**Solution:**

The analysis of impact of these transactions on the balance sheet equation are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Transaction | Effect on Balance Sheet Equation | | |
| Assets = | Liabilities + | Stockholders’ equity |
| Gross Sales | +$850,000  (accounts receivables) |  | +$850,000  (sales revenue) |
| Allowances | -$50,000  (accounts receivables) |  | -$50,000  (sales) |
| Cash Disc. | -$800,000  (accounts receivables)  +$765,000  (cash) |  | -$35,000  (cash discounts) |

Using these, we can prepare the journal entries as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| JOURNAL ENTRIES (in $)  Name: Fresno Fruit Wholesalers | | | |
| Date | Particulars | Debit | Credit |
| Month of March | Accounts Receivables  To Sales Revenue  (Being sales) | 850 | 850 |
| Sales Return Allowance  To Accounts Receivables  (Being allowance for sales) | 50 | 50 |
| Cash  Cash Discounts Allowed  To Accounts Receivables  (Being collection on discount.) | 765  35 | 800 |

The revenue section is prepared as follows:

|  |  |
| --- | --- |
| Sales Recorded  Less: Sales Returns & Allowances | $ 850,000  (50,000) |
| **Gross Revenue**  Less: Cash Discounts Allowed | **800,000**  (35,000) |
| **Net Revenue** | **765,000** |