(1)

(a)

The revenue section is prepared as follows:

|  |  |
| --- | --- |
| Particulars | Amount  (in thousands of $) |
| Net Gross Revenue on Sales | 680 |
| Less: Cash discount on sales | 20 |
| Net Revenue on Sales | 660 |

(b)

Journal entries are as follows for Midvale’s books:

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Particulars | Debit | Credit |
|  | Account Receivables on  To Sales | 680 | 680 |
|  | Cash  Discount on Sales  To Account Receivables | 660  20 | 680 |

(2)

(a)

The revenue section will not change because the accounting method results in overall the same values.

(b)

The journal entries will be changed because the discounts are considered as extra amount that is received from the sales.

Thus, we can get the following entries:

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Particulars | Debit | Credit |
|  | Account Receivables  To Sales | 660 | 660 |
|  | Cash  To Account Receivables | 660 | 660 |

(c)

If the customers paid the full amount, then the additional amount must be revenue addition. Thus, we can prepare an entry as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Particulars | Debit | Credit |
|  | Cash  To Additional Revenue  To Account Receivables | 680 | 20  660 |