

Multiple Choice Questions (1 point each)

Be sure to record your answers in the spaces provided on the cover sheet.

1. A firm credits accounts receivable. Which of the following transactions could have caused this?

Write-offs of bad debts

2. Carroll Company sells \$900 worth of goods to a customer on account on March 3, 2013, with payment terms 2/10, n/60. Which of the following is recorded upon receipt of payment on April 7, 2013?

Debit Cash \$900

3. The Average Days to Sell Inventory formula is $365/\text{Inventory Turnover}$. Clemons and Co. had cost of goods sold of \$300,000, net income of \$100,000, and average inventory of \$50,000. What is its Average Days to Sell Inventory (rounded to one decimal place)?

60.8

4. In a **periodic** inventory system, the cost of purchases is initially debited to:

Purchases

5. Under the **direct write-off method**, what adjustment is made at the time an actual bad debt occurs?

Debit bad debt expense, credit accounts receivable

6. Sherman Incorporated uses a **periodic** inventory system. Inventory records revealed the following transactions for the month of October:

Date	Transaction	Number of Units	Unit Cost
October 1	Beginning inventory	500	\$2.50
October 15	Purchase	300	\$2.75
October 25	Sale	650	?

Ending inventory for the month of October assuming FIFO would be:

\$412.50

7. Wilson Company uses the aging method for the allowance for bad debts. On 6/30/13, Wilson determined that one of its customers, who owed \$2,000, would not pay their account. On 9/30/13, the same customer found additional funds and paid Wilson Company \$500. Which of the following journal entries did Wilson Company record on 9/30/13?

Accounts Receivable	500	
Allowance for bad debts		500
Cash	500	
Accounts Receivable		500

8. During 2013 Lynch Brothers Inc. discovered that their ending inventory balance for 2012 had been overstated by \$5,000. The company uses the periodic system of accounting for inventory. Which of the following statements is true?

Cost of goods sold in 2012 was understated by \$5,000. Cost of goods sold in 2013 will be overstated by \$5,000

9. Percy Inc. had a cash balance in its account of \$15,000 as of 12/31/13. In reconciling its cash balance with the bank statement (starting with the company's balance), which of the following transactions would not affect the reconciliation?

Outstanding checks

10. Which listed methods of accounting for inventory are permitted under IFRS?
1. FIFO
 2. LIFO
 3. Average Cost

1 and 3