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

- Time expressed in fraction of year
- Maturity value
- Principal
- Interest rate

Your answer is correct!
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>Amounts due from customers for credit sales</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>An asset consisting of a written promise to receive a definite sum of money on demand or on specific future dates</td>
</tr>
<tr>
<td>Receivable</td>
<td>Amount due from another party</td>
</tr>
</tbody>
</table>
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.

Your answer is correct!

True
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!

- $225
- $50
- $200
- $25
A 90-day note is signed on October 21. The due date of the note is: 

- January 21
- January 20
- January 18
- January 19

Your answer is correct!
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promissory note</td>
<td>Written promise to pay a specified amount of money</td>
</tr>
<tr>
<td>Principal</td>
<td>Amount that the signer agrees to pay back, not including interest</td>
</tr>
<tr>
<td>Interest</td>
<td>Charge from using money loaned from one entity to another</td>
</tr>
<tr>
<td>Maker</td>
<td>One who signed the note and promised to pay at maturity</td>
</tr>
<tr>
<td>Payee</td>
<td>The person to whom the note is payable</td>
</tr>
<tr>
<td>Maturity date</td>
<td>Day that the principal and interest must be paid</td>
</tr>
</tbody>
</table>
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 Thom Co. The entry to record this receipt of $200 will include a: (Check all that apply.)

- credit to Cash.
- debit to Cash. (Correct)
- credit to Bad Debts Expense. (Correct)
- debit to Bad Debts Expense. (Correct)

Your answer is correct!
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.)

- **debit to Accounts Receivable - Ali for $1,025.**
  
  $1,000 \times \left(\frac{180}{360}\right) \times 0.05 = $25$ 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 \left(\frac{180}{360}\right) \times 0.05 = $25$ interest.

- **credit to Accounts Receivable - Ali for $1,000.**
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!
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.)

- [✓] debit to Bad Debts Expense.
- [✓] credit to Accounts Receivable - A. Winds.
- [✓] credit to Accounts Receivable - A. Winds.

Your answer is correct!
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:

- Cash for $490
- Sales for $490
- Cash for $500
- Sales for $500
- Accounts Receivable for $500
- Accounts Receivable for $490
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

Your answer is correct!
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!

- direct write-off
- allowance
- percentage of sales
- percentage of receivables
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.)

- 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.

Your answer is correct!
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.)

- 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.
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!
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:

- 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

Your answer is correct!
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.
An accounts receivable ledger: (Check all that apply.)

- 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.

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:

- Interest Receivable for $120.
- Interest Receivable for $20.
- Interest Revenue for $120.
- Interest Revenue for $20.

Your answer is correct!
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!
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.

- Accounts Receivable.
- Allowance for Doubtful Accounts.
- Bad Debt Expense.
- Cash.

Your answer is correct!

- Accounts Receivable.
  - Accounts receivable is debited to reinstate the account.
- Cash.
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:

- 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.

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

- Matches expenses with related sales
- Reports accounts receivable balance at net realizable value
- Requires no accounting estimates
Companies allow customers to pay for products using third-party credit cards because: (Check all that apply.)

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

- realizable value
The correct answer is shown

The principal and interest of a note are due on its maturity date. The maker of the note usually honors the note and pays it in full.
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!
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!

- accounts receivable
- allowance
- bad debts
- percentage of sales
Tricon Co. sells $10,000 of its accounts receivables and is charged a 5% factoring fee. It records this sale with a debit to:

- Cash for $9,500.

Your answer is correct!
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.)

- to satisfy customer's needs.
- to quickly increase profit.
- to reduce risk of nonpayment.
- to quickly generate cash.

Your answer is correct!
Accounts receivable turnover is calculated using the following formula:

- Your answer is correct!
  - net sales/average accounts receivable

Other options:
- total accounts receivable/sales
- sales/total accounts receivable
- average accounts receivable/net sales
The accounts receivable turnover 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 **A liability**.

Your answer is correct!
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 a 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.

- Your answer is correct!

- aging of receivables

- percentage of receivables
The following financial information is available for Siu Co.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>160,000</td>
<td>155,000</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>38,000</td>
<td>32,000</td>
</tr>
</tbody>
</table>

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

Your answer is correct!

4.6
The realization principle under IFRS refers to the following:

- Your answer is correct!

- risk transfer and ownership reward
- an arm's length transaction and economic benefits
- reliable measurement and likelihood of economic benefits
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:

- $3,600
- $12,400
- $4,400
- $11,600
- $12,000
- $4,000

Your answer is correct!
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:

- 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
The percentage 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.
Both U.S. GAAP and IFRS require that companies use the **allowance** method of accounting for bad debts.
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
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!

Cannot be determined

$0

$200