess store equipment, Receipt 153.
30	Cash sales totaled \$2,600 plus \$156 sales tax, Tape 34.
30	Bankcard sales were \$2,200 plus sales tax of \$132, Tape 34.

Analyze

Calculate the percent of sales discounts given in May to total May sales.

Practice your test-taking skills! The questions on this page are reprinted with permission from national organizations:

- Future Business Leaders of America
- Business Professionals of America

Use a separate sheet of paper to record your answers.



Future Business Leaders of America

MULTIPLE CHOICE

1. ABC Corporation uses special journals to account for detailed transactions. Which of the following would not be considered a special journal?
 - a. purchases journal
 - b. cash payments journal
 - c. sales journal
 - d. general journal
 - e. none of these answers
2. Check marks are placed in parentheses below both General amount column totals in a journal to show that the column totals
 - a. are not posted.
 - b. have been posted.
 - c. balance.
 - d. none of the above
3. The Accounts Receivable controlling account in the general ledger
 - a. shows the total amount owed by all customers when posting is complete.
 - b. helps keep the general ledger a balancing ledger in which debits equal credits.
 - c. offers a means of testing the accuracy of the customer account balances.
 - d. does all of the foregoing.
 - e. does none of the foregoing.
4. A journal amount column that is not headed with an account name is called a
 - a. special amount column.
 - b. general amount column.
 - c. date column.
 - d. posting reference column.
 - e. none of these answers



Business Professionals of America

MULTIPLE CHOICE

5. A list of all customer accounts, account balances, and total amount due from all customers is a
 - a. Schedule of Accounts Payable.
 - b. Worksheet.
 - c. Schedule of Accounts Receivable.
 - d. none of the above

Need More Help?

Go to glencoeaccounting.glencoe.com and click on **Student Center**. Click on **Winning Competitive Events** and select **Chapter 16**.

- Practice Questions and Test-Taking Tips
- Concept Capsules and Terminology



CRITICAL Thinking

Special Journals: Sales and Cash Receipts

1. Describe the purpose of a special journal.
2. How is the sales journal different from the cash receipts journal?
3. Your new job assignment is to prove the accounts receivable subsidiary ledger. All postings have been made. What do you do to prove the ledger?
4. Compare and contrast the receipt of cash from a charge customer with the receipt of cash at the time of the merchandise sale.
5. The schedule of accounts receivable total does not agree with the general ledger's **Accounts Receivable** balance. Develop a plan to locate the error(s).
6. What is the value of maintaining special journals?

CASE STUDY

Merchandising Business: Movie Theater

You work in the accounting department for Springdale Movie Theater. The owners are considering enlarging the concession area one and one-half times its current size to offer a wider variety of foods. No theater seats would be lost. The cost is estimated at \$200,000. Sales figures for the past three years follow.

Year	Ticket Sales	Concession Sales
Year 1	\$4,800,000	\$1,800,000
Year 2	5,100,000	1,600,000
Year 3	5,400,000	1,480,000

INSTRUCTIONS

1. Use a spreadsheet program to analyze the sales and planned expansion. What percent of total sales are ticket sales and concession sales each year?
2. Assuming concession sales remain at \$1,480,000, what percentage increase in concession revenue is needed to pay for the renovation costs in one year?

a matter of ETHICS

Working for a Competitor

Accounting clerks use sales journals to record sales on account, giving them direct access to the company's customer lists. As an accounting clerk at Haverty's Furniture Store, you work with Bob, a part-time accounting clerk. Recently Bob confided in you that during the mornings, he works at World Classic Furniture, a competitor of Haverty's.

ETHICAL DECISION MAKING

1. What are the ethical issues?
2. What are the alternatives?
3. Who are the affected parties?
4. How do the alternatives affect the parties?
5. What would you do?

COMMUNICATING ACCOUNTING

Explaining a Transaction

You work for Equestrian Steps—Horse Boarding and Lessons. During an equestrian competition last weekend, you purchased grain on account from the local feed store for \$85 plus 6% sales tax. On a separate sheet of paper, write a brief memo to the accounting clerk explaining the transaction so she can record it in the accounting records.



Designing and Improving Systems

At Ice Cream Express, you keep the financial records and maintain inventory. You noticed that some ice cream flavors are popular only during certain seasons. For example peppermint ice cream is very popular during winter but not in the summer. You decide to get feedback about your customers' likes and dislikes.

INSTRUCTIONS Design a survey that will help identify your customers' preferences. Include questions to gather data about respondents' gender, age, and income level. What incentives will you offer to prompt customers to participate?



Tariffs and Duties

Thinking of boosting your company's sales by selling products in another country? Consider the impact of tariffs. A *tariff*, or *duty*, is a tax imposed on imports of specific products. For example if your U.S.-based company sells computer hardware in Venezuela, a 5 percent tariff will be charged on each item.

INSTRUCTIONS Assume that Venezuelan competitors sell Model AB computer monitors for \$210. You typically charge \$205. Will your price be competitive after considering the tariff? Why or why not?



Examining Your Currency

You have learned that businesses have cash receipts in various forms including transactions with charge cards and bankcards; checks; and currency.

PERSONAL FINANCE ACTIVITY What do you know about the cash you use? Write a brief report about U.S. paper currency. Address what they are made of, the seven denominations in circulation today and the portrait appearing on each, the purpose of a security thread, and whether torn bills are acceptable.

PERSONAL FINANCE ONLINE Log on to glencoeaccounting.glencoe.com and click on **Student Center**. Click on **Making It Personal** and select **Chapter 16**.



Interpreting Sales

In addition to financial results, most annual reports contain management's analysis and interpretation of the financial data. For example if revenue has increased, the report might provide reasons for the increase and projections for the next fiscal period.

INSTRUCTIONS Use the *Fiscal 2003 Compared to Fiscal 2002* section of PETsMART's annual report in Appendix F to answer these questions.

1. Did store sales increase or decrease over the prior year? What reasons are given for this change?
2. Why would an analysis of sales be important to people reading an annual report?



Safe and Secure

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