Journalizing Transactions

You are the controller for a digital marketing agency that uses AI to assist with recording journal entries. As controller, you are responsible for the accuracy of your company's accounting records, and therefore, you decide to check the AI work for errors (hallucinations). The following is a chat between you (controller) and AI.

Controller: Prepare journal entries for transactions that occurred during July.

Date	Transactions
July 3	Received $4,200 cash in advance for consulting services to be provided in October.
July 10	Billed a client $7,500 for digital marketing services.
July 18	Collected $7,500 cash for services that were billed on July 10.
July 31	Paid $1,200 cash for a 12-month insurance policy. Coverage begins on August 1.

AI Chatbot: Following are the journal entries for July transactions.

Date	General Journal	Debit	Credit
July 3	Accounts Receivable	4,200	
	Unearned Services Revenue		4,200
July 10	Accounts Receivable	7,500	
	Services Revenue		7,500
July 18	Cash	7,500	
	Accounts Receivable		7,500
July 31	Prepaid Insurance	1,200	
	Cash		1,200

Question 1

We discover a hallucination in the AI response. How do we correct it?
   a. The July 3 journal entry should debit Cash instead of Accounts Receivable.
   b. The July 10 journal entry should debit Cash instead of Accounts Receivable.
   c. The July 18 journal entry should credit Services Revenue instead of Accounts Receivable.
   d. The July 31 journal entry should credit Insurance Expense instead of Cash.
   e. There is no error (hallucination) in the AI response.

Question 2

Assuming that there was no balance in Accounts Receivable at the beginning of July, what is the correct balance for Accounts Receivable at the end of July?