(1)

The journal entries for the sales by the merchant:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Credit Cards Due  To Sales  (Being sales of dress to the customer on card) | 500 | 500 |
| Cash  Cash Discount for Bank Cards  To Credit Cards Due  (Being deposit of the credit cards slips to the bank) | 480  20 | 500 |

(2)

The journal entries for the bank of the merchant are as follows:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Merchant  To Cash  To Cash Discounts for Bank  (Being given cash for the slips deposited at 4% rate) | 500 | 480  20 |
| Cash  Cash Discounts for Bank Transfer  To Customer’s Bank  (Being transfer of the cash from customer’s bank at 3% transaction fees) | 485  15 | 500 |

(3)

The journal entries for the bank of the customer are as follows:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Merchant’s Bank  To Cash  To Cash Discount Given  (Being transfer of cash to merchant’s bank at 3% transaction fees) | 500 | 485  15 |

(4)

The banks often have these debts very less, and it has other sources of income apart from the transactions. For example, banks also ask the corporations to maintain a compensating balance, so they retain a certain amount of money as well, while providing a loan at an interest rate. This more than offsets the bad debts.