**Solution:**

(1)

The journal entries for Prentice Hall, based on the above transactions, are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| JOURNAL ENTRIES (in $)  Name: Prentice Hall | | | |
| Date | Particulars | Debit | Credit |
| Aug 12  2010 | Accounts Receivable  To Sales  (Being request of money for sales) | 90,000 | 90,000 |
| Sep 10  2010 | Cash  Discount on Sales  To Accounts Receivable  (Being payment before due) | 88,200  1,800 | 90,000 |
| Dec 18  2010 | Sales Return Allowance  To Cash  (Being return of books for full refund.) | 5,400 | 5,400 |

An interesting thing to note is that we did not record any entry for July 17 since there is no monetary exchange on that date.

(2)

The revenue section for Prentice Hall’s income statement will be prepared as follows:

|  |  |
| --- | --- |
| **INCOME STATEMENT (in $)**  **Name: Prentice Hall**  **For: 2010** | |
| **Particulars** | **Amount** |
| Sales of Books  Less: 2% discount applied | 90,000  (1,800) |
| **Gross Revenue**  Less: Sales Return Allowance | **88,200**  (5,400) |
| **Net Revenue** | **82,800** |