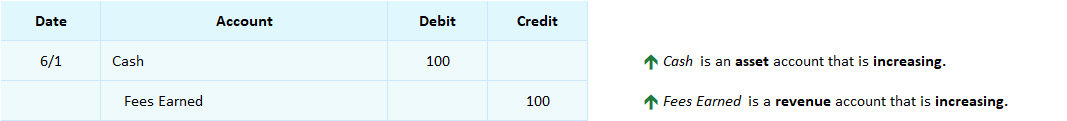
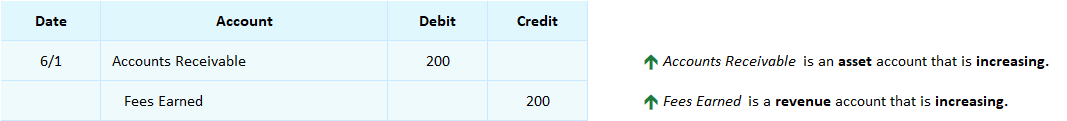
1.  Core Fitness sells a membership to Frank for $100 and receives cash. When a business provides a service to a customer, the customer may immediately pay with cash.



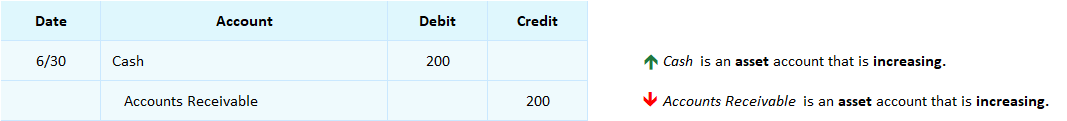
2.  Core Fitness sells a membership to Maya and sends her an invoice for $200. Maya purchased a membership but has not paid for it yet.  Therefore Core Fitness does not receive cash and the company’s Accounts Receivable increases.



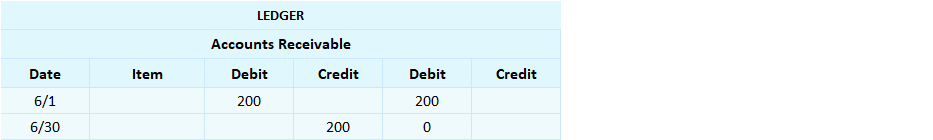
Note

Accounts Receivable is an asset account that keeps track of how much customers owe because a business sent them invoices for goods or services rather than immediately receiving cash from them. This account is used as a substitute for a debit to Cash when a company provides services to customers and bills them **on account** rather than receiving cash right away. The expectation is that the customer will pay within a specified time period, usually 30 days.

3.  Core Fitness receives payment on account from Maya who had been invoiced for the membership sold to her on 6/1.



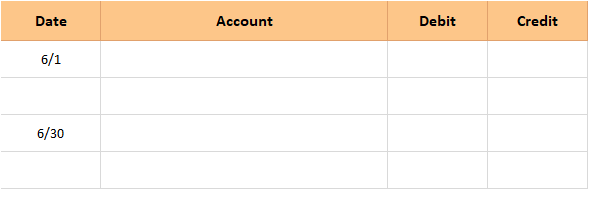
Maya pays the invoice and the Core Fitness receives the cash payment, *Cash* is debited and *Accounts Receivable* is credited. Fitness’s *Accounts Receivable* balance becomes zero now that he Maya has paid in full. This is shown in the following *Accounts Receivable* ledger where transactions #2 and #3 are posted.



## Interactive Exercise 8 – Sales transactions on account

Instructions:  1. Journalize the following two transactions.  
                        2. Answer the question after the journal entries.

1.  6/1 A company provides a service and sends the customer an invoice for $1,400.  
2.  6/30 The company receives payment on account from the customer who had been invoiced on 6/1.



Question: What is the debit balance in the Accounts Receivable account after the 6/30 transaction is posted?  $ \_\_\_\_\_\_\_\_

*[Hint:* An asset other than Cash is used to record the original sale transaction. When the cash is received, that asset’s balance is set back to zero.]

*[ANSWER KEY]*

1.  6/1 A company provides a service and sends the customer an invoice for $1,430.  
2.  6/30 The company receives payment on account from the customer who had been invoiced on 6/1.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | | | | | |  |
| **Date** | **Account** |  | **Debit** | **Credit** |  |  |  |  |  |  |  |
| 6/1 | Accounts Receivable |  | 1,430 |  |  | | | | | | |
|  | Fees Earned |  |  | 1,430 |  | | | | | | |
|  |  |  |  |  |  | | | | | | |
| 6/30 | Cash |  | 1,430 |  |  |  | | | | | | |
|  | Accounts Receivable |  |  | 1,430 |  |  | | | | | | |
|  |  |  |  |  |  |  | | | | | | |

*Answer:* What is the debit balance in the Accounts Receivable account after the 6/30 transaction is posted?  $\_\_\_\_0\_\_\_\_