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.

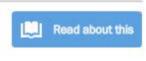
Your answer is correct!		Read about this
Accounts Payable		
Sales		
 Accounts Receivable 		
Cash		
Unearned Sales		
Challenge	ОК	

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.



Challenge





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

Read about this

Match the definitions to the appropriate terms.

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

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.

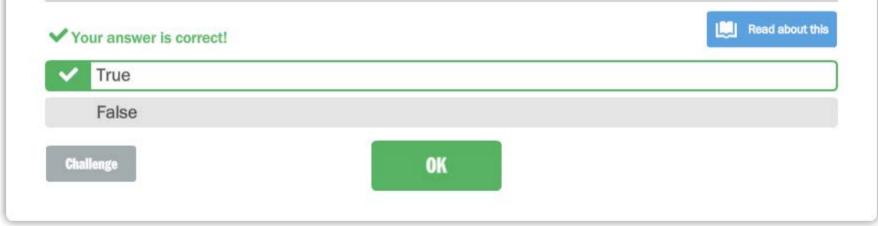
✓ Your answer is correct!







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



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?

	Read about this
ОК	
	OK

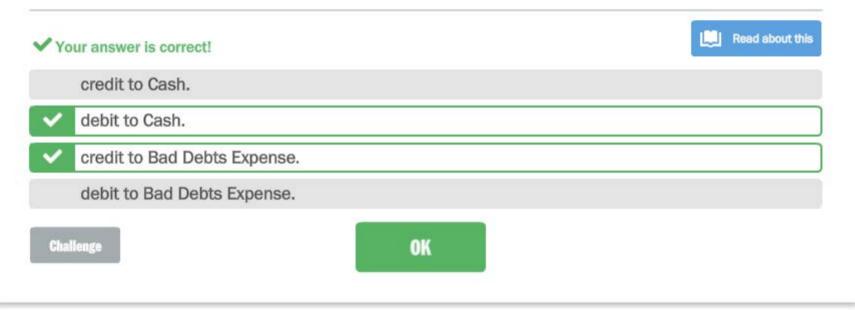
A 90-day note is signed on October 21. The due date of the note is:

✓ Your answer is correct!		Read about this
January 21		
January 20		
January 18		
January 19		
Challenge	ОК	

Match the following terms to the appropriate definitions.

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

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.)



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.)

Y	our answer is correct!	Read about this
~	debit to Accounts Receivable - Ali for \$1,025.	
	\$1,000 x (180/360) x .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 x (180/360) x .05 = \$25 interest.	

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

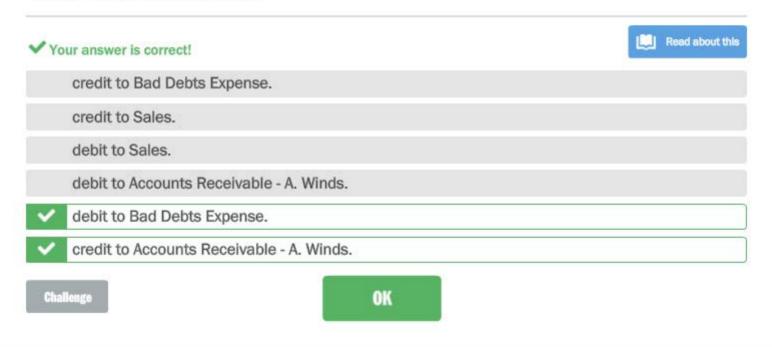








On February 15, Symth Co. determines that it cannot collect \$500 owed by its customer, A. Winds. Symth records the loss using the direct write-off method. This entry to record the write-off on February 15 would include a: (Check all that apply.)



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:

our answer is correct!		🛄 Read at
Cash for \$490		
Sales for \$490		
Cash for \$500		
Sales for \$500		
Accounts Receivable for \$50	0	
Accounts Receivable for \$49	0	

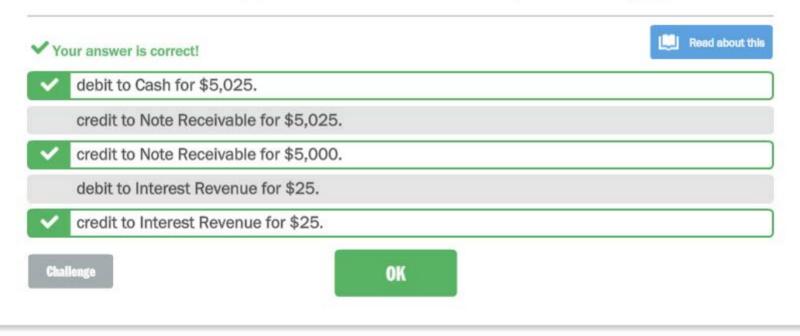
JD Co. had \$1,000 of credit cards sales. The net cash receipts were deposited immediately into Whitlock's bank account less a 3% fee. The entry to record this sales transaction would include the following debit entries. (Check all that apply.)

	Sales for \$970		
~	Cash for \$970		
	Accounts Receivable for \$970		
	Accounts Receivable for \$1,000		
~	Credit Card Expense for \$30		
	Cash for \$1,000		
	Cash for \$1,000		

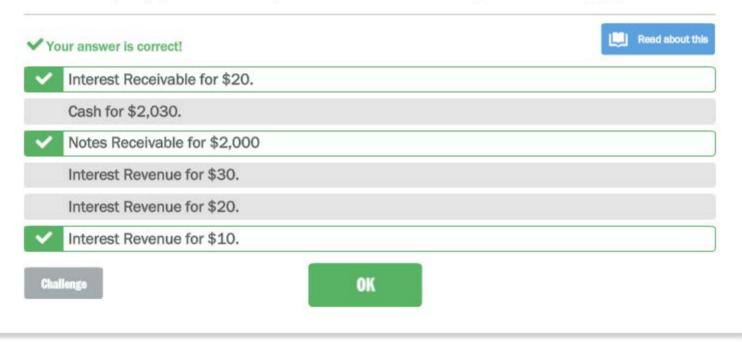
The ______ method of accounting for bad debts records the loss from an uncollectible account receivable when it is determined to be uncollectible. No attempt is made to predict bad debts expense.

✓ Yo	our answer is correct!		Read about this
	percentage of sales		
~	direct write-off		
	allowance		
	percentage of receivables		
Cha	llenge	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.)



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.)



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

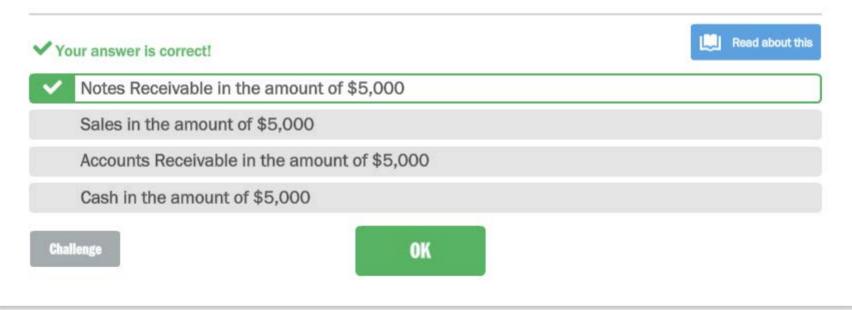








DonCo, Inc. sold merchandise on January 14, and accepted a 90-day, 5% promissory note in the amount of \$5,000. On January 14, the entry to record this transaction would include a debit to:



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.

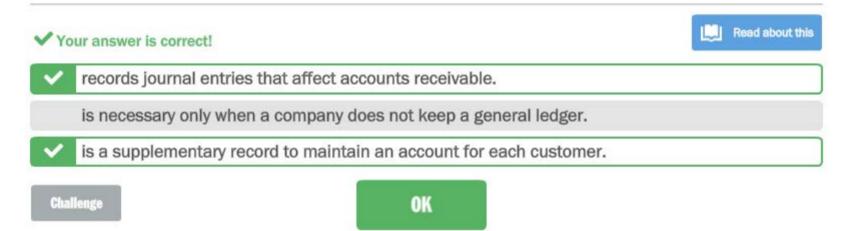
✓ Your answer is correct!











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:



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.

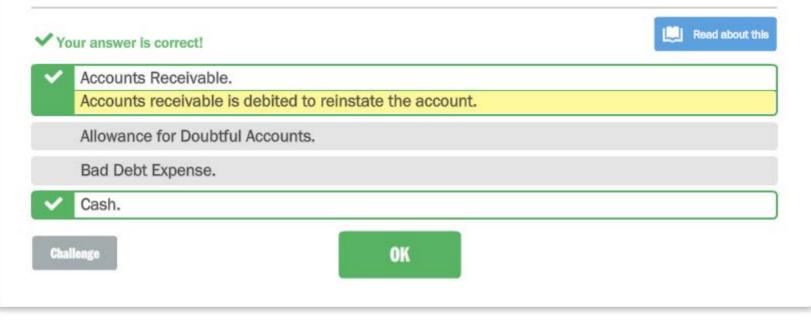




Challenge



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.



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



(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.



Challenge





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 	th related sales	
 Reports accounts rec 	Reports accounts receivable balance at net realizable value	
Requires no accounti	ng estimates	
Challenge	ОК	

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

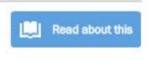
Your answer is correct!	Read about this
cash is received from the credit card company faste	r than from a credit customer.
the seller avoids the risk of customer non-payment.	
 a variety of payment options typically increase sales 	volume.
the seller does not have to evaluate customer credit	r F I
there is no cost to the seller to allow third-party cred	it cards.
Challenge	

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

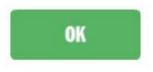
Vour answer is correct!		Read about this
contra receivables		
accounts receivable turnover		
total receivables		
realizable value		
Challenge	ОК	

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.



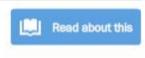






Companies sometimes convert receivables to cash before they are due. When a company sells its receivables, it is called factoring (pledging/factoring). When a company uses receivables as collateral for a bank loan, it is called pledging (pledging/factoring).









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	

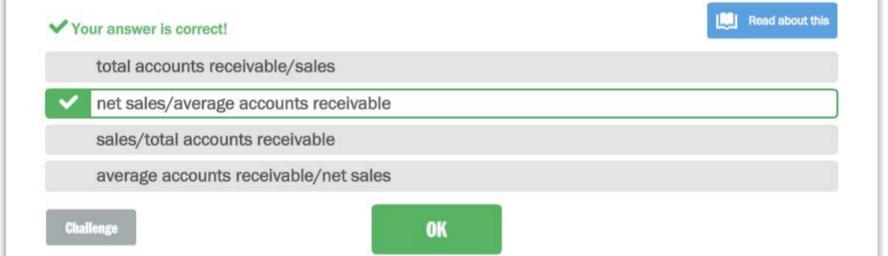
Tricon Co. sells \$10,000 of its accounts receivables and is charged a 5% factoring fee. It records this sale with a *debit* to:

Your ans	wer is correct!		Read about this
Acco	unts Receivable for \$10,000.		
Cash	for \$10,000.		
Cash	n for \$10,500.		
 Cash 	for \$9,500.		
Acco	unts Receivable for \$10,500.		
Acco	unts Receivable for \$9,500.		

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.)



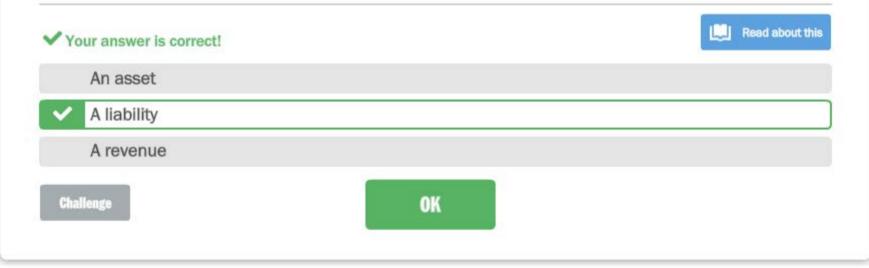
Accounts receivable turnover is calculated using the following formula:



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.



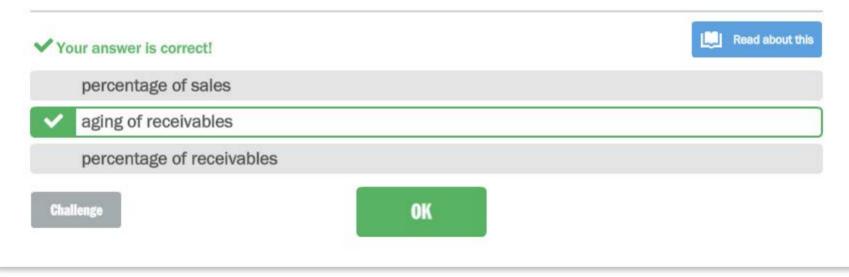
Although U.S. GAAP and IFRS have similar rules in recording disposition of receivables, Under U.S. GAAP provision refers to expense. Under IFRS, *provision* refers to



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:

	\$7,100
 	\$7,500
	\$795,000
	\$750,000
	\$7,900

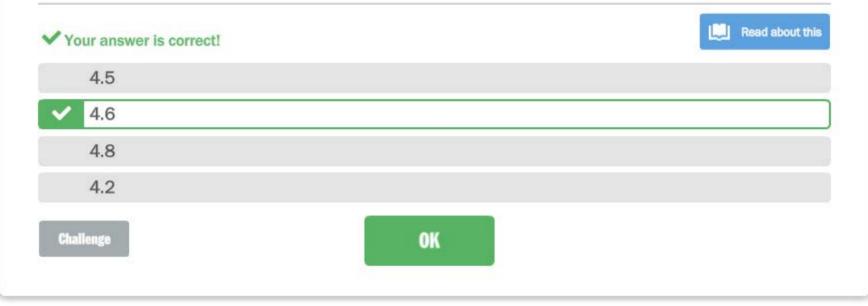
The ______ method of estimating bad debts uses both past and current receivables information to estimate the allowance amount. Specifically, each receivable is classified by how long it is past its due date.



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.



The realization principle under IFRS refers to the following:



risk transfer and ownership reward

an arm's length transaction and economic benefits

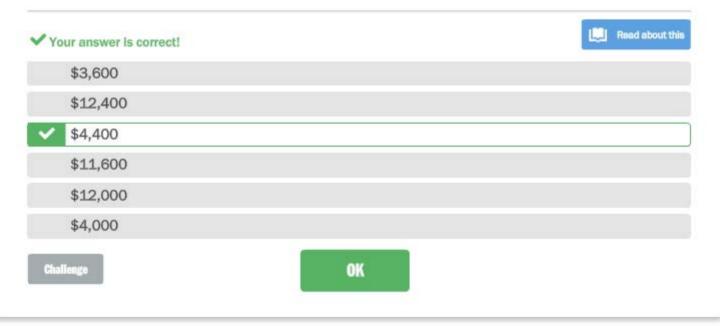
reliable measurement and likelihood of economic benefits

Challenge





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:



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.



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:

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

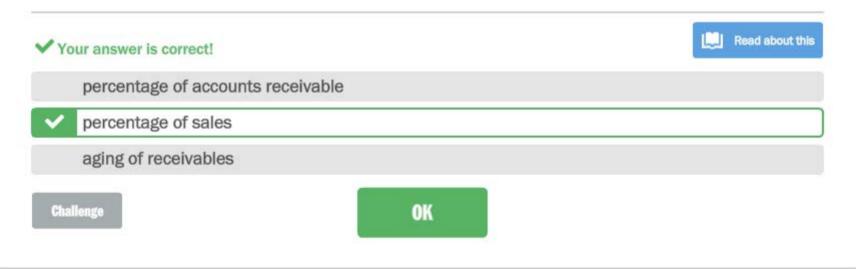
debit to Bad Debts Expense and credit to Allowance for Doubtful Accounts

debit to Accounts Receivable and credit to Bad Debts Expense

Challenge



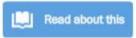
The _____ method of estimating allowance for doubtful accounts is based on the idea that a given percent of a company's credit sales for the period are uncollectible.



✓ Your answer is correct!		Read about this
~	allowance	
	cost	
	direct write-off	
	indirect write-off	

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

Your answer is correct!



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



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?

