Name: __________________________ Date: _____________

1. Which one of the following is *not* an objective of a system of internal controls?
   A) Safeguard company assets
   B) Overstate liabilities in order to be conservative
   C) Enhance the accuracy and reliability of accounting records
   D) Reduce the risks of errors

2. Having one person post entries to accounts receivable subsidiary ledger and a different person post to the Accounts Receivable Control account in the general ledger is an example of
   A) inadequate internal control.
   B) duplication of effort.
   C) external verification.
   D) segregation of duties.

3. Two individuals at a retail store work the same cash register. You evaluate this situation as
   A) a violation of establishment of responsibility.
   B) a violation of segregation of duties.
   C) supporting the establishment of responsibility.
   D) supporting internal independent verification.

4. Reconciling the bank statement monthly is an example of
   A) segregation of duties.
   B) independent internal verification.
   C) establishment of responsibility.
   D) documentation procedures.

5. A $100 petty cash fund has cash of $13 and receipts of $84. The journal entry to replenish the account would include a credit to
   A) Cash for $87.
   B) Petty Cash for $87.
   C) Cash Over and Short for $3.
   D) Cash for $84.

6. If the month-end bank statement shows a balance of $36,000, outstanding checks are $10,000, a deposit of $4,000 was in transit at month end, and a check for $600 was erroneously charged by the bank against the account, the correct balance in the bank account at month end is
   A) $29,400.
   B) $30,000.
   C) $30,600.
   D) $41,400.

7. In preparing its bank reconciliation for the month of April 2012, Delano, Inc. has available the following information.

Balance per bank statement, 4/30/12	$39,300
NSF check returned with 4/30/12 bank statement	470
Deposits in transit, 4/30/12	5,000
Outstanding checks, 4/30/12	5,200
Bank service charges for April	30

   What should be the adjusted cash balance at April 30, 2012?
   A) $38,630.
   B) $38,800.
   C) $39,010.
   D) $39,100.

8. In preparing its August 31, 2012 bank reconciliation, Annie Corp. has available the following information:

Balance per bank statement, 8/31/12	$21,650
Deposit in transit, 8/31/12	3,900
Return of customer's check not sufficient funds, 8/30/12	600
Outstanding checks, 8/31/12	2,750
Bank service charges for August	100

   At August 31, 2012, Annie's adjusted cash balance is
   A) $18,900.
   B) $18,800.
   C) $22,800.
   D) $20,500.

9. On a bank reconciliation, deposits in transit are
   A) added to the bank balance.
   B) deducted from the bank balance.
   C) added to the book balance.
   D) deducted from the book balance.

10. In preparing a bank reconciliation, outstanding checks are
    A) added to the balance per bank.
    B) deducted from the balance per books.
    C) added to the balance per books.
    D) deducted from the balance per bank.

11. Macrinez Company assembled the following information in completing its July bank reconciliation: balance per bank $11,460; outstanding checks $2,325; deposits in transit $3,750; NSF check $240; bank service charge $75; cash balance per books $13,200. As a result of this reconciliation, Macrinez will
    A) reduce its cash account by $75.
    B) reduce its cash account by $315.
    C) reduce its cash account by $1,425.
    D) increase its cash account by $165.

12. Claims for which formal instruments of credit are issued as proof of the debt are
    A) accounts receivable.
    B) interest receivable.
    C) notes receivable.
    D) other receivables.

13. Which one of the following is *not* a primary problem associated with accounts receivable?
    A) Depreciating accounts receivable
    B) Recognizing accounts receivable
    C) Valuing accounts receivable
    D) Disposing of accounts receivable

14. Trade accounts receivable are valued and reported on the balance sheet
    A) in the investment section.
    B) at gross amounts less sales returns and allowances.
    C) at net realizable value.
    D) only if they are not past due.

15. Under the allowance method, writing off an uncollectible account
    A) affects only balance sheet accounts.
    B) affects both balance sheet and income statement accounts.
    C) affects only income statement accounts.
    D) is not acceptable practice.

16. If a company fails to record estimated bad debts expense,
    A) cash realizable value is understated.
    B) expenses are understated.
    C) revenues are understated.
    D) receivables are understated.

17. Syfy Company on July 15 sells merchandise on account to Eureka Co. for $3,000, terms 2/10, n/30. On July 20 Eureka Co. returns merchandise worth $1,200 to Syfy Company. On July 24 payment is received from Eureka Co. for the balance due. What is the amount of cash received?
    A) $1,740
    B) $1,764
    C) $1,800
    D) $3,000

18. The existing balance in Allowance for Doubtful Accounts is considered in computing bad debts expense in the
    A) direct write-off method.
    B) percentage of receivables basis.
    C) percentage of sales basis.
    D) percentage of receivables and percentage of sales basis.

19. An aging of a company's accounts receivable indicates that $10,000 are estimated to be uncollectible. If Allowance for Doubtful Accounts has a $1,100 credit balance, the adjustment to record bad debts for the period will require a
    A) debit to Bad Debts Expense for $10,000.
    B) debit to Allowance for Doubtful Accounts for $8,900.
    C) debit to Bad Debts Expense for $8,900.
    D) credit to Allowance for Doubtful Accounts for $10,000.

20. Two methods of accounting for uncollectible accounts are the
    A) allowance method and the accrual method.
    B) allowance method and the net realizable method.
    C) direct write-off method and the accrual method.
    D) direct write-off method and the allowance method.

21. When an account is written off using the allowance method, the
    A) cash realizable value of total accounts receivable will increase.
    B) cash realizable value of total accounts receivable will decrease.
    C) allowance account will increase.
    D) cash realizable value of total accounts receivable will stay the same.

22. Two bases for estimating uncollectible accounts are:
    A) percentage of assets and percentage of sales.
    B) percentage of receivables and percentage of total revenue.
    C) percentage of current assets and percentage of sales.
    D) percentage of receivables and percentage of sales.

23. Haven Company uses the percentage of sales method for recording bad debts expense. For the year, cash sales are $600,000 and credit sales are $2,200,000. Management estimates that 1% is the sales percentage to use. What adjusting entry will Haven Company make to record the bad debts expense?

A)

Bad Debts Expense	28,000	
Allowance for Doubtful Accounts		28,000

B)

Bad Debts Expense	22,000	
Allowance for Doubtful Accounts		22,000

C)

Bad Debts Expense	22,000	
Accounts Receivable		22,000

D)

Bad Debts Expense	28,000	
Accounts Receivable		28,000

24. An aging of a company's accounts receivable indicates that $4,000 are estimated to be uncollectible. If Allowance for Doubtful Accounts has a $900 credit balance, the adjustment to record bad debts for the period will require a
    A) debit to Bad Debts Expense for $4,000.
    B) debit to Allowance for Doubtful Accounts for $3,100.
    C) debit to Bad Debts Expense for $3,100.
    D) credit to Allowance for Doubtful Accounts for $4,000.

25. Using the percentage of receivables method for recording bad debts expense, estimated uncollectible accounts are $27,000. If the balance of the Allowance for Doubtful Accounts is $8,000 debit before adjustment, what is the amount of bad debts expense for that period?
    A) $8,000
    B) $19,000
    C) $27,000
    D) $35,000

26. Using the following information:

	12/31/11
Accounts receivable	$525,000
Allowance	(35,000)
Cash realizable value	$490,000

During 2012, sales on account were $145,000 and collections on account were $100,000. Also during 2012, the company wrote off $8,000 in uncollectible accounts. An analysis of outstanding receivable accounts at year end indicated that uncollectible accounts should be estimated at $40,000.

Bad debts expense for 2012 is
A) $5,000.
B) $8,000.
C) $13,000
D) $40,000.

27. A 60-day note receivable dated June 13 has a maturity date of
A) August 13.
B) August 12.
C) August 11.
D) August 10.

28. The maturity value of a $4,000, 9%, 60-day note receivable dated February 10th is
A) $4,000.
B) $4,030.
C) $4,060.
D) $4,360.

29. On November 1, Gentle Company received a $3,000, 10%, three-month note receivable. The cash to be received by Gentle Company when the note becomes due is:
A) $3,000.
B) $3,050.
C) $3,075.
D) $3,300.

30. Randie Company lends Luann Company $10,000 on April 1, accepting a four-month, 9% interest note. Randie Company prepares financial statements on April 30. What adjusting entry should be made before the financial statements can be prepared?

A)	Notes Receivable	10,000	
	Cash		10,000
B)	Interest Receivable	75	
	Interest Revenue		75
C)	Cash	75	
	Interest Revenue		75
D)	Interest Receivable	300	
	Interest Revenue		300

31. Magneto Company had net credit sales during the year of $1,200,000 and cost of goods sold of $720,000. The balance in accounts receivable at the beginning of the year was $180,000, and the end of the year it was $120,000. What was the accounts receivable turnover ratio?
A) 5.0
B) 6.7
C) 8.0
D) 10.0

32. A current liability is a debt that can reasonably be expected to be paid
A) within one year or the operating cycle, whichever is longer.
B) between 6 months and 18 months.
C) out of currently recognized revenues.
D) out of cash currently on hand.

33. Admire County Bank agrees to lend Givens Brick Company $300,000 on January 1. Givens Brick Company signs a $300,000, 8%, 9-month note. What is the adjusting entry required if Givens Brick Company prepares financial statements on June 30?

A)	Interest Expense	12,000	
	Interest Payable		12,000
B)	Interest Expense	12,000	
	Cash		12,000
C)	Interest Payable	12,000	
	Cash		12,000
D)	Interest Payable	12,000	
	Interest Expense		12,000

34. Sales taxes collected by the retailer are recorded as a(n)
A) revenue.
B) liability.
C) expense.
D) asset.

35. On September 1, Joe's Painting Service borrows $100,000 from National Bank on a 4-month, $100,000, 6% note. What entry must Joe's Painting Service make on December 31 before financial statements are prepared?

A)	Interest Payable	2,000	
	Interest Expense		2,000
B)	Interest Expense	6,000	
	Interest Payable		6,000
C)	Interest Expense	2,000	
	Interest Payable		2,000
D)	Interest Expense	2,000	
	Notes Payable		2,000

36. A company receives $198, of which $18 is for sales tax. The journal entry to record the sale would include a
A) debit to Sales Tax Expense for $18.
B) credit to Sales Taxes Payable for $18.
C) debit to Sales Revenue for $198.
D) debit to Cash for $180.

37. Working capital is
   A) current assets plus current liabilities.
   B) current assets minus current liabilities.
   C) current assets divided by current liabilities.
   D) current assets multiplied by current liabilities.

38. The current ratio is
   A) current assets plus current liabilities.
   B) current assets minus current liabilities.
   C) current assets divided by current liabilities.
   D) current assets multiplied by current liabilities.

39. Madden Electric began operations in 2012 and provides a one year warranty on the products it sells. They estimate that 10,000 of the 200,000 units sold in 2012 will be returned for repairs and that these repairs will cost $8 per unit. The cost of repairing 8,000 units presented for service in 2012 was $64,000. Madden should report
   A) warranty expense of $16,000 for 2012.
   B) warranty expense of $80,000 for 2012.
   C) warranty liability of $80,000 on December 31, 2012.
   D) no warranty obligation on December 31, 2012, since this is only a contingent liability.

40. If a liability is dependent on a future event, it is called a
   A) potential liability.
   B) hypothetical liability.
   C) probabilistic liability.
   D) contingent liability.