

1. Which accounting principle primarily supports the use of allowance for doubtful accounts? **Matching principle**

2. In recording cash discounts related to accounts receivable, which is more theoretically correct? **Net method**

Which of the following does not change the balance in accounts receivable?

Bad debt expense adjusting entry

Which should be recorded in accounts receivable? **Sales on account**

All of the following are problems associated with the measurement of accounts receivable, except, **Cash discounts under the net method**

Trade receivables are classified as current assets if reasonably expected to be collected

Within one year or within the operating cycle, whichever is longer

The advantage of relating the bad debt experience to accounts receivable is that this approach **Gives reasonably accurate measurement of receivables in the statement of financial position.**

Credit balances in accounts receivable are classified as **Current liabilities**

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 aging schedule **Is the amount of desired credit balance of the allowance for doubtful accounts to be reported at year-end**

Under the allowance method, the entries at the time of collection of an account previously written off would **Have no effect on net income**

Accounts receivable should normally be reported at **Expected amount to be received**

In the case of long-term real estate installment sales **Only the portion currently due is shown as current and the balance as noncurrent**

Nontrade receivables are classified as current assets only if reasonably expected to be realized in cash **Within one year, the length of the operating cycle notwithstanding**

When an aging approach is used for estimating uncollectible accounts **Bad debt expense is measured indirectly and the allowance for uncollectible accounts is measured directly**

A method of estimating uncollectible accounts that emphasizes asset valuation rather than income measurement is the allowance method based on **Aging of accounts receivable**

After being held for 40 days, a 120-day 12% interest bearing note receivable was discounted at a bank at 15%. The net proceeds from discounting are equal to **Maturity value less the discount at 15%**

Which statement is true when accounts receivable are factored without recourse? **The factor assumes the risk of collectibility and absorbs any credit losses in collecting the accounts receivable**

If a note receivable is discounted with recourse **Note receivable discounted is credited**

On July 1 of the current year, an entity received a one-year note receivable bearing interest at the market rate. The face amount of the note receivable and the entire amount of the interest are due in one year. The interest receivable account would show a balance on **December 31 but not July 1**

If a note receivable is discounted **without recourse Note receivable is credited**

Why would an entity sell accounts receivable to another entity? **To accelerate access to amount collected**

Note receivable discounted **with recourse** should be **Excluded from total receivables with disclosure**

All but one of the following are required before a transfer of accounts receivable can be recorded as a sale **The transferor maintains continuing involvement**

Which of the following is used to account for probable sales discounts, sales returns and sales allowances? **Factor holdback**

Which of the following is a method to generate cash from accounts receivable? **Assignment and factoring**

When the accounts receivable are sold outright, the accounts receivable have been **Factored**

On August 15, an entity sold goods for which it received a note bearing the market rate of interest on that date. The four-month note was dated July 15. Note principal, together with all interest, is due November 15. When the note was recorded on August 15, which of the following accounts increased? **Interest receivable**

The practice of realizing cash from trade receivables prior to maturity date is widespread, Which term is not associated with this practice? **Defalcation**

The note receivable discounted account is reported as **Contra asset account for the face amount of the note**

If financial assets are exchanged for cash and other consideration but the transfer does not meet the criteria for a sale, the transaction should be accounted for as **Both secured borrowing and pledge of collateral**

Cost of goods sold is the same under a periodic system and a perpetual system when an entity uses **FIFO**

The cost of inventory shall be measured using **Either FIFO or average method**

The cost of inventories that are not ordinarily interchangeable and goods or services produced and segregated for specific projects shall be measured using **Specific Identification**

The credit balance that arises when a loss on a purchase commitment is recognized should be **Presented as a current liability**

Which method may be used to record a loss on inventory write down to NRV? **Loss method and cost of goods sold method**

When the cost of goods sold method is used to record inventory at net realizable value **The net realizable for ending inventory is substituted for cost and the loss is buried in cost of goods sold**

In period of falling prices which inventory method generally provides the lowest amount of net income? **Moving average**

Measurement of inventory requires the determination of all of the following except: **The cost of goods sold held on consignment**

An example of an inventory accounting policy that should be disclosed is **Method used for inventory costing**

How should prompt payment discount be dealt with when valuing inventories at LCNRV? **Deducted in arriving at NRV**

In a periodic system, the beginning inventory is **Total goods available for sale minus net purchases**

Inventories are usually written down to net realizable value **Item by item**

When determining the cost of an inventory, which of the following should not be included? **Interest on loan obtained to purchase the inventory**

LCNRV of inventory **Is always either the net realizable value or cost**

Theoretically, cash discounts permitted should be **Deducted from inventory, whether taken or not**

Lower of cost and net realizable value **Results in the lowest valuation if applied to individual item of inventory**

The conventional retail method produces an ending inventory that approximates **Lower of average cost and net realizable value**

Which of the following is not required when using the retail inventory method? **All inventory items must be categorized according to the retail markup percentage**

The gross profit method of estimating inventory is not valid when **The gross margin percentage changes significantly during the year**

The gross margin method of estimating ending inventory may be used for all of the following, except: **Internal as well as external year end reports**

How is the gross profit method used in relation to inventory valuation? **To verify the accuracy of the perpetual inventory record**

Which financial attribute would not be used to measure inventory? **Present value of future cash flows**

Which of the following would cause a decrease in the cost ratio used in the retail inventory method? **Higher retail prices**

The gross profit method is invalid when: **The gross profit percentage applicable to the goods in ending inventory is different from the percentage applicable to goods sold during the period**

How is a significant amount of consignment inventory reported? **Reported separately by the consignor**

The cost of ending inventory was lower using FIFO than LIFO. If there is no beginning inventory, what direction did the cost of purchases move during the period? **Down**

Net realizable value is **Estimated selling price less estimated cost to complete and estimated cost of disposal**

An inventory method which is designed to approximate inventory valuation at the lower of average cost and net realizable value is **Conventional retail method**

Commodities of broker-traders are measured at **Fair value less of disposal**

During periods of rising prices, when the FIFO method is used, a perpetual inventory system would **Result in the same ending inventory as a periodic inventory system**