

In July, Lane Co. sells merchandise to Avery Co. on account. In August, Avery pays the balance in full. The entry that Lane will make to record the receipt of cash will include a credit to the \_\_\_\_\_ account.

✓ Your answer is correct!

 Read about this

Accounts Payable

Sales

✓ Accounts Receivable

Cash

Unearned Sales

Challenge

OK

### The correct answer is shown

A company sells merchandise to a customer on credit. The journal entry to record this transaction would include a debit entry to the Accounts **Receivable** account.

✓ Your answer is correct!



Read about this

Challenge

OK

To compute interest due on a maturity date, you should multiply which of the following factors? (Check all that apply.)

✓ Your answer is correct!

 Read about this

✓ Time expressed in fraction of year

Maturity value

✓ Principal

✓ Interest rate

Challenge

OK

Match the definitions to the appropriate terms.

✓ Your answer is correct!



Read about this

✓ Accounts receivable



Amounts due from customers for credit sales

✓ Notes receivable



An asset consisting of a written promise to receive a definite sum of money on demand or on specific future dates

✓ Receivable



Amount due from another party

Challenge

OK

The correct answer is shown

The (allowance/direct write-off) **allowance** method of accounting for bad debts matches the estimated loss from uncollectible accounts receivables against the sales they helped produce.

✓ Your answer is correct!



Read about this

Challenge

OK

True or false: Accounts receivable are amounts due from customers for credit sales.

✓ Your answer is correct!



Read about this



True

False

Challenge

OK

On June 30, Nance Company receives a \$5,000, 90-day, 4% note from a customer as payment on her account. How much interest will be due on the note's maturity date?

✓ Your answer is correct!



Read about this

\$225



\$50

\$200

\$25

Challenge

OK

A 90-day note is signed on October 21. The due date of the note is:

✓ Your answer is correct!



Read about this

January 21

January 20

January 18



January 19

Challenge

OK



Match the following terms to the appropriate definitions.

✓ Your answer is correct!

 Read about this

✓ Promissory note



Written promise to pay a specified amount of money

✓ Principal



Amount that the signer agrees to pay back, not including interest

✓ Interest



Charge from using money loaned from one entity to another

✓ Maker



One who signed the note and promised to pay at maturity

✓ Payee



The person to whom the note is payable

✓ Maturity date



Day that the principal and interest must be paid

Challenge

OK

A. Stine Co. previously wrote off a \$200 bad debt from Thorn Co. using the direct write-off method. On October 1, Stine unexpectedly receives a check in the amount of \$200 from Thorn Co. The entry to record this receipt of \$200 will include a: (Check all that apply.)

✓ Your answer is correct!

 [Read about this](#)

credit to Cash.

✓ debit to Cash.

✓ credit to Bad Debts Expense.

debit to Bad Debts Expense.

Challenge

OK

On March 14, Ian Co. accepted a 180-day, 5% note in the amount of \$1,000 from Ali Co., a customer. On the due date of the note, Ali dishonors the note and fails to pay. The journal entry that Ian would record on the due date would include a: (Check all that apply.)

✓ Your answer is correct!



Read about this

✓ debit to Accounts Receivable - Ali for \$1,025.

$\$1,000 \times (180/360) \times .05 = \$25$  interest.

debit to Interest Revenue for \$25.

✓ credit to Notes Receivable for \$1,000.

credit to Accounts Receivable - Ali for \$1,000.

debit to Notes Receivable for \$1,025.

✓ credit to Interest Revenue for \$25.

$\$1,000 \times (180/360) \times .05 = \$25$  interest.

Challenge

OK

The correct answer is shown

The allowance for doubtful accounts is a(n) (current/contra/opposite) **contra** asset account and has a normal credit balance.

✓ Your answer is correct!



Read about this

Challenge

OK

On February 15, Symth Co. determines that it cannot collect \$500 owed by its customer, A. Winds. Symth records the loss using the direct write-off method. This entry to record the write-off on February 15 would include a: (Check all that apply.)

✓ Your answer is correct!



Read about this

credit to Bad Debts Expense.

credit to Sales.

debit to Sales.

debit to Accounts Receivable - A. Winds.

✓ debit to Bad Debts Expense.

✓ credit to Accounts Receivable - A. Winds.

Challenge

OK

Simon Co. sold \$500 of merchandise on credit cards. The net cash receipts are received 10 days later, less a 2% fee. The entry to record this sales transaction on the date of the sale would include a debit to:

✓ Your answer is correct!



Read about this

Cash for \$490

Sales for \$490

Cash for \$500

Sales for \$500

Accounts Receivable for \$500



Accounts Receivable for \$490

Challenge

OK

JD Co. had \$1,000 of credit cards sales. The net cash receipts were deposited immediately into Whitlock's bank account less a 3% fee. The entry to record this sales transaction would include the following debit entries. (Check all that apply.)

✓ Your answer is correct!

 Read about this

Sales for \$970

✓ Cash for \$970

Accounts Receivable for \$970

Accounts Receivable for \$1,000

✓ Credit Card Expense for \$30

Cash for \$1,000

Challenge

OK

The \_\_\_\_\_ method of accounting for bad debts records the loss from an uncollectible account receivable when it is determined to be uncollectible. No attempt is made to predict bad debts expense.

✓ Your answer is correct!



Read about this

percentage of sales



direct write-off

allowance

percentage of receivables

Challenge

OK



On January 1, Franz Co. accepted a 30-day, 6% note in the amount of \$5,000 from Bria Co., a customer. On January 31, the due date of the note, Bria honors the note and pays in full. The journal entry that Franz would make to record payment of this note would include a: (Check all that apply.)

✓ Your answer is correct!

 Read about this

✓ debit to Cash for \$5,025.

credit to Note Receivable for \$5,025.

✓ credit to Note Receivable for \$5,000.

debit to Interest Revenue for \$25.

✓ credit to Interest Revenue for \$25.

Challenge

OK

On November 1, Alice Co. accepted a 90-day, 6%, 2,000 note due January 30. On 12/31, the appropriate adjusting entry was made on 12/31. On January 30, the note was honored and paid in full. The entry to record receipt of payment on January 30 would include a credit to: (Check all that apply.)

✓ Your answer is correct!



Read about this

✓ Interest Receivable for \$20.

Cash for \$2,030.

✓ Notes Receivable for \$2,000

Interest Revenue for \$30.

Interest Revenue for \$20.

✓ Interest Revenue for \$10.

Challenge

OK

The correct answer is shown

When a note's maker is unable or refuses to pay at maturity, the note is considered **dishonored**.

✓ Your answer is correct!



Read about this

Challenge

OK

DonCo, Inc. sold merchandise on January 14, and accepted a 90-day, 5% promissory note in the amount of \$5,000. On January 14, the entry to record this transaction would include a debit to:

✓ Your answer is correct!



Read about this



Notes Receivable in the amount of \$5,000

Sales in the amount of \$5,000

Accounts Receivable in the amount of \$5,000

Cash in the amount of \$5,000

Challenge

OK

### The correct answer is shown

The **materiality** constraint permits the use of the direct write-off method when bad debts expenses are very small in relation to a company's other financial statement items, such as sales and net income.

✓ Your answer is correct!



Read about this

Challenge

OK

An accounts receivable ledger: (Check all that apply.)

✓ Your answer is correct!



Read about this



records journal entries that affect accounts receivable.

is necessary only when a company does not keep a general ledger.



is a supplementary record to maintain an account for each customer.

Challenge

OK

Kaiven Company accepted a \$12,000, 60-day, 6% note on December 21 from Diaz Co, granting a time extension on his past-due account receivable. The adjusting entry on December 31 would include a *debit* to:

✓ Your answer is correct!

 Read about this

Interest Receivable for \$120.

✓ Interest Receivable for \$20.

Interest Revenue for \$120.

Interest Revenue for \$20.

Challenge

OK

### The correct answer is shown

The direct write-off method records bad debts expense only when an account becomes uncollectible, which is not always in the same period as the sale. For this reason, the direct write-off method violates the **matching** principle.

✓ Your answer is correct!



Read about this

Challenge

OK



Acel Co. uses the allowance method to account for bad debts. Early in 2010, Acel determined that it could not collect \$400 from CTR, Inc. and wrote the balance off. On October 21, Acel received a check for \$400 from CTR. The **entries** to record the receipt of cash on October 21 would include a debit to: Select two answers.

✓ Your answer is correct!

 Read about this

✓ Accounts Receivable.

Accounts receivable is debited to reinstate the account.

Allowance for Doubtful Accounts.

Bad Debt Expense.

✓ Cash.

Challenge

OK

Zino Company determines that a customer balance of \$200, from Hollis Co. is uncollectible. Zino uses the allowance method to account for bad debts. The entry to write off the uncollectible balance will include a:

✓ Your answer is correct!



Read about this



debit to Allowance for Doubtful Accounts and a credit to Accounts Receivable.

debit to Bad Debts Expense and a credit to Allowance for Doubtful Accounts.

debit to Accounts Receivable and a credit to Allowance for Doubtful Accounts.

debit to Allowance for Doubtful Accounts and a credit to Bad Debts Expense.

Challenge

OK

The correct answer is shown

(Bad/Invalid) **Bad**(collectible/debts) **Debts** are accounts of customers who do not pay what they have promised to pay. It's considered an expense of selling on credit.

✓ Your answer is correct!



Read about this

Challenge

OK

The advantages of using the allowance method to account for bad debts include which of the following?  
(Check all that apply.)

✔ Your answer is correct!

 Read about this

✔ Matches expenses with related sales

✔ Reports accounts receivable balance at net realizable value

Requires no accounting estimates

Challenge

OK

Companies allow customers to pay for products using third-party credit cards because: (Check all that apply.)

✓ Your answer is correct!



Read about this

✓ cash is received from the credit card company faster than from a credit customer.

✓ the seller avoids the risk of customer non-payment.

✓ a variety of payment options typically increase sales volume.

✓ the seller does not have to evaluate customer credit.

there is no cost to the seller to allow third-party credit cards.

Challenge

OK

The expected proceeds from accounts receivable, determined by taking accounts receivable less the allowance for doubtful accounts, is called:

✓ Your answer is correct!



Read about this

contra receivables

accounts receivable turnover

total receivables



realizable value

Challenge

OK

### The correct answer is shown

The principal and interest of a note are due on its maturity date. The maker of the note usually (makes/honors/dishonors) **honors** the note and pays it in full.

✓ Your answer is correct!



Read about this

Challenge

OK

### The correct answer is shown

Companies sometimes convert receivables to cash before they are due. When a company sells its receivables, it is called **factoring** (pledging/factoring). When a company uses receivables as collateral for a bank loan, it is called **pledging** (pledging/factoring).

✓ Your answer is correct!



Read about this

Challenge

OK



The \_\_\_\_\_ method, also referred to as balance sheet method, uses balance sheet relations to estimate bad debts—mainly, the relationship between accounts receivable and the allowance account.

✓ Your answer is correct!

 Read about this

✓ accounts receivable

allowance

bad debts

percentage of sales

Challenge

OK

Tricon Co. sells \$10,000 of its accounts receivables and is charged a 5% factoring fee. It records this sale with a *debit* to:

✔ Your answer is correct!

 [Read about this](#)

Accounts Receivable for \$10,000.

Cash for \$10,000.

Cash for \$10,500.

✔ Cash for \$9,500.

Accounts Receivable for \$10,500.


Accounts Receivable for \$9,500.

Challenge

OK

Companies sometimes convert receivables to cash before they are due by selling them or using them as security for a loan. The reasons that a company may convert receivables before their due date include:  
(Check all that apply.)

✓ Your answer is correct!

 Read about this

to satisfy customer's needs.

to quickly increase profit.

to reduce risk of nonpayment.

to quickly generate cash.

Challenge

OK

Accounts receivable turnover is calculated using the following formula:

✓ Your answer is correct!



Read about this

total accounts receivable/sales



net sales/average accounts receivable

sales/total accounts receivable

average accounts receivable/net sales

Challenge

OK

The \_\_\_\_\_ ratio is a measure of both the quality and liquidity of accounts receivable; it indicates how often, on average, receivables are received and collected during the period.

✔ Your answer is correct!



Read about this

inventory turnover

total asset turnover



accounts receivable turnover

Challenge

OK

Although U.S. GAAP and IFRS have similar rules in recording disposition of receivables, Under U.S. GAAP provision refers to expense. Under IFRS, *provision* refers to

✓ Your answer is correct!



Read about this

An asset



A liability

A revenue

Challenge

OK

Flash Co. uses the allowance method to account for bad debts. At the end of 2010, Flash Co.'s unadjusted trial balance shows an accounts receivable balance of \$45,000; allowance for doubtful accounts balance of \$400 (debit); and sales of \$1,500,000. Based on history, Flash estimates that bad debts will be 0.5% of sales. The entry to record estimated bad debts will include an debit to Bad Debts Expense in the amount of:

✔ Your answer is correct!

 Read about this

\$7,100

✔ \$7,500

\$795,000

\$750,000

\$7,900

Challenge

OK

The \_\_\_\_\_ method of estimating bad debts uses both past and current receivables information to estimate the allowance amount. Specifically, each receivable is classified by how long it is past its due date.

✓ Your answer is correct!



Read about this

percentage of sales



aging of receivables

percentage of receivables

Challenge

OK



The following financial information is available for Siu Co.

	2010	2009
Net Sales	160,000	155,000
Accounts Receivable	38,000	32,000

Compute accounts receivable turnover for 2010. Round your answer to one decimal place.

✓ Your answer is correct!



Read about this

4.5



4.6

4.8

4.2

Challenge

OK

The realization principle under IFRS refers to the following:

✓ Your answer is correct!



Read about this

risk transfer and ownership reward

an arm's length transaction and economic benefits



reliable measurement and likelihood of economic benefits

Challenge

OK

Lani Co. uses the allowance method to account for bad debts. At the end of 2010, their unadjusted trial balance shows an accounts receivable balance of \$400,000; allowance for doubtful accounts balance of \$400 (debit); and sales of \$1,200,000. Based on history, Lani estimates that bad debts will be 1% of accounts receivable. The entry to record estimated bad debts will include a debit to Bad Debts Expense in the amount of:

✓ Your answer is correct!



Read about this

\$3,600

\$12,400

✓ \$4,400

\$11,600

\$12,000

\$4,000

Challenge

OK

### The correct answer is shown

Avi Co. raises cash by borrowing \$10,000 and pledging \$12,000 accounts receivables as security for the loan. To comply with the full disclosure principle, Avi will record a journal entry in the amount of the \$10,000 note payable, and also record a (debit/credit/note) **note** to the financial statements, indicating that \$12,000 of accounts receivables have been pledged.

✓ Your answer is correct!



Read about this

Challenge

OK

At year-end, Yates Company estimates that \$1,500 of its accounts receivable balance is uncollectible. Yates uses the allowance method to account for bad debts. The entry to record this adjusting entry would include a:

✓ Your answer is correct!



Read about this

debit to Allowance for Doubtful Accounts and credit to Bad Debts Expense

debit to Bad Debts Expense and credit to Accounts Receivable



debit to Bad Debts Expense and credit to Allowance for Doubtful Accounts

debit to Accounts Receivable and credit to Bad Debts Expense

Challenge

OK

The \_\_\_\_\_ method of estimating allowance for doubtful accounts is based on the idea that a given percent of a company's credit sales for the period are uncollectible.

✓ Your answer is correct!



Read about this

percentage of accounts receivable



percentage of sales

aging of receivables

Challenge

OK

Both U.S. GAAP and IFRS require that companies use the \_\_\_\_\_ method of accounting for bad debts.

✓ Your answer is correct!



Read about this



allowance

cost

direct write-off

indirect write-off

Challenge

OK

All of the following are similarities in valuing receivables using U.S. GAAP and IFRS except:

✓ Your answer is correct!



Read about this

expense for estimated uncollectibles must be recorded in the same period as the related revenues



IFRS does not require the allowance method for uncollectibles

IFRS does require the allowance method.

receivables must be reported net of estimated uncollectibles

Challenge

OK



Conroy Company uses the allowance method to account for bad debts. During 2010, Conroy determined that a balance of \$200 for Alegia Co. was uncollectible and wrote the balance off. What is the total decrease to net income related to this entry?

✓ Your answer is correct!



Read about this

Cannot be determined



\$0

\$200

Challenge

OK