

Problem 2

Ciwick sells electronic equipment and other basic wiring components to electrical supply dealers across the country. Dealers with “preferred status” receive a 20% discount off of list price. All sales are on account, and payment terms are 1/10, n/30.

Sales of \$2,000 and up (large orders) will ship F.O.B. destination. Orders less than \$2,000 (small orders) are always F.O.B. shipping point. However, Ciwick will prepay freight on small orders by “preferred dealers.” Otherwise, small orders are shipped freight collect by the common carrier making the delivery. In no event may a customer apply the cash discount terms to freight charges.

Prepare journal entries to record the sale and subsequent collection for each of the following transactions:

Transaction	Customer Status	List Price	Freight Cost	Date of Sale	Date of Payment
1	Preferred	\$ 3,000	\$ 250	05-Jun	11-Jun
2	Regular	600	60	09-Jun	22-Jun
3	Preferred	1,400	90	11-Jun	22-Jun
4	Regular	4,000	400	12-Jun	19-Jun
5	Regular	3,600	460	14-Jun	01-Jul
6	Preferred	4,800	360	17-Jun	29-Jun

Worksheet 2

1.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
05-Jun			
11-Jun			

2.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
09-Jun			
22-Jun			

3.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
11-Jun			
22-Jun			

4.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
12-Jun			
19-Jun			

5.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
14-Jun			
01-Jul			

6.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
17-Jun			
29-Jun			

Solution 2

1.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
05-Jun	Accounts Receivable	2,400	
	Freight-out	250	
	Cash		250
	Sales		2,400
	<i>Sold merchandise on account for \$2,400, terms F.O.B. destination, and paid the freight bill of \$250</i>		
11-Jun	Cash	2,376	
	Sales Discounts	24	
	Accounts Receivable		2,400
	<i>Collected invoice amount less 1% discount</i>		

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2.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
09-Jun	Accounts Receivable	600	
	Sales		600
	<i>Sold merchandise on account for \$600, terms F.O.B. shipping point</i>		
22-Jun	Cash	600	
	Accounts Receivable		600
	<i>Collected invoice amount</i>		

3.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
11-Jun	Accounts Receivable	1,210	
	Cash		90
	Sales		1,210
	<i>Sold merchandise on account for \$1,210, terms F.O.B. shipping point, freight prepaid</i>		
22-Jun	Cash	1,210	
	Accounts Receivable		1,210
	<i>Collected invoice amount plus prepaid freight</i>		

4.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
12-Jun	Accounts Receivable	4,000	
	Freight-out	400	
	Cash		400
	Sales		4,000
	<i>Sold merchandise on account for \$4,000, terms F.O.B. destination, and paid the freight bill of \$400</i>		
19-Jun	Cash	3,960	
	Sales Discounts	40	
	Accounts Receivable		4,000
	<i>Collected invoice amount less 1% discount</i>		

5.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
14-Jun	Accounts Receivable	3,600	
	Freight-out	460	
	Cash		460
	Sales		3,600
	<i>Sold merchandise on account for \$3,600, terms F.O.B. destination, and paid the freight bill of \$460</i>		
01-Jul	Cash	3,600	
	Accounts Receivable		3,600
	<i>Collected invoice amount</i>		

6.

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
17-Jun	Accounts Receivable	3,840	
	Freight-out	360	
	Cash		360
	Sales		3,840
	<i>Sold merchandise on account for \$1,920, terms F.O.B. destination, and paid the freight bill of \$180</i>		
29-Jun	Cash	3,840	
	Accounts Receivable		3,840
	<i>Collected invoice amount</i>		