

ABC Company allows some customers to make purchases on credit. Others may use either of two credit cards. The VS card deducts a 3% service charge for sales using its credit card and immediately credits the company's account for the net amount. When customers use the AM credit card, the company accumulates the receipts for several days and then sends them to AM Credit Card Company for payment. AM deducts 2% service charge and sends a cheque to the company for the net amount.

ABC Company completed the following transactions:

- Aug 2 Sold merchandise on credit to Jones for \$2,000 (Terms are 2/15, n/60)
- Aug 3 Sold merchandise for \$3,000 to customers who used their VS card.
- Aug 3 Sold merchandise for \$4,000 to customers who used their AM credit card.
- Aug 5 Sold merchandise for \$2,000 to customers who used their AM credit card.
- Aug 7 Wrote off the \$600 balance in Smith's account (Using the Allowance method)
- Aug 8 The AM credit card receipts accumulated since August 3 were submitted to the credit card company for payment.
- Aug 17 Received full payment from Jones
- Aug 19 Received full payment from AM Credit Card Company.

Required:

1. Prepare General Journal entries to record these transactions.

GENERAL JOURNAL

	ACCOUNT	DEBIT	CREDIT
Aug 2			
	Explain:		
Aug 3			
	Explain:		
Aug 3			
	Explain:		
Aug 5			
	Explain:		
Aug 7			
	Explain:		
Aug 8			
	Explain:		
Aug 17			
	Explain:		
Aug 19			
	Explain:		

GENERAL JOURNAL

	ACCOUNT	DEBIT	CREDIT
Aug 2	Accounts Receivable – Jones	2,000.00	
	Sales		2,000.00
	Explain: Sold on Terms 2/15, N/60		
Aug 3	Credit Card Expense	90.00	
	Cash in Bank	2,910.00	
	Sales		3,000.00
	Explain: Fee = 3,000 x 3% = 90.00		
Aug 3	Accounts Receivable – AM Company	4,000.00	
	Sales		4,000.00
	Explain: Credit Card Sales using AM card		
Aug 5	Accounts Receivable – AM Company	2,000.00	
	Sales		2,000.00
	Explain: Credit Card Sales using AM card		
Aug 7	Allowance for Doubtful Accounts	600.00	
	Accounts Receivable – Smith		600.00
	Explain: Write off Smith's account		
Aug 8	No entry required		
	Explain:		
Aug 17	Sales Discounts	40.00	
	Cash in Bank	1,960.00	
	Accounts Receivable – Jones		2,000.00
	Explain: Discount = 2,000 x 2% = 40.00		
Aug 19	Credit Card Expense	120.00	
	Cash in Bank	5,880.00	
	Accounts Receivable AM Company		6,000.00
	Explain: Fee = (4,000 + 2,000) x 2% = 120.00		