



Theory (26 questions)

1. Which of the following is not a basic characteristic of a system of cash control?
 - a. Use of voucher system
 - b. Combined responsibility for handling and recording cash
 - c. Daily deposit of all cash received
 - d. Internal audits at irregular intervals
2. The amount reported as “cash” on a company’s balance sheet normally should exclude
 - a. Postdated checks from customers
 - b. Cash in payroll account.
 - c. Undelivered checks written and signed by the company.
 - d. Petty Cash Fund
3. If the balance shown on a company’s bank statement is less than the correct cash balance and neither the company nor the bank has made any errors, there must be
 - a. Deposits credited by the bank not yet recorded by the company.
 - b. Outstanding checks.
 - c. Bank charges not yet recorded by the company.
 - d. Deposits in transit
4. Which of the following would not be classified as cash?
 - a. Stale checks issued by the company
 - b. Traveler’s check
 - c. Cashier’s check
 - d. Postdated checks payable to the company
5. Every transaction recorded in the cash receipts journal includes a
 - a. Debit to cash.
 - b. Debit to accounts receivable.
 - c. Debit to sales discounts.
 - d. Credit to cash.
6. Bank statements provide information about all of the following, except
 - a. Checks cleared during the period.
 - b. NSF checks.
 - c. Bank charges for the period.
 - d. Errors made by the company.
7. Which of the following items would be added to the book balance on bank reconciliation?
 - a. Outstanding checks
 - b. A check written for P63 entered as P36 in the accounting records
 - c. Interest paid by the bank
 - d. Deposits in transit

8. The credit balance in Allowance for Uncollectible Accounts is P3,400. The uncollectible accounts expense using the ageing schedule is P35,500. After the adjusting entry has been recorded, the balance in Allowance for Uncollectible Accounts will be _____.

- a. Credit of 38,900
- b. Credit of P35,500
- c. Credit of P32,100
- d. Credit of P3,400

9. In preparing a monthly bank reconciliation, which of the following items would be added to the balance reported on the bank statement to arrive at the correct cash balance?

- a. Outstanding checks
- b. Bank service charge
- c. Deposits in transit
- d. A customer's note collected by the bank on behalf of the depositor

10. An entity uses the allowance method to recognize bad debts expense. What is the impact of a collection of account previously written off?

- a. No effect on both allowance for doubtful accounts and bad debts expense
- b. No effect on allowance for doubtful accounts and decrease in bad debts expense
- c. Increase in allowance for doubtful accounts and no effect on bad debts expense
- d. Increase in allowance for doubtful accounts and decrease in doubtful accounts expense

11. Which of these accounts is not a part of current assets?

- a. Dividend Fund
- b. Dishonored Notes Receivable
- c. Financial Instruments acquired for trading
- d. Cash Fund set aside for settlement of Loans Payable

12. Bank reconciliations are normally prepared on a monthly basis to identify adjustments needed in the depositor's records and to identify errors. Adjustments should be recorded for

- a. Bank errors, outstanding checks, and deposits in transit.
- b. All items, except bank errors, outstanding checks, and deposits in transit.
- c. Book errors, bank errors, deposits in transit, and outstanding checks.
- d. Outstanding checks and deposits in transit.

13. The individual accounts in the accounts receivable subsidiary ledger does not identify

- a. Customers
- b. Debtors
- c. Amounts to be collected
- d. Creditors

14. Which of these restricted cash accounts should be included in overall cash balance at the end of a company's fiscal period?

- a. Funds set aside for plant expansion expected to be built in the next six months
- b. Sinking fund for Notes Payable to be paid at the next seven months
- c. Cash set aside to pay interest on Notes Payable maturing next year
- d. Funds planned by management to spend on renovation of company headquarters next year

15. When an accounts receivable aging schedule is prepared, a series of computations is made to determine the estimated uncollectible accounts. The resulting amount from this schedule
- When added to the total amounts written off during the year is the desired credit balance of the desired balance of the allowance for doubtful accounts at year-end.
 - Is the amount of doubtful accounts expense for the year.
 - Is the amount that should be added to the beginning allowance for doubtful accounts to get the doubtful accounts expense for the year.
 - Is the amount of desired credit balance of the allowance for doubtful accounts to be reported at year-end.

16. A company uses the percentage of receivables in estimating doubtful accounts. It estimates that 4% of its \$500,000 of accounts receivable will be uncollectible. Its Allowance for Doubtful Accounts presently has a credit balance of \$8,000. The adjusting entry will include a _____ to the Allowance for Doubtful Accounts.

- Debit of \$12,000
- Credit of \$12,000
- Debit of \$28,000
- Credit of \$28,000

17. Which of the following is considered cash?

- Cash Travel Advances to Employees
- Unreplenished Petty Cash Fund
- Unrestricted Foreign Currency Deposits
- Plant Expansion Fund

18. Net sales on account are \$300,000. The beginning book value of accounts receivable is \$40,000. The ending book value of accounts receivable is \$30,000. The accounts receivable turnover ratio is _____.

- 7.5 times
- 10 times
- 8.6 times
- 4.3 times

19. A sales journal would contain the following information, except

- Invoice numbers
- Customer names of whose accounts were debited
- Cost of products sold
- All of the above

20. Using the allowance method, an account is written off

- as an adjusting entry.
- at the end of the fiscal period.
- when it is thought to be uncollectible.
- in the period the revenue was recorded.

21. Augustine, Inc. had an accounts receivable turnover ratio of 8.3 last year. Its turnover ratio for the current year is 8.6. From last year to this year, Augustine's average number of days for payment has _____.

- Increased

- b. Decreased
- c. Stayed the same
- d. Can't be determined from information given

22. Past experience indicates that approximately 1% of Sweeney, Inc.'s net sales will become uncollectible. If net sales are \$300,000, estimated uncollectible accounts expense will be _____.

- a. \$1,000
- b. \$3,000
- c. \$30,000
- d. Unknown

23. A company's average number of days for payment is 48. Its accounts receivable turnover ratio (using 365 days in a year) is _____.

- a. 7.0
- b. 7.4
- c. 7.5
- d. 7.6

24. The discount period is

- a. the specified timing of payments that buyer agrees to make in return for being granted credit to purchase goods or services.
- b. a deduction from the invoice price of goods that is granted if payment is made within a specified period of time.
- c. the catalog price of an item from which a trade discount, if offered, is deducted to determine the invoice or gross sales price of the item.
- d. a period of time during which, if payment is made, a cash discount may be deducted from the invoice price.

25. The credit balance in Allowance for Uncollectible Accounts is P5,200. The estimated uncollectible accounts expense using the percentage of net sales method is P42,500. After the adjusting entry has been recorded, the balance in Allowance for Uncollectible Accounts will be _____.

- a. Credit of P47,700
- b. Credit of P42,500
- c. Credit of P37,300
- d. Credit of P5,200

26. Which of the following would require an entry with a Debit to Accounts Receivable during bank reconciliation?

- a. Collection of notes receivable
- b. Error committed by the company in recording payment to supplier
- c. Dishonored Check
- d. Deposits in Transit

Short Problems (26 questions)

1. Compute for FightE&R Industries' correct cash balance as of June 30, 2015.

Cash balance per accounting records, June 30	17,194
Cash balance per bank statement, June 30	22,948
Bank service charge for June	109

Debit memo for printed checks delivered by the bank, charge has not been recorded in the accounting records	125
Outstanding checks, June 30	6,728
Proceeds of a bank loan on June 30 not recorded in the accounting records, net of interest of P300	5,700
Deposit on June 30 not recorded by the bank until July 1	5,880
Proceeds from customer's promissory note, principal amount P8,000, collected by the bank, not taken up in the books with interest	8,100
Check #114 payable to a supplier entered in the accounting records as P2,100 was erroneously deducted in bank statement for P1,200	
Stolen check lacking an authorized signature was deducted from the bank account by the bank	800
Customer's check returned by the bank marked NSF, indicating that the customer's balance was not adequate to cover the check; no entry has been made in the accounting records to record the returned checks	760

For numbers 2 and 3: In preparing its bank reconciliation for the month of May, Varrick Technologies has provided the following information:

Balance per bank statement, May 31	18,025
Deposits in transit, May 31	3,125
Outstanding checks, May 31	2,875
Check erroneously debited by bank, May 12	125
Check erroneously credited by bank, May 24	550
Bank service charges for May	200
Collection of Notes, including interest less bank fee	2 600

- Determine the unadjusted book balance at May 31.
- What is the corrected cash balance at May 31?

For numbers 4 and 5: The petty cash fund of Krista's computer rental service, a sole proprietorship, contains the following on December 31, 2015:

Coins and currency	52
An IOU from Seth, an employee, for cash advance	740
Petty cash vouchers for the following:	
Paper	200
3 meals at Kenny Roger's	1,700
Printer cartridge	450

The general ledger account Petty Cash has a balance of P3,000.

- Determine the amount of cash overage and shortage of the petty cash cashier. Indicate if short or over.
- If no reimbursement was requested on December 31, 2015, determine the correct balance of the Petty Cash Fund.
- On December 1, 2015, Pidgery Corp. established an imprest petty cash fund of P11,000 by writing a check drawn against its general checking account. On December 30, the fund contained the following:

Currency and coins	4,500
Receipts for miscellaneous expenses	2,200

Receipts for office supplies	2,500
Envelope containing contributions of employees	1,000
Receipts for transportation	200

On December 31, the company wrote a check to replenish the fund. The amount of replenishment is _____.

7. At December 31, 2015, Logan Co. had the following balances in the accounts it maintains in CityState Bank:

Checking account	145,050
Checking account	(12,000)
Money market account	24,000
90-day certificate of deposit, due 02/28/2016	30,000
T-bill, purchased 10/01/2015 maturing 02/28/2016	100,000

PNB:

Checking account	(53,000)
Checking account	20,000

The amount to be reported as "Cash and Cash Equivalents" on Logan's December 31, 2015 balance sheet is _____.

8. The balance sheet of Kaguya Supplies as of December 31, 2015 shows Cash of P20,000. It was found to include the following items:

Postal money orders from customers	3,500
Notes receivable to be collected from collection agency on 01/05/16	7,200
Receipts for expense advances for the account of credit suppliers	800
Customers' postdated checks, returned by the bank marked NSF	2,500
Manager's Check	750
Currencies and coins on hand	650
Check in payment of accounts, still in the cashier's safe, not yet delivered to payee	3,400
Petty cash fund (P260 in currency and P940 in expense receipts)	1,200

The correct cash balance is _____.

9. Tenzo Airlines's checkbook balance on December 31, 2015, was P20,000. In addition, Tenzo held the following items in its safe on that date:

- P2,000 check payable to Tenzo, dated January 2, 2016, in payment of a sale made in December 2015, not included in December 31 checkbook balance
- P9,500 check payable to Tenzo, deposited December 15 and included in December 31 checkbook balance, but returned by bank in December 30 stamped NSF. Check redeposited on January 2, 2016, and cleared on January 15, 2016
- P6,000 check payable to Tenzo, deposited December 20 and included in December 31 checkbook balance, but returned by bank in December 25. Check was redeposited on December 27 and cleared 2 days later.
- P4,000 check payable to Tenzo who failed to record the check but was deposited on December 25 and returned by the bank as NSF check December 28. It was redeposited and cleared on January.
- P300 check drawn on Tenzo's account, payable to a vendor, dated and recorded in Tenzo's books on December 31 but not mailed until January 10, 2016

The correct cash balance on Tenzo Airlines's balance sheet at December 31, 2015 is _____.

10. An extract from the bank reconciliation of PakGanern Co. for May 20X1 showed the following:

Deposits in transit	57,000
Outstanding Checks	32,000

PakGanern Co.'s books showed the following:

Deposits	261,000
Disbursements	198,000

The bank statement which PakGanern Co. received in June 20X1 showed the following:

Deposits, including collection of notes (15,000)	285,000
Disbursements, including bank charge (1,000) and NSF (3,500)	204,000

- What is the amount of deposits in transit in June 20X1?
- What is the amount of outstanding checks in June 20X1?

11. PE&Rfection Steel Manufacturing Corp. had the following transactions in its first year of operations:

Sales (90% collected in first year)	2,000,000
Bad debt written-off	60,000
Disbursements for cost and expenses	1,300,500
Disbursements for income taxes	90,000
Purchases of fixed assets through issuance of notes payable	450,000
Depreciation of fixed assets	90,000
Proceeds from issuance of ordinary share	600,000
Proceeds from short-term borrowings	100,000
Payments on short-term borrowings	80,000

What is the cash balance at December 31 of the first year?

12. DoReMi Co. included the following information regarding its receivables:

Accounts Receivable from Meelo Co. for sale of P180,000
IOU from company president for P156,000
Notes Receivable from customers for P560,000
Interest Receivable on the previous note of P50,000
Advance of P10,000 for employee of the month
Bad Debts Expense at year end of P35,000
Allowance for Doubtful Accounts at year end of P50,000

Trade receivables are A/R and N/R that resulted from sales transactions

How much is the carrying amount of trade receivables?

For numbers 13 and 14, Pidgey Consulting recorded the following on its Allowance for Doubtful Accounts:

ADA at January 1, 2015 - P34,050, credit
Accounts written off - P5,650
Accounts previously written off but recovered and collected during the year - P2,340

Pidgey Consulting uses the Aging of Receivables Method and estimates uncollectible A/R at the end of the year of P45,750.

- What is Pidgey Consulting's Bad Debts Expense for 2015?
- What is Pidgey Consulting's ADA at December 31, 2015?

For numbers 15 and 16, the following information is available for Izidora Automotive:

Gross AR at January 1, 2015	89,000, debit
ADA at January 1, 2015	3,750, debit
Credit Sales for 2015	785,000
Sales Returns and Allowances	15,000
Cash Collections for 2015, excluding recovery	561,000
Recovery in 2015	50,000
Write-off for 2015	14,000

Izidora Automotive uses the percentage of sales method to estimate bad debts expense. It estimates 4% of its net credit sales to be uncollectible for 2015.

15. What is AR turnover for 2015?
16. What is the Days in Receivables for Izidora Automotive (using 365 days)?

For 17 and 18, the following information was recovered from the records of CleanE&R Clothing:

Accounts Receivable, 12/31/15	600,000
ADA (before adjustment), 12/31/15	4,000
Sales, 2015	3,000,000
Sales Discounts, 2015	10,000
Sales Returns, 2015	15,000

Assuming that the allowance account before adjustment at December 31, 2015 of P4,000 was a debit rather than a credit balance, determine the bad debt expense, adjusted balance of Allowance for Doubtful Accounts and Net Realizable Value of Accounts Receivable under the following unrelated assumptions:

17. Bad debts adjustment is based on 1% of net sales.
18. An aging schedule of the accounts shows that P20,000 of the accounts is uncollectible.

19. Anuja Company operates in an industry that has a high rate of bad debts. On December 31, 2015, before any year-end adjustments, the balance of Anuja Company's Accounts Receivable account was P3,000,000 and Allowance for Doubtful Accounts account had a credit balance of P50,000. Receivables written off during the year totaled to P40,000. The year-end balance reported in the balance sheet for the Allowance for Doubtful Accounts will be based on the aging schedule shown below:

Days Outstanding	Amount	Probability of Collection
1-30 days past due	1,750,000	0.98
31-60 days past due	350,000	0.95
61-90 days past due	450,000	0.90
91-120 days past due	300,000	0.75
Over 120 days past due	150,000	0.40

- a. The appropriate balance of the Allowance for Doubtful Accounts on December 31, 2015 is _____.
- b. The amount to be reported as bad debts expense for 2015 is _____.

20. The following information was made available about Kiana Electronics sales and receivables:

Accounts Receivables, January 1, 2015	350,000
Allowance for Uncollectible Accounts, January 1, 2015	35,000

Sales, all on credit	2,195,000
Sales returns and allowances	5,000
Cash collected from customers' current accounts, net of sales discounts of P5,000	2,110,000
Accounts receivables written off during the year	30,000
Recoveries of accounts written off in the previous years	7,000

An aging of accounts receivable at December 31, 2015 indicated the following:

Age	% of Total Accounts Receivable, end	Probability of Collection
Current	80%	90%
31-60 days	12%	85%
61-90 days	7%	50%
Over 90 days	1%	1%

Determine the following as of December 31, 2015 (using aging of the receivables method):

- Gross Accounts Receivable
- Bad Debts Expense for the year
- Net Realizable Value of Accounts Receivable

21. Aang Motor Company's unadjusted trial balance at December 31, 2015, included the following accounts:

	Dr.	Cr.
Allowance for Bad Debts	4,000	
Sales		2,800,000
Sales Returns and Allowances	80,000	

Collections in 2015 totaled 800,000. Aang Motor Company estimates that 15% of ending Accounts Receivable was impaired. The computed amount is 320,000. Compute the Gross Accounts Receivables at January 1, 2015.

22. At the end of its first year of operations, December 31, 2015, Iroh Limited reported the following:

Accounts receivable, net of allowance for bad debts	1,000,000
Customer accounts written off as uncollectible	25,000
Bad debts expense	90,000

Accounts receivable balance at December 31, 2015 before subtracting allowance for bad debts account is _____

23. For the period ending December 31, 2015, Amon Corporation estimated its allowance for uncollectible accounts using an aging schedule to test the reasonableness of Allowance for Doubtful Accounts. The following data were available:

Allowance for uncollectible accounts, 01/01/15	184,000
Provisions for uncollectible accounts during 2015 (3% on sales of P5,000,000)	150,000
Uncollectible accounts written off during 2015	90,000
Estimated uncollectible accounts per aging 12/31/15	250,000

After year-end adjustment, the uncollectible accounts expense for 2015 should be _____.

24. The following accounts were taken from Matcha Food Group's balance sheet at December 31, 2015:

	Dec. 31, 2014	Dec. 31, 2015
Net Credit Sales		750,000
Allowance for Bad Debts	14,000	
Accounts Receivable	410,000	
Collection	50,000	100,000
Write-off		5,000

If the bad debts are computed at 3% of the A/R, the Bad Debts Expense to be reported in 2015 is _____.

25. During 2015, Annabella Dairy Productions wrote off uncollectible accounts of P15,000, recovering accounts of P7,000 that had been written off in 2014. The following information were made available:

	Dec. 31, 2015	Dec. 31, 2014
Accounts Receivable	1,000,000	750,000
Net Realizable Value	960,000	725,000

After year-end adjustment, the uncollectible accounts expense for 2015 should be _____.

26. Theon Energy Corporation had a P300,000 balance in Accounts Receivable on January 1, 2015. The balance in Allowance for Bad Debts on January 1, 2015 was P36,000. Sales for the year totaled P1,700,000. All sales were credit sales. Bad Debts Expense is estimated to be 2% of sales. Write-offs for the year totaled P28,000. The debit balance in Accounts Receivable, net of ADA, on December 31, 2015 was P345,000. The amount of cash collected from customer is _____.

Long Problems (2 Problems)

1. PowE&R Company received a bank statement on December 2010 at the end of its reporting period. However, the cash balance was not determinable because it was smudged. The accountant was provided with the following data:

PowE&R Company
Partial Bank Reconciliation
As at November 30, 2010

Cash balance per bank statement		P405 000
Add: Deposits in-transit		<u>82 000</u>
		487 000
Less: Outstanding Checks		
Check no. 562	P2 000	
Check no. 568	9 000	
Check no. 569	<u>11 000</u>	
		<u>22 000</u>
		<u>P465 000</u>

The following information was extracted from the books:

Deposits for December		233 000
Disbursement for December		206 000

Additional information was gathered:

1. A deposit of 15 000 that was placed in the bank's night depository on June 30 does not appear on the bank statement.
2. Bank Service Charge for November and December was 1 500 and 1 750, respectively.
3. Undeposited cash collections amounted to 95 600.
4. It was discovered that Check no. 562 drawn for 20 000 in payment for accounts payable had been erroneously recorded in the books.
5. Included in the bank statement were two NSF checks: for 25 000 which the company received on December 13 but the company failed to record and for 19 000 received and recorded on December 15. Both checks were redeposited and cleared on January, 2011.
6. The bank collected a note for the company for 20 000 plus interest of 2000. Bank charge for this note was 150.
7. A credit of 40 000 for Power Inc. was recognized in PowE&R Company's bank account.
8. A debit memo of 3 000 for safety box rental used by the entity was not recorded.
9. Outstanding checks for December
 - a. Check no. 575 5 000
 - b. Check no. 577 6 700
 - c. Check no. 581 3 200

The Petty Cash Fund of PowE&R Company was established at P50 000. At December 2010, the following was found in the petty cash safe:

Currency	10 000
Coins	2 000
IOU	13 000
Vouchers	
Postage stamps	4 000
Office Supplies	500
Transportation	3 750
Food	2 300
Employee's Postdated Checks	1 500
An envelope with names of several employees together with contribution for a birthday gift to a co-employee	12 000
Return Value of 30 Cases of soft drinks	850
Check payable to the order of Petty Cash Custodian	4 500

The petty cash fund was submitted for replenishment at December 31, 2011.

The company also has the following:

Treasury bills (90 days)	10 000
Treasury notes (120 days) but acquired 2 months before maturity	15 000
Certificate of deposit	7 500
Purchase: November 1	

Maturity: February 1
 Money Market Instrument
 Purchase: December 1
 Maturity: March 31

2 300

Questions:

- a. What is the unadjusted cash balance per bank statement for December?
- b. What is the adjusted cash in bank at the end of reporting period?
- c. What amount should be reported as Petty Cash Fund at year-end?
- d. What is the total cash and cash equivalents at year-end?

2. Uno Company has the following balances before adjustment at year-end, December 31, 20X2:

Accounts Receivable	205 000
Allowance for Doubtful Accounts	15 000

Uno Company estimated the impaired receivables using an ageing schedule by using the following information:

	Receivable Outstanding	Category	Date of Sale
Company A	40 000	64%	October 14
		36%	November 7
Company B	75 000	47%	August 21
		53%	September 27
Company C	90 000	29%	September 3
		71%	December 20

Days Outstanding	Collectible
0-15	99%
16-35	95%
36-60	85%
61-90	70%
91-130	50%
Beyond 130	1%

- a. What is the Bad Debts Expense for 20X2?
- b. What is the Allowance for Doubtful Accounts at year end?
- c. Net Realizable Value of Accounts Receivable at year end?

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