

Problem 7-2B

Special journals,
subsidiary ledgers,
schedule of accounts
receivable—perpetual

C3 P1 P2 

Acorn Industries completes these transactions during July of the current year (the terms of all its credit sales are 2/10, n/30).

- July 1 Purchased \$6,500 of merchandise on credit from Teton Company, invoice dated June 30, terms 2/10, n/30.
- 3 Issued Check No. 300 to *The Weekly* for advertising expense, \$625.
- 5 Sold merchandise on credit to Kim Nettle, Invoice No. 918, for \$19,200 (cost is \$10,500).
- 6 Sold merchandise on credit to Ruth Blake, Invoice No. 919, for \$7,500 (cost is \$4,300).
- 7 Purchased \$1,250 of store supplies on credit from Plaine, Inc., invoice dated July 7, terms n/10 EOM.
- 8 Received a \$250 credit memorandum from Plaine, Inc., for the return of store supplies received on July 7.
- 9 Purchased \$38,220 of store equipment on credit from Charm's Supply, invoice dated July 8, terms n/10 EOM.
- 10 Issued Check No. 301 to Teton Company in payment of its June 30 invoice, less the discount.
- 13 Sold merchandise on credit to Ashton Moore, Invoice No. 920, for \$8,550 (cost is \$5,230).
- 14 Sold merchandise on credit to Kim Nettle, Invoice No. 921, for \$5,100 (cost is \$3,800).
- 15 Received payment from Kim Nettle for the July 5 sale, less the discount.
- 15 Issued Check No. 302, payable to Payroll, in payment of sales salaries expense for the first half of the month, \$31,850. Cashed the check and paid employees.
- 15 Cash sales for the first half of the month are \$118,350 (cost is \$76,330). (Cash sales are recorded daily using data from the cash registers but are recorded only twice in this problem to reduce repetitive entries.)
- 16 Received payment from Ruth Blake for the July 6 sale, less the discount.
- 17 Purchased \$7,200 of merchandise on credit from Drake Company, invoice dated July 17, terms 2/10, n/30.
- 20 Purchased \$650 of office supplies on credit from Charm's Supply, invoice dated July 19, terms n/10 EOM.
- 21 Borrowed \$15,000 cash from College Bank by signing a long-term note payable.
- 23 Received payment from Ashton Moore for the July 13 sale, less the discount.
- 24 Received payment from Kim Nettle for the July 14 sale, less the discount.
- 24 Received a \$2,400 credit memorandum from Drake Company for the return of defective merchandise received on July 17.
- 26 Purchased \$9,770 of merchandise on credit from Teton Company, invoice dated July 26, terms 2/10, n/30.
- 27 Issued Check No. 303 to Drake Company in payment of its July 17 invoice, less the return and the discount.
- 29 Sold merchandise on credit to Ruth Blake, Invoice No. 922, for \$17,500 (cost is \$10,850).
- 30 Sold merchandise on credit to Ashton Moore, Invoice No. 923, for \$16,820 (cost is \$9,840).
- 31 Issued Check No. 304, payable to Payroll, in payment of the sales salaries expense for the last half of the month, \$31,850.
- 31 Cash sales for the last half of the month are \$80,244 (cost is \$53,855).

Required

1. Prepare a sales journal like that in Exhibit 7.5 and a cash receipts journal like that in Exhibit 7.7. Number both journals as page 3. Then review the transactions of Acorn Industries and enter those transactions that should be journalized in the sales journal and those that should be journalized in the cash receipts journal. Ignore any transactions that should be journalized in a purchases journal, a cash disbursements journal, or a general journal.
2. Open the following general ledger accounts: Cash; Accounts Receivable; Inventory; Long-Term Notes Payable; R. Acorn, Capital; Sales; Sales Discounts; and Cost of Goods Sold. Enter the June 30 balances for Cash (\$100,000), Inventory (\$200,000), Long-Term Notes Payable (\$200,000), and R. Acorn, Capital (\$100,000). Also open accounts receivable subsidiary ledger accounts for Kim Nettle, Ashton Moore, and Ruth Blake.
3. Verify that amounts that should be posted as individual amounts from the journals have been posted. (Such items are immediately posted.) Foot and crossfoot the journals and make the month-end postings.
4. Prepare a trial balance of the general ledger accounts opened as required for part 2; then prove the accuracy of the subsidiary ledger by preparing a schedule of accounts receivable.

Check Trial balance totals,
\$588,264

Analysis Component

5. Assume that the total for the schedule of accounts receivable does not equal the balance of the controlling account in the general ledger. Describe steps you would take to discover the error(s).