

1. Award: 1.87 points

TB TF Qu.07-13 (Static) A company borrowed...

A company borrowed \$10,000 by signing a six-month promissory note at 5% interest. The amount of interest to be paid at maturity is \$25.

True

→ False

$$\$10,000 \times 0.05 \times 6/12 = \$250$$

References

True / False

Difficulty: 2 Medium

TB TF Qu.07-13 (Static) A company borrowed...

Learning Objective: 07-C2
Describe a note receivable, the computation of its maturity date, and the recording of its existence.

2. Award: 1.87 points

TB TF Qu. 07-14 (Static) A company borrowed...

A company borrowed \$16,000 by signing a 4-month promissory note at 12% interest. The amount of interest to be paid at maturity is \$640.

→ True

False

$$\$16,000 \times 0.12 \times 4/12 = \$640$$

References

True / False

Difficulty: 2 Medium

TB TF Qu. 07-14 (Static) A company borrowed...

Learning Objective: 07-C2
Describe a note receivable, the computation of its maturity date, and the recording of its existence.

3. Award: 1.87 points

TB TF Qu. 07-18 (Static) Since pledged accounts receivable...

Since pledged accounts receivable only serve as collateral for a loan and are not sold, it is not necessary to disclose the pledging.

True

→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 07-18 (Static)
Since pledged accounts
receivable...

Learning Objective: 07-C3 Explain
how receivables can be converted
to cash before maturity.

4. Award: 1.87 points

TB TF Qu. 07-21 (Static) Accounts receivable turnover measures...

Accounts receivable turnover measures how often, on average, receivables are collected during the period.

→ True

False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 07-21 (Static)
Accounts receivable
turnover measures...

Learning Objective: 07-A1 Compute
accounts receivable turnover and
use it to help assess financial
condition.

5. Award: 1.87 points

TB TF Qu. 07-22 (Static) A high accounts receivable turnover...

A high accounts receivable turnover in comparison with competitors suggests that management should use a stricter credit policy.

True

→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 07-22 (Static) A
high accounts receivable
turnover...

Learning Objective: 07-A1 Compute
accounts receivable turnover and
use it to help assess financial
condition.

6. Award: 1.87 points

TB TF Qu. 07-24 (Static) A company had net sales...

A company had net sales of \$550,000 and an average accounts receivable, net of \$110,000. Its accounts receivable turnover equals 5.0.

→ True

False

Accounts Receivable Turnover = Net Sales/Average Accounts Receivable, Net
Accounts Receivable Turnover = \$550,000/\$110,000 = 5.0

References

True / False

Difficulty: 2 Medium

TB TF Qu. 07-24 (Static) A
company had net sales...

Learning Objective: 07-A1 Compute
accounts receivable turnover and
use it to help assess financial
condition.

7. Award: 1.87 points

TB TF Qu. 07-27 (Static) At the end of each period, the allowance...

At the end of each period, the allowance method requires an estimate of the total bad debts expected from that period's sales.

→ True

False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 07-27 (Static) At
the end of each period, the
allowance...

Learning Objective: 07-P2 Apply
the allowance method to accounts
receivable.

8. Award: 1.87 points

TB TF Qu. 07-34 (Static) When using the allowance method...

When using the allowance method of accounting for uncollectible accounts, the entry to record the estimated bad debts expense is a debit to Bad Debts Expense and a credit to Allowance for Doubtful Accounts.

- True
 False

[References](#)

True / False

Difficulty: 2 Medium

TB TF Qu. 07-34 (Static)
When using the allowance
method...

Learning Objective: 07-P2 Apply
the allowance method to accounts
receivable.

9. Award: 1.87 points

TB TF Qu. 07-35 (Static) After adjustment, the balance in the...

After adjustment, the balance in the Allowance for Doubtful Accounts has the effect of reducing Accounts Receivable to its realizable value.

- True
 False

[References](#)

True / False

Difficulty: 1 Easy

TB TF Qu. 07-35 (Static)
After adjustment, the
balance in the...

Learning Objective: 07-P2 Apply
the allowance method to accounts
receivable.

10. Award: 1.87 points

TB TF Qu. 07-36 (Static) When using the allowance method of..

When using the allowance method of accounting for uncollectible accounts, the entry to write off Jeannie's uncollectible account is a debit to Allowance for Doubtful Accounts and a credit to Accounts Receivable—Jeannie.

- True
 False

[References](#)

True / False

Difficulty: 2 Medium

TB TF Qu. 07-36 (Static)
When using the allowance
method of..

Learning Objective: 07-P2 Apply
the allowance method to accounts
receivable.

11. Award: 1.87 points

TB TF Qu. 07-37 (Static) Realizable value refers to the amount...

Realizable value refers to the amount expected to be received from accounts receivable.

→ True

False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 07-37 (Static)
Realizable value refers to
the amount...

Learning Objective: 07-P2 Apply
the allowance method to accounts
receivable.

12. Award: 1.87 points

TB TF Qu. 07-40 (Static) When using the allowance method of...

When using the allowance method of accounting for uncollectible accounts, the recovery of a bad debt would be recorded as a debit to Cash and a credit to Bad Debts Expense.

True

→ False

References

True / False

Difficulty: 2 Medium

TB TF Qu. 07-40 (Static)
When using the allowance
method of...

Learning Objective: 07-P2 Apply
the allowance method to accounts
receivable.

13. Award: 1.87 points

TB TF Qu. 07-43 (Static) The allowance for doubtful accounts...

The allowance for doubtful accounts is decreased through write-offs.

→ True

False

References

True / False

Difficulty: 1 Easy

TB TF Qu. 07-43 (Static)
The allowance for doubtful
accounts...

Learning Objective: 07-P3 Estimate
uncollectibles based on sales and
accounts receivable.

14. Award: 1.87 points

TB TF Qu. 07-47 (Static) A company has...

A company has \$80,000 in outstanding accounts receivable and it uses the allowance method to account for uncollectible accounts. Experience suggests that 6% of outstanding receivables are uncollectible. The current credit balance (before adjustments) in the allowance for doubtful accounts is \$1,200. The journal entry to record the adjustment to the allowance account includes a debit to Bad Debts Expense for \$4,800.

- True
 False

Desired balance in allowance:	$\$80,000 \times 0.06 =$	\$ 4,800 credit
Current balance in allowance:		<u>1,200 credit</u>
Adjustment to allowance:		<u>\$ 3,600 credit</u>

References

True / False

Difficulty: 3 Hard

TB TF Qu. 07-47 (Static) A company has...

Learning Objective: 07-P3 Estimate uncollectibles based on sales and accounts receivable.

15. Award: 1.87 points

TB TF Qu. 07-48 (Static) A company has...

A company has \$80,000 in outstanding accounts receivable and it uses the allowance method to account for uncollectible accounts. Experience suggests that 6% of outstanding receivables are uncollectible. The current debit balance (before adjustments) in the allowance for doubtful accounts is \$1,200. The journal entry to record the adjustment to the allowance account includes a debit to Bad Debts Expense for \$6,000.

- True
 False

Desired balance in allowance:	$\$80,000 \times 0.06 =$	\$ 4,800 credit
Current balance in allowance:		<u>1,200 debit</u>
Adjustment to allowance:		<u>\$ 6,000 credit</u>

References

True / False

Difficulty: 3 Hard

TB TF Qu. 07-48 (Static) A company has...

Learning Objective: 07-P3 Estimate uncollectibles based on sales and accounts receivable.

16. Award: 1.87 points

TB TF Qu. 07-49 (Static) A company using the percentage of...

A company using the percentage of sales method for estimating bad debts has sales of \$350,000 and estimates that 1.0% of its sales are uncollectible. The estimated amount of bad debts expense is \$3,500.

- True
 False

$$\$350,000 \times 0.01 = \$3,500$$

References

True / False

Difficulty: 2 Medium

TB TF Qu. 07-49 (Static) A company using the percentage of...

Learning Objective: 07-P3 Estimate uncollectibles based on sales and accounts receivable.

17. Award: 1.87 points

TB TF Qu. 07-50 (Static) A company using the percentage of sales method...

A company using the percentage of sales method for estimating bad debts has sales of \$350,000 and estimates that 1.0% of its sales are uncollectible. The unadjusted balance in Allowance for Doubtful Accounts before the adjustment is a \$300 credit. After adjustment, the estimated amount of bad debts expense is \$3,200.

- True
→ False

$$\$350,000 \times 0.01 = \$3,500 \text{ (existing balance in Allowance for Doubtful Accounts is ignored.)}$$

References

True / False

Difficulty: 3 Hard

TB TF Qu. 07-50 (Static) A company using the percentage of sales method...

Learning Objective: 07-P3 Estimate uncollectibles based on sales and accounts receivable.

18. Award: 1.87 points

TB TF Qu. 07-58 (Static) When a note receivable is...

When a note receivable is dishonored, it is charged to an account receivable from its maker.

→ True

False

[References](#)

True / False

Difficulty: 1 Easy

TB TF Qu. 07-58 (Static)
When a note receivable
is...

Learning Objective: 07-P4 Record
the honoring and dishonoring of a
note and adjustments for interest.

19. Award: 1.87 points

TB TF Qu. 07-60 (Static) Charging a dishonored note to accounts receivable...

Charging a dishonored note to accounts receivable removes the dishonored note from the Notes Receivable account, and therefore keeps only notes that have not yet matured in the Notes Receivable account.

→ True

False

[References](#)

True / False

Difficulty: 2 Medium

TB TF Qu. 07-60 (Static)
Charging a dishonored
note to accounts
receivable...

Learning Objective: 07-P4 Record
the honoring and dishonoring of a
note and adjustments for interest.

20. Award: 1.87 points

TB TF Qu. 07-62 (Static) The journal entry to record a dishonored...

The journal entry to record a dishonored note includes a debit to Accounts Receivable, a credit to Notes Receivable, and a credit to Interest Revenue.

→ True

False

[References](#)

True / False

Difficulty: 2 Medium

TB TF Qu. 07-62 (Static)
The journal entry to record
a dishonored...

Learning Objective: 07-P4 Record
the honoring and dishonoring of a
note and adjustments for interest.

21. Award: 1.87 points

TB MC Qu. 07-65 (Static) Sustainable Supplies prepares...

Sustainable Supplies prepares the following aging of receivables analysis:

	Total	Days Past Due Current	1 to 30	31 to 60	61 to 90	Over 90
Accounts receivable	\$ 57,600	\$ 40,000	\$ 9,000	\$ 3,600	\$ 2,000	\$ 3,000
Percent uncollectible		1%	3%	5%	8%	11%

Prepare the adjusting entry to record bad debts expense assuming the unadjusted balance in the Allowance for Doubtful Accounts is a \$500 credit.

- Debit Bad Debts Expense \$840; credit Allowance for Doubtful Accounts \$840.
- Debit Allowance for Doubtful Accounts \$840; credit Bad Debts Expense \$840.
- Debit Bad Debts Expense \$1,840; credit Allowance for Doubtful Accounts \$1,840.
- Debit Allowance for Doubtful Accounts \$1,840; credit Bad Debts Expense \$1,840.
- Debit Bad Debts Expense \$1,340; credit Allowance for Doubtful Accounts \$1,340.

Current:	$\$ 40,000 \times 0.01 =$	\$ 400
1 to 30:	$9,000 \times 0.03 =$	270
31 to 60:	$3,600 \times 0.05 =$	180
61 to 90:	$2,000 \times 0.08 =$	160
Over 90:	$3,000 \times 0.11 =$	330
		\$ 1,340 credit

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-65 (Static)
Sustainable Supplies
prepares...Learning Objective: 07-C1 Describe
accounts receivable and how they
occur and are recorded.

22. Award: 1.87 points

TB MC Qu. 07-67 (Static) Which of the following is...

Which of the following is false regarding a bank (or third party) credit card expense?

- Credit card expense may be classified as a "discount" deducted from sales to get net sales.
- Credit card expense may be classified as a selling expense.
- Credit card expense may be classified as an administrative expense.
- Credit card expense is not recorded by the seller.
- Credit card expense reduces the cash received by the seller.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-67 (Static)
Which of the following is...Learning Objective: 07-C1 Describe
accounts receivable and how they
occur and are recorded.

23. Award: 1.87 points**TB MC Qu. 07-73 (Algo) The interest accrued...**

The interest accrued on \$3,600 at 7% for 30 days is: (Use 360 days a year.)

- \$25.
- \$21.
- \$294.
- \$29.
- \$126.

$$\$3,600 \times 0.07 \times 30/360 = \$21$$

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-73 (Algo)
The interest accrued...Learning Objective: 07-C2
Describe a note receivable, the
computation of its maturity date,
and the recording of its existence.**24.** Award: 1.87 points**TB MC Qu. 07-74 (Static) A 90-day note issued on April...**

A 90-day note issued on April 10 matures on:

- July 9.
- July 10.
- July 11.
- July 12.
- July 13.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-74 (Static) A
90-day note issued on
April...Learning Objective: 07-C2
Describe a note receivable, the
computation of its maturity date,
and the recording of its existence.

25. Award: 1.87 points

TB MC Qu. 07-75 (Algo) A company receives...

A company receives a 5%, 90-day note for \$5,400. The total interest due on the maturity date is: (Use 360 days a year.)

- \$270.00.
- \$90.00.
- \$135.00.
- \$157.50.
- \$67.50.

$$\$5,400 \times 0.05 \times 90/360 = \$67.50$$

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-75 (Algo) A company receives...

Learning Objective: 07-C2
Describe a note receivable, the computation of its maturity date, and the recording of its existence.

26. Award: 1.87 points

TB MC Qu. 07-77 (Algo) A company borrowed...

A company borrowed \$23,000 by signing a 90-day promissory note at 12%. The total to be paid at maturity of the note is: (Use 360 days a year.)

- \$23,690.00
- \$32,257.50
- \$32,545.00
- \$33,235.00
- \$34,960.00

$$\$23,000 + (\$23,000 \times 0.12 \times 90/360) = \$23,690.00$$

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-77 (Algo) A company borrowed...

Learning Objective: 07-C2
Describe a note receivable, the computation of its maturity date, and the recording of its existence.

27. Award: 1.87 points

TB MC Qu. 07-80 (Algo) A company factored...

A company factored \$46,000 of its accounts receivable and was charged a 2% factoring fee. The journal entry to record this transaction would include a:

- Debit to Cash of \$46,000, a debit to Factoring Fee Expense of \$920, and credit to Accounts Receivable of \$45,080.
- Debit to Cash of \$46,000 and a credit to Accounts Receivable of \$46,000.
- Debit to Cash of \$46,920 and a credit to Accounts Receivable of \$46,920.
- Debit to Cash of \$45,080, a debit to Factoring Fee Expense of \$920, and a credit to Accounts Receivable of \$46,000.
- Debit to Cash of \$46,000 and a credit to Notes Payable of \$46,000.

$$\$46,000 \times 0.02 = \$920; \$46,000 - \$920 = \$45,080$$

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-80 (Algo) A company factored...

Learning Objective: 07-C3 Explain how receivables can be converted to cash before maturity.

28. Award: 1.87 points

TB MC Qu. 07-83 (Static) Accounts receivable turnover...

Accounts receivable turnover is calculated by:

- Dividing net sales by average accounts receivable.
- Dividing net sales by average accounts receivable and multiplying by 365.
- Dividing average accounts receivable by net sales.
- Dividing average accounts receivable by net sales and multiplying by 365.
- Dividing net income by average accounts receivable.

References

Multiple Choice

Difficulty: 1 Easy

TB MC Qu. 07-83 (Static) Accounts receivable turnover...

Learning Objective: 07-A1 Compute accounts receivable turnover and use it to help assess financial condition.

29. Award: 1.87 points**TB MC Qu. 07-84 (Algo) A company has net sales...**

A company has net sales of \$2,146,200 and average accounts receivable, net of \$438,000. What is its accounts receivable turnover for the period?

- 0.39
- 8.80
- 25.70
- 80.60
- 4.90

Accounts Receivable Turnover = Net Sales/Average Accounts Receivable, Net
Accounts Receivable Turnover = \$2,146,200/\$438,000 = 4.90

References**Multiple Choice**

Difficulty: 2 Medium

TB MC Qu. 07-84 (Algo) A company has net sales...

Learning Objective: 07-A1 Compute accounts receivable turnover and use it to help assess financial condition.

30. Award: 1.87 points**TB MC Qu. 07-86 (Static) Axle...**

Axle Company's accounts receivable turnover was 9.9 for this year and 11.0 for last year. Betterman's turnover was 9.3 for this year and 9.3 for last year. These results imply that:

- Betterman has the better turnover for both years.
- Axle has the better turnover for both years.
- Betterman's turnover is improving.
- Axle's credit policies are looser than Betterman's.
- Betterman is collecting its receivables more quickly than Axle in both years.

References**Multiple Choice**

Difficulty: 3 Hard

TB MC Qu. 07-86 (Static) Axle...

Learning Objective: 07-A1 Compute accounts receivable turnover and use it to help assess financial condition.

31. Award: 1.87 points

TB MC Qu. 07-87 (Algo) A company had net...

A company had net sales of \$670,000, total sales of \$820,000, and average accounts receivable, net of \$78,500. Its accounts receivable turnover equals:

- 8.54
 0.82
 0.10
 0.12
 10.45

Accounts Receivable Turnover = Net Sales/Average Accounts Receivable, Net
Accounts Receivable Turnover = $\$670,000/\$78,500 = 8.54$

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-87 (Algo) A
company had net...

Learning Objective: 07-A1 Compute
accounts receivable turnover and
use it to help assess financial
condition.

32. Award: 1.87 points

TB MC Qu. 07-88 (Algo) A company had total sales...

A company had total sales of \$800,000, net sales of \$784,800, and an average accounts receivable, net of \$109,000. Its accounts receivable turnover equals:

- 7.2
 68.6
 60.4
 1.0
 7.3

Accounts Receivable Turnover = Net Sales/Average Accounts Receivable, Net
Accounts Receivable Turnover = $\$784,800/\$109,000 = 7.2$

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-88 (Algo) A
company had total sales...

Learning Objective: 07-A1 Compute
accounts receivable turnover and
use it to help assess financial
condition.

33. Award: 1.87 points**TB MC Qu. 07-89 (Static) The expense recognition...**

The expense recognition principle, as applied to bad debts:

- Requires that expenses be ignored if their effect on the financial statements is unimportant to users' business decisions.
- Favors the use of the direct write-off method for bad debts.
- Favors the use of the allowance method of accounting for bad debts.
- Requires that bad debts be disclosed in the financial statements.
- Requires that bad debts not be written off.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-89 (Static)
The expense recognition...Learning Objective: 07-P1 Apply the
direct write-off method to accounts
receivable.**34.** Award: 1.87 points**TB MC Qu. 07-90 (Static) The materiality constraint,...**

The materiality constraint, as applied to bad debts:

- Permits the use of the direct write-off method when its results approximate those of the allowance method.
- Requires use of the pledge method for bad debts.
- Requires use of the direct write-off method.
- Requires that bad debts not be written off.
- Requires that expenses be reported when paid in cash.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-90 (Static)
The materiality
constraint,...Learning Objective: 07-P1 Apply the
direct write-off method to accounts
receivable.

35. Award: 1.87 points

TB MC Qu. 07-91 (Static) Assuming the credit balance...

Assuming the credit balance of the Allowance for Doubtful Accounts account exceeds the amount of a bad debt being written off, the entry to record the write-off against the allowance account results in:

- An increase in the expenses of the current period.
- An increase in current assets.
- A reduction in equity.
- No effect on the expenses of the current period.
- A reduction in current liabilities.

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-91 (Static)
Assuming the credit
balance...

Learning Objective: 07-P2 Apply
the allowance method to accounts
receivable.

36. Award: 1.87 points

TB MC Qu. 07-92 (Static) On October 12 of the current year,...

On October 12 of the current year, a company determined that a customer's account receivable was uncollectible and that the account should be written off. Assuming the allowance method is used to account for bad debts, what effect will this write-off have on the company's net income and total assets?

- Decrease in net income; no effect on total assets.
- No effect on net income; no effect on total assets.
- Decrease in net income; decrease in total assets.
- Increase in net income; no effect on total assets.
- No effect on net income; decrease in total assets.

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-92 (Static)
On October 12 of the
current year,...

Learning Objective: 07-P2 Apply
the allowance method to accounts
receivable.

37. Award: 1.87 points

TB MC Qu. 07-93 (Static) On October 12 of the current year, a company...

On October 12 of the current year, a company determined that a customer's account receivable was uncollectible and that the account should be written off. Assuming the direct write-off method is used to account for bad debts, what effect will this write-off have on the company's net income and total assets?

- Decrease in net income; no effect on total assets.
- No effect on net income; no effect on total assets.
- Decrease in net income; decrease in total assets.
- Increase in net income; no effect on total assets.
- No effect on net income; decrease in total assets.

References

Multiple Choice Difficulty: 3 Hard

TB MC Qu. 07-93 (Static)
On October 12 of the
current year, a company... Learning Objective: 07-P1 Apply the
direct write-off method to accounts
receivable.

38. Award: 1.87 points

TB MC Qu. 07-94 (Algo) Gideon Company uses...

Gideon Company uses the allowance method of accounting for uncollectible accounts. On May 3, the Gideon Company wrote off the \$2,200 uncollectible account of its customer, A. Hopkins. The entry or entries Gideon makes to record the write off of the account on May 3 is:

- | Account Title | Debit | Credit |
|---------------------------------|-------|--------|
| Accounts Receivable—A. Hopkins | 2,200 | |
| Allowance for Doubtful Accounts | | 2,200 |
- | Account Title | Debit | Credit |
|---------------------------------|-------|--------|
| Allowance for Doubtful Accounts | 2,200 | |
| Bad debts expense | | 2,200 |
- | Account Title | Debit | Credit |
|--------------------------------|-------|--------|
| Accounts Receivable—A. Hopkins | 2,200 | |
| Bad debts expense | | 2,200 |
| Cash | 2,200 | |
| Accounts Receivable—A. Hopkins | | 2,200 |
- | Account Title | Debit | Credit |
|---------------------------------|-------|--------|
| Allowance for Doubtful Accounts | 2,200 | |
| Accounts Receivable—A. Hopkins | | 2,200 |
- | Account Title | Debit | Credit |
|--------------------------------|-------|--------|
| Cash | 2,200 | |
| Accounts Receivable—A. Hopkins | | 2,200 |

References

Multiple Choice Difficulty: 2 Medium

TB MC Qu. 07-94 (Algo)
Gideon Company uses... Learning Objective: 07-P2 Apply
the allowance method to accounts
receivable.

39. Award: 1.87 points

TB MC Qu. 07-95 (Static) Gideon Company uses the direct write-off method of accounting...

Gideon Company uses the direct write-off method of accounting for uncollectible accounts. On May 3, the Gideon Company wrote off the \$2,000 uncollectible account of its customer, A. Hopkins. The entry or entries Gideon makes to record the write-off of the account on May 3 is:

Account Title	Debit	Credit
Accounts Receivable—A. Hopkins	2,000	
Bad Debts Expense		2,000

Account Title	Debit	Credit
Allowance for Doubtful Accounts	2,000	
Accounts Receivable—A. Hopkins		2,000

Account Title	Debit	Credit
Accounts Receivable—A. Hopkins	2,000	
Cash		2,000

→

Account Title	Debit	Credit
Bad Debts Expense	2,000	
Accounts Receivable—A. Hopkins		2,000

Account Title	Debit	Credit
Cash	2,000	
Accounts Receivable—A. Hopkins		2,000

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-95 (Static)
Gideon Company uses the
direct write-off method of
accounting...

Learning Objective: 07-P1 Apply the
direct write-off method to accounts
receivable.

40. Award: 1.87 points

TB MC Qu. 07-96 (Static) Gideon Company uses...

Gideon Company uses the allowance method of accounting for uncollectible accounts. On May 3, Gideon Company wrote off the \$2,000 uncollectible account of its customer, A. Hopkins. On July 10, Gideon received a check for the full amount of \$2,000 from Hopkins. The entry or entries Gideon makes to record the recovery of the bad debt is:

- | Account Title | Debit | Credit |
|---------------------------------|-------|--------|
| Accounts Receivable—A. Hopkins | 2,000 | |
| Allowance for Doubtful Accounts | | 2,000 |
| Cash | 2,000 | |
| Accounts Receivable—A. Hopkins | | 2,000 |
- | Account Title | Debit | Credit |
|-------------------|-------|--------|
| Cash | 2,000 | |
| Bad debts expense | | 2,000 |
- | Account Title | Debit | Credit |
|--------------------------------|-------|--------|
| Accounts Receivable—A. Hopkins | 2,000 | |
| Bad debts expense | | 2,000 |
| Cash | 2,000 | |
| Accounts Receivable—A. Hopkins | | 2,000 |
- | Account Title | Debit | Credit |
|---------------------------------|-------|--------|
| Allowance for Doubtful Accounts | 2,000 | |
| Accounts Receivable—A. Hopkins | | 2,000 |
| Accounts Receivable—A. Hopkins | 2,000 | |
| Cash | | 2,000 |
- | Account Title | Debit | Credit |
|--------------------------------|-------|--------|
| Cash | 2,000 | |
| Accounts Receivable—A. Hopkins | | 2,000 |

References

Multiple Choice Difficulty: 2 Medium

TB MC Qu. 07-96 (Static)
Gideon Company uses... Learning Objective: 07-P2 Apply the allowance method to accounts receivable.

41. Award: 1.87 points

TB MC Qu. 07-97 (Static) Gideon Company uses the direct write-off method...

Gideon Company uses the direct write-off method of accounting for uncollectible accounts. On May 3, Gideon Company wrote off the \$2,000 uncollectible account of its customer, A. Hopkins. On July 10, Gideon received a check for the full amount of \$2,000 from Hopkins. The entry or entries Gideon makes to record the recovery of the bad debt is:

Account Title	Debit	Credit
Accounts Receivable—A. Hopkins	2,000	
Allowance for Doubtful Accounts		2,000
Cash	2,000	
Accounts Receivable—A. Hopkins		2,000

Account Title	Debit	Credit
Cash	2,000	
Bad Debts Expense		2,000

→

Account Title	Debit	Credit
Accounts Receivable—A. Hopkins	2,000	
Bad Debts Expense		2,000
Cash	2,000	
Accounts Receivable—A. Hopkins		2,000

Account Title	Debit	Credit
Allowance for Doubtful Accounts	2,000	
Accounts Receivable—A. Hopkins		2,000
Accounts Receivable—A. Hopkins	2,000	
Cash		2,000

Account Title	Debit	Credit
Cash	2,000	
Accounts Receivable—A. Hopkins		2,000

References

Multiple Choice Difficulty: 2 Medium

TB MC Qu. 07-97 (Static) Gideon Company uses the direct write-off method... Learning Objective: 07-P1 Apply the direct write-off method to accounts receivable.

42. Award: 1.87 points

TB MC Qu. 07-100 (Static) Which of the following is an accounting...

Which of the following is an accounting method that (1) estimates and reports bad debts expense from credit sales during the period the sales are recorded, and (2) reports accounts receivable at the estimated amount of cash to be collected?

- Allowance method of accounting for bad debts.
- Aging of notes receivable method.
- Adjustment method for uncollectible debts.
- Direct write-off method of accounting for bad debts.
- Cash basis method of accounting for bad debts.

References

Multiple Choice Difficulty: 1 Easy

TB MC Qu. 07-100 (Static) Which of the following is an accounting... Learning Objective: 07-P2 Apply the allowance method to accounts receivable.

43. Award: 1.87 points

TB MC Qu. 07-101 (Algo) On December...

On December 31 of the current year, the unadjusted trial balance of a company using the percent of receivables method to estimate bad debt included the following: Accounts Receivable, debit balance of \$98,600; Allowance for Doubtful Accounts, credit balance of \$1,101. What amount should be debited to Bad Debts Expense, assuming 3% of outstanding accounts receivable at the end of the current year are estimated to be uncollectible?

- \$2,958.
 \$965.
 \$1,857.
 \$4,059.
 \$1,101.

Desired balance in allowance account:	$\$ 98,600 \times 0.03 =$	\$ 2,958 credit
Current balance in allowance account:		<u>-1,101 credit</u>
Required: amount of Bad Debts Expense:		<u>\$ 1,857 credit</u>

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-101 (Algo)
On December...Learning Objective: 07-P3 Estimate
uncollectibles based on sales and
accounts receivable.

44. Award: 1.87 points

TB MC Qu. 07-102 (Algo) At the end of the current year, using...

At the end of the current year, using the aging of accounts receivable method, management estimated that \$35,250 of the accounts receivable balance would be uncollectible. Prior to any year-end adjustments, the Allowance for Doubtful Accounts had a debit balance of \$1,025. What adjusting entry should the company make at the end of the current year to record its estimated bad debts expense?

- | Account Title | Debit | Credit |
|---------------------------------|--------|--------|
| Bad Debts Expense | 35,250 | |
| Allowance for Doubtful Accounts | | 35,250 |
- | Account Title | Debit | Credit |
|---------------------------------|--------|--------|
| Bad Debts Expense | 34,225 | |
| Allowance for Doubtful Accounts | | 34,225 |
- | Account Title | Debit | Credit |
|---------------------------------|--------|--------|
| Bad Debts Expense | 36,275 | |
| Allowance for Doubtful Accounts | | 36,275 |
- | Account Title | Debit | Credit |
|---------------------|--------|--------|
| Accounts Receivable | 35,250 | |
| Bad Debts Expense | 1,025 | |
| Sales | | 36,275 |
- | Account Title | Debit | Credit |
|---------------------------------|--------|--------|
| Accounts Receivable | 36,275 | |
| Allowance for Doubtful Accounts | | 36,275 |

Desired balance in allowance account:	\$ 35,250	credit
Current balance:	1,025	debit
Required: adjustment to allowance	<u>\$ 36,275</u>	credit

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-102 (Algo) At the end of the current year, using...

Learning Objective: 07-P3 Estimate uncollectibles based on sales and accounts receivable.

45. Award: 1.87 points

TB MC Qu. 07-103 (Algo) At the end of the current year, using...

At the end of the current year, using the aging of accounts receivable method, management estimated that \$18,750 of the accounts receivable balance would be uncollectible. Prior to any year-end adjustments, the Allowance for Doubtful Accounts had a credit balance of \$405. What adjusting entry should the company make at the end of the current year to record its estimated bad debts expense?

- | Account Title | Debit | Credit |
|---------------------------------|--------|--------|
| Bad Debts Expense | 19,155 | |
| Allowance for Doubtful Accounts | | 19,155 |
- | Account Title | Debit | Credit |
|---------------------------------|--------|--------|
| Bad Debts Expense | 18,750 | |
| Allowance for Doubtful Accounts | | 18,750 |
- | Account Title | Debit | Credit |
|---------------------------------|--------|--------|
| Bad Debts Expense | 18,345 | |
| Allowance for Doubtful Accounts | | 18,345 |
- | Account Title | Debit | Credit |
|---------------------|--------|--------|
| Accounts Receivable | 18,750 | |
| Bad Debts Expense | 405 | |
| Sales | | 19,155 |
- | Account Title | Debit | Credit |
|---------------------------------|--------|--------|
| Accounts Receivable | 19,155 | |
| Allowance for Doubtful Accounts | | 19,155 |

Desired balance in allowance account:	\$ 18,750	credit
Current balance:	405	credit
Required: adjustment to allowance	<u>\$ 18,345</u>	credit

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-103 (Algo) At the end of the current year, using...

Learning Objective: 07-P3 Estimate uncollectibles based on sales and accounts receivable.

46. Award: 1.87 points

TB MC Qu. 07-104 (Algo) A company uses...

A company uses the percent of sales method to determine its bad debts expense. At the end of the current year, the company's unadjusted trial balance reported the following selected amounts:

Accounts Receivable	\$ 356,000 debit
Net Sales	801,000 credit

All sales are made on credit. Based on past experience, the company estimates that 0.5% of net sales are uncollectible. What amount should be debited to Bad Debts Expense when the year-end adjusting entry is prepared?

- \$4,515
- \$3,495
- \$1,270
- \$2,290
- \$4,005

$$\$801,000 \times 0.005 = \$4,005$$

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-104 (Algo) A company uses...

Learning Objective: 07-P3 Estimate uncollectibles based on sales and accounts receivable.

47. Award: 1.87 points

TB MC Qu. 07-105 (Static) A company uses the percent of sales method to determine...

A company uses the percent of sales method to determine its bad debts expense. At the end of the current year, the company's unadjusted trial balance reported the following selected amounts:

Accounts Receivable	\$ 35,000 debit
Net Sales	180,000 credit

All sales are made on credit. Based on past experience, the company estimates that 0.6% of net sales are uncollectible. What amount should be debited to Bad Debts Expense when the year-end adjusting entry is prepared?

- \$1,275
- \$1,775
- \$1,500
- \$1,080
- \$2,500

$$\$180,000 \times 0.006 = \$1,080$$

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-105 (Static) A company uses the percent of sales method to determine...

Learning Objective: 07-P3 Estimate uncollectibles based on sales and accounts receivable.

48. Award: 1.87 points

TB MC Qu. 07-106 (Algo) A company uses...

A company uses the percent of sales method to determine its bad debts expense. At the end of the current year, the company's unadjusted trial balance reported the following selected amounts:

Accounts receivable	\$ 364,000 debit
Net Sales	809,000 credit

All sales are made on credit. Based on past experience, the company estimates 0.5% of net sales to be uncollectible. What adjusting entry should the company make at the end of the current year to record its estimated bad debts expense?

- Debit Bad Debts Expense \$4,635; credit Allowance for Doubtful Accounts \$4,635.
- Debit Bad Debts Expense \$3,455; credit Allowance for Doubtful Accounts \$3,455.
- Debit Bad Debts Expense \$2,410; credit Allowance for Doubtful Accounts \$2,410.
- Debit Bad Debts Expense \$1,820; credit Allowance for Doubtful Accounts \$1,820.
- Debit Bad Debts Expense \$4,045; credit Allowance for Doubtful Accounts \$4,045.

$$\$809,000 \times 0.005 = \$4,045$$

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-106 (Algo) A company uses...

Learning Objective: 07-P3 Estimate uncollectibles based on sales and accounts receivable.

49. Award: 1.87 points

TB MC Qu. 07-109 (Algo) Jasper makes...

Jasper makes a \$92,000, 90-day, 7% cash loan to Clayborn Company. Jasper's entry to record the transaction should be:

- Debit Notes Receivable for \$92,000; credit Cash \$92,000.
- Debit Accounts Receivable \$92,000; credit Notes Receivable \$92,000.
- Debit Cash \$92,000; credit Notes Receivable for \$92,000.
- Debit Notes Payable \$92,000; credit Accounts Payable \$92,000.
- Debit Notes Receivable \$92,000; credit Sales \$92,000.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-109 (Algo) Jasper makes...

Learning Objective: 07-C2 Describe a note receivable, the computation of its maturity date, and the recording of its existence.

50. Award: 1.87 points

TB MC Qu. 07-111 (Algo) Jasper makes...

Jasper makes a \$36,000, 90-day, 9% cash loan to Clayborn Company. Jasper's entry to record the collection of the note and interest at maturity should be: (Use 360 days a year.)

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- Debit Cash for \$36,000; credit Notes Receivable \$36,000.
- Debit Cash \$36,810; credit Interest Revenue \$810; credit Notes Receivable \$36,000.
- Debit Cash \$36,810; credit Notes Receivable for \$36,810.
- Debit Notes Payable \$36,000; Debit Interest Expense \$3,240; credit Cash \$39,240.
- Debit Cash \$39,240; credit Interest Revenue \$3,240, credit Notes Receivable \$36,000.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-111 (Algo)
Jasper makes...

Learning Objective: 07-C2
Describe a note receivable, the
computation of its maturity date,
and the recording of its existence.

51. Award: 1.87 points

TB MC Qu. 07-113 (Static) Lemming makes...

Lemming makes an \$18,750, 120-day, 8% cash loan to Notions Company on November 1. Lemming's end-of-period adjusting entry on December 31 should be:

- Debit Cash for \$250; credit Notes Receivable \$250.
- Debit Interest Revenue \$500; credit Notes Receivable \$500.
- Debit Interest Receivable \$250; credit Interest Revenue \$250.
- Debit Interest Receivable \$500; credit Interest Revenue \$500.
- Debit Notes Receivable \$500; credit Interest Revenue \$500.

$$\$18,750 \times 0.08 \times 60/360 = \$250$$

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-113 (Static)
Lemming makes...

Learning Objective: 07-C2
Describe a note receivable, the
computation of its maturity date,
and the recording of its existence.

52. Award: 1.87 points

TB MC Qu. 07-115 (Algo) Giorgio Italian Market bought...

Giorgio Italian Market bought \$5,000 worth of merchandise from Food Suppliers and signed a 90-day, 10% promissory note for the \$5,000. Food Supplier's journal entry to record the sales transaction is:

- Debit Notes Receivable \$5,125; credit Sales \$5,125.
- Debit Notes Receivable \$5,000; debit Interest Receivable \$125; credit Sales \$5,125.
- Debit Accounts Receivable \$5,125; credit Sales \$5,125.
- Debit Notes Receivable \$5,000; credit Sales \$5,000.
- Debit Accounts Receivable \$5,000; credit Sales \$5,000.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-115 (Algo)
Giorgio Italian Market
bought...Learning Objective: 07-C2
Describe a note receivable, the
computation of its maturity date,
and the recording of its existence.

53. Award: 1.87 points

TB MC Qu. 07-116 (Algo) Giorgio Italian Market bought...

Giorgio Italian Market bought \$7,400 worth of merchandise from Food Suppliers and signed a 90-day, 10% promissory note for the \$7,400. Food Supplier's journal entry to record the collection on the maturity date is: (Use 360 days a year.)

- Debit Cash \$7,585; credit Notes Receivable \$7,585
- Debit Notes Receivable \$7,400; credit Cash \$7,400
- Debit Cash \$7,400; debit Interest Receivable \$185; credit Sales \$7,585
- Debit Notes Receivable \$7,585; credit Sales \$7,585
- Debit Cash \$7,585; credit Interest Revenue \$185; credit Notes Receivable \$7,400

Interest = $\$7,400 \times 0.10 \times 90/360 = \185
Maturity Value = $\$7,400 + \$185 = \$7,585$

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-116 (Algo)
Giorgio Italian Market
bought...Learning Objective: 07-C2
Describe a note receivable, the
computation of its maturity date,
and the recording of its existence.

54. Award: 1.87 points

TB MC Qu. 07-121 (Algo) Uniform Supply accepted...

Uniform Supply accepted a \$17,200, 90-day, 6% note from Tracy Janitorial on October 17. What entry should Uniform Supply make on January 15 of the next year when the note is paid?. (Use 360 days a year.)

- Debit Notes Receivable \$17,200; debit Interest Receivable \$258; credit Sales \$17,458.
- Debit Cash \$17,458; credit Notes Receivable \$17,458.
- Debit Cash \$17,458; credit Interest Revenue \$258; credit Notes Receivable \$17,200.
- Debit Cash \$17,458; credit Interest Revenue \$43; credit Interest Receivable \$215; credit Notes Receivable \$17,200.
- Debit Cash \$17,458; credit Interest Revenue \$215; credit Interest Receivable \$43; credit Notes Receivable \$17,200.

Interest accrued at December 31: $\$17,200 \times 0.06 \times 75/360 = \215

Interest earned during January: $\$17,200 \times 0.06 \times 15/360 = \43

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-121 (Algo)
Uniform Supply accepted...

Learning Objective: 07-P4 Record
the honoring and dishonoring of a
note and adjustments for interest.

55. Award: 1.87 points

TB MC Qu. 07-122 (Static) Uniform Supply accepted...

Uniform Supply accepted a \$4,800, 90-day, 10% note from Tracy Janitorial on October 17. What entry should Uniform Supply make on December 31, to record the accrued interest on the note?

- Debit Cash \$20; credit Notes Receivable \$20.
- Debit Cash \$100; credit Notes Receivable \$100.
- Debit Interest Receivable \$20; credit Interest Revenue \$20.
- Debit Interest Receivable \$100; credit Interest Revenue \$100.
- Debit Cash \$120; credit Interest Revenue \$100; credit Interest Receivable \$20.

Interest accrued at December 31: $\$4,800 \times 0.10 \times 75/360 = \100

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-122 (Static)
Uniform Supply accepted...

Learning Objective: 07-P4 Record
the honoring and dishonoring of a
note and adjustments for interest.

56. Award: 1.87 points

TB MC Qu. 07-123 (Algo) Uniform Supply accepted...

Uniform Supply accepted a \$6,000, 90-day, 8% note from Tracy Janitorial on October 17. If the note is dishonored, but Uniform Supply intends to continue collection efforts, what entry should Uniform Supply make on January 15 of the next year? (Use 360 days a year.)

- Debit Cash \$6,120; credit Notes Receivable \$6,120.
- Debit Cash \$6,120; credit Interest Revenue \$100; credit Interest Receivable \$20, credit Notes Receivable \$6,000.
- Debit Accounts Receivable \$6,120; credit Interest Revenue \$20; credit Interest Receivable \$100, credit Notes Receivable \$6,000.
- Debit Cash \$6,120; credit Interest Revenue \$20; credit Interest Receivable \$100, credit Notes Receivable \$6,000.
- Debit Notes Receivable \$6,000; debit Interest Receivable \$120; credit Sales \$6,120.

Interest accrued at December 31: $\$6,000 \times 0.08 \times 75/360 = \100

Interest earned during January: $\$6,000 \times 0.08 \times 15/360 = \20

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-123 (Algo)
Uniform Supply accepted...Learning Objective: 07-P4 Record
the honoring and dishonoring of a
note and adjustments for interest.

57. Award: 1.87 points

TB MC Qu. 07-124 (Algo) Valley Spa purchased...

Valley Spa purchased \$11,100 in plumbing components from Tubman Company. Valley Spa signed a 120-day, 10% promissory note for \$11,100. If the note is dishonored, what is the amount due on the note? (Use 360 days a year.)

- \$11,100
- \$11,430
- \$370
- \$11,470
- \$11,350

$\$11,100 \times 0.10 \times 120/360 = \370 $\$370 + \$11,100 = \$11,470$

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-124 (Algo)
Valley Spa purchased...Learning Objective: 07-P4 Record
the honoring and dishonoring of a
note and adjustments for interest.

58. Award: 1.87 points

TB MC Qu. 07-125 (Algo) Valley Spa purchased...

Valley Spa purchased \$10,500 in plumbing components from Tubman Company. Valley Spa signed a 60-day, 12% promissory note for \$10,500. If the note is dishonored, but Tubman intends to continue collection efforts, what is the journal entry made by Tubman to record the dishonored note? (Use 360 days a year.)

- Debit Accounts Receivable—Valley Spa \$10,710; debit Bad Debt Expense \$210; credit Notes Receivable \$10,500.
- Debit Bad Debt Expense \$10,710; credit Accounts Receivable—Valley Spa \$10,710.
- Debit Bad Debt Expense \$10,500; credit Notes Receivable \$10,500.
- Debit Accounts Receivable—Valley Spa \$10,500; credit Notes Receivable \$10,500.
- Debit Accounts Receivable—Valley Spa \$10,710, credit Interest Revenue \$210; credit Notes Receivable \$10,500.

$$\$10,500 \times 12\% \times 60/360 = \$210 + \$10,500 = \$10,710$$

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-125 (Algo)
Valley Spa purchased...Learning Objective: 07-P4 Record
the honoring and dishonoring of a
note and adjustments for interest.

59. Award: 1.87 points

TB MC Qu. 07-127 (Algo) Jarvis sells...

J Jarvis sells \$3,000 of its accounts receivable to Northern Bank in order to obtain necessary cash. Northern Bank charges a 4% factoring fee. What entry should Jarvis make to record the transaction?

- Debit Cash \$2,880; debit Factoring Fee Expense \$120; credit Accounts Receivable \$3,000
- Debit Accounts Receivable \$2,880; debit Factoring Fee Expense \$120; credit Cash \$3,000.
- Debit Cash \$3,000; credit Factoring Fee Expense \$120; credit Accounts Receivable \$3,000
- Debit Cash \$2,880; credit Accounts Receivable \$2,880
- Debit Accounts Receivable \$3,000; credit Factoring Fee Expense \$120; credit Cash \$2,880

$$\text{Factoring fee expense: } \$3,000 \times 0.04 = \$120$$

$$\text{Cash received: } \$3,000 - \$120 = \$2,880$$

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-127 (Algo)
Jarvis sells...Learning Objective: 07-C3 Explain
how receivables can be converted
to cash before maturity.

60. Award: 1.87 points

TB MC Qu. 07-128 (Algo) Jervis accepts all major bank credit...

Jervis accepts all major bank credit cards, including those issued by Northern Bank (NB), which assesses a 4.0% charge on sales for using its card. On June 28, Jervis had \$5,700 in NB Card credit sales. What entry should Jervis make on June 28 to record the deposit?

- Debit Cash \$5,700; credit Sales \$5,700
- Debit Accounts Receivable \$5,700; credit Sales \$5,700
- Debit Cash \$5,928.00; credit Credit Card Expense \$228.00; credit Sales \$5,700
- Debit Cash \$5,472.00; debit Credit Card Expense \$228.00; credit Sales \$5,700
- Debit Accounts Receivable \$5,472.00; debit Credit Card Expense \$228.00; credit Sales \$5,700

Credit card fee expense: $\$5,700 \times 0.040 = \228.00

Cash received: $\$5,700 - \$228.00 = \$5,472.00$

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-128 (Algo)
Jervis accepts all major
bank credit...

Learning Objective: 07-C1 Describe
accounts receivable and how they
occur and are recorded.

61. Award: 1.87 points

TB MC Qu. 07-132 (Static) On July 9, Mifflin Company receives...

On July 9, Mifflin Company receives a \$8,500, 90-day, 8% note from customer Payton Summers as payment on account. Compute the maturity date for the note.

- October 8
- October 7
- November 8
- November 7
- November 6

July 31 - 9 = 22; August = 31; September = 30; 90 - 22 - 31 - 30 = October 7

References

Multiple Choice

Difficulty: 3 Hard

TB MC Qu. 07-132 (Static)
On July 9, Mifflin Company
receives...

Learning Objective: 07-C2
Describe a note receivable, the
computation of its maturity date,
and the recording of its existence.

62. Award: 1.87 points

TB MC Qu. 07-145 (Static) Winkler Company borrows...

Winkler Company borrows \$85,000 and pledges its receivables as security. The journal entry to record this transaction would be:

- Debit Cash of \$85,000 and credit Accounts Receivable \$85,000.
- Debit Cash of \$85,000 and credit Accounts Payable \$85,000.
- Debit Notes Receivable \$85,000 and credit Accounts Receivable \$85,000.
- Debit Cash \$85,000 and credit Notes Payable \$85,000.
- Debit Accounts Receivable \$85,000 and credit Notes Payable \$85,000.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-145 (Static)
Winkler Company
borrows...

Learning Objective: 07-C3 Explain
how receivables can be converted
to cash before maturity.

63. Award: 1.87 points

TB MC Qu. 07-151 (Static) Frederick Company borrows...

Frederick Company borrows \$63,000 from First City Bank and pledges its receivables as security. Which of the following is *true* regarding this transaction:

- First City Bank is the factor in this transaction.
- Frederick Company must disclose the pledging of receivables in its financial statement footnotes.
- Frederick Company no longer has the risk of bad debts.
- First City Bank takes ownership of the receivables at the time of the pledge.
- No journal entry is required for this event.

References

Multiple Choice

Difficulty: 2 Medium

TB MC Qu. 07-151 (Static)
Frederick Company
borrows...

Learning Objective: 07-C3 Explain
how receivables can be converted
to cash before maturity.

64. Award: 2.19 points**TB MC Qu. 07-152 (Static) Majesty Productions accepted...**

Majesty Productions accepted a \$7,200, 120-day, 6% note from Swartz Studio on March 1. On the date the note matures, Swartz is unable to pay, but Majesty intends to continue collection efforts. What entry should Majesty record on the maturity date for this dishonored note?

- Debit Accounts Receivable—Swartz \$7,200; credit Notes Receivable \$7,200.
- Debit Accounts Receivable—Swartz \$7,200; credit Allowance for Doubtful Accounts \$7,200.
- Debit Bad Debt Expense \$7,344; credit Notes Receivable \$7,344.
- Debit Accounts Receivable—Swartz \$7,344; credit Interest Revenue \$144; credit Notes Receivable \$7,200.
- Debit Accounts Receivable—Swartz \$7,056; debit Interest Revenue \$144; credit Notes Receivable \$7,200.

Interest: $\$7,200 \times 0.06 \times 120/360 = \144

References**Multiple Choice**

Difficulty: 3 Hard

**TB MC Qu. 07-152 (Static)
Majesty Productions
accepted...**Learning Objective: 07-P4 Record
the honoring and dishonoring of a
note and adjustments for interest.