

**Part I Select the best answer and shade it in the Bubble Sheet.**

- 1) A check is written to replenish a \$100 petty cash fund when the fund contains receipts of \$94 and \$4 in cash. In recording the check:
 

a. Cash Over and Short should be credited for \$2	c. Petty Cash should be debited for \$94
b. Cash Over and Short should be debited for \$2	d. Cash should be credited for \$94
- 2) A company established a Petty cash fund of \$100. During a period, payments totaling \$53 have been made. How much needs to be reimbursed at the end of the period to restore petty cash fund?
 

a. \$53	b. \$100	c. bank error	d. \$47
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- 3) A \$100 petty cash fund has cash of \$18 and receipts of \$86. The journal entry to replenish the account would include a
 

a. Credit to Cash Over and Short for \$14	c. Credit to Cash for \$86
b. Debit to Cash Over and Short for \$4	d. Credit to Cash for \$82
- 4) Deposits in transit
  - a. have not been recorded by the bank or the company.
  - b. are customers' checks that have not yet been received by the company.
  - c. have been recorded on the company's books but not yet by the bank.
  - d. have been recorded by the bank but not yet by the company.
- 5) In a bank reconciliation, deposits in transit are:
 

a. deducted from the book balance	c. added to the bank balance
b. added to the book balance	d. deducted from the bank balance
- 6) The reconciling item in a bank reconciliation that will result in a decrease of cash balance per book is:
 

a. outstanding checks	b. deposit in transit	c. bank error	d. bank service charges
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- 7) If a check correctly written and paid by the bank for \$591 is incorrectly recorded on the company's books for \$519, the appropriate treatment on the bank reconciliation would be to
 

a. deduct \$72 from the book's balance	c. deduct \$591 from the book's balance
b. deduct \$72 from the bank's balance	d. add \$72 to the book's balance
- 8) Under the direct write-of method, what journal entry is prepared when an account is determined to be worthless or uncollectible?
  - a. debit Allowance for Bad Debts and credit Accounts Receivable
  - b. debit Bad Debt Expense and credit Accounts Receivable
  - c. debit Accounts Receivable and credit Allowance for Bad Debts
  - d. debit Bad Debt Expense and credit Allowance for Bad Debts
- 9) On December 31 of the current year, Abdul Rahman Company has an accounts receivable balance of \$313,000 before any year-end adjustments. The Allowance for Bad Debts has a \$1400 credit balance. The company prepares the following aging schedule for accounts receivable:
 

Total balance	1-30 days	30-60 days	61-90 days	Over 90 days
\$313,000	\$159,000	\$81,000	\$53,000	\$20,000
Percent uncollectible	1%	2%	3%	22%

What is the Bad Debts Expense at December 31 of the current year after adjustments?

a. \$7,800	b. \$1,590	c. \$9,200	d. \$10,600
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- 10) Tahta Company's account balances at December 31 for Accounts Receivable and Allowance for Doubtful Accounts were \$1,400 and \$70 (Debit), respectively. An aging of accounts receivable indicated that \$128 are expected to become uncollectible. The amount of cash realizable value at December 31 is
 

a. \$1,330	b. \$1,400	c. \$1,272	d. \$1,528
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- 11) On March 1, 2024, Maged purchased a suit at Osama's Fine Apparel Store. The suit cost \$500 and Maged used his Osama credit card. Osama charges 2% per month interest if payment on credit charges is not made within 30 days. On April 30, 2024, Maged had not yet made his payment. What entry should Osama make on April 30th?
    - a. Debit to Uncollectible Account, \$500 and Credit to Accounts Receivable, \$500
    - b. Debit to Accounts Receivable, \$510, Credit to Interest Revenue, \$10 and Credit to Sales Revenue, \$500.
    - c. Dr to Bad Debts Expense, \$490 and Dr to Interest Expense, \$10, and Cr to Accounts Receivable, \$500
    - d. Debit to Accounts Receivable, \$10 and Credit to Interest Revenue, \$10
  - 12) Accounts receivable are \$800,000, and bad debts are expected to be 2.5% of receivables. If the Allowance for Doubtful Accounts has a credit balance of \$15,000 before adjustment, what is the cash realizable value?
 

a. \$580,000	b. \$565,000	c. \$895,000	d. \$585,000
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- Use the data below to answer the next TWO questions**
- On October 1, 2024, Sailor Company received a \$8,000, 9%, four-month notes receivable.
- 13) The interest recognized in December 31, 2024 is
 

a. \$240	b. \$180	c. \$120	d. \$540
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  - 14) The cash to be received by Sailor Company when the note becomes due is
 

a. \$8,000	b. \$8,060	c. \$8,720	d. \$8,240
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  - 15) After the December 31, 2024 adjusting journal entries have been posted, Alex Enterprises has the following account balances (all accounts have normal balances) are:
 

Accounts Receivable	\$159,000
Allowance for Doubtful Accounts	\$4,600
Bad Debts Expense	\$8,200

What is the net realizable value as of December 31, 2024?

a. \$154,400	b. \$146,200	c. \$150,800	d. \$163,600
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  - 16) Allowance for Doubtful Accounts is a (an)
 

a. expense account	b. liability account	c. contra account	d. revenue account
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  - 17) Using the percentage of receivables method for recording bad debts expense, estimated uncollectible accounts are \$14,000. If the balance of the Allowance for Doubtful Accounts is \$3,000 debit before adjustment, what is the amount of bad debts expense for that period?
 

a. \$11,000	b. \$17,000	c. \$14,000	d. \$3,000
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  - 18) A 90-day note dated June 21 has a maturity date of
 

a. September 22	b. September 21	c. September 20	d. September 19
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  - 19) The maturity value of a \$2,000, 9% per annum, 60-day note receivable dated February 10 is
 

a. \$2,015	b. \$2,000	c. \$2,030	d. \$2,180
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  - 20) Rawan Company purchases a delivery truck at a cash price of \$22,000. Related expenditures are sales taxes \$1,320, painting and lettering \$500, motor vehicle license \$80, and a three-year accident insurance policy \$1,600. Compute the cost of the delivery truck
 

a. \$23,820	b. \$23,900	c. \$25,500	d. \$25,420
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  - 21) Angel Company incurred \$150,000 of research and development costs in its laboratory to develop a patent granted on January 2, 2024. On July 31, 2024, Angel paid \$35,000 for legal fees in a successful defense of the patent. The total amount debited to Patents through July 31, 2024, should be:
 

a. \$150,000	b. \$115,000	c. \$185,000	d. \$35,000
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  - 22) Natural resources included all the following Except:
 

a. mineral deposits	b. standing timber	c. office buildings	d. oil and gas deposits
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- 23) Land is purchased for \$60,000. Closing costs paid by the purchaser were \$2,400, clearing and grading costs were \$3,000, fencing costs were \$2,500, and lighting costs were \$500. What is the cost of the land?
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|--------------|-------------|-------------|-------------|
| a. \$65,400. | b. \$60,000 | c. \$66,700 | d. \$67,200 |
|--------------|-------------|-------------|-------------|
- 24) A factory machine was purchased for \$60,000 on January 1, 2024. It was estimated that it would have a \$12,000 salvage value at the end of its 5-year useful life. It was also estimated that the machine would be run 40,000 hours in the 5 years. The company ran the machine for 4,000 actual hours in 2024. If the company uses the units-of-activity method of depreciation, the amount of depreciation expense for 2024 would be
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|------------|------------|-------------|------------|
| a. \$6,000 | b. \$4,800 | c. \$12,000 | d. \$9,600 |
|------------|------------|-------------|------------|
- 25) A company purchased equipment for \$150,000. It is estimated that the equipment will have a \$15,000 salvage value at the end of its estimated 5-year useful life. If the company uses the double-declining-balance method of depreciation, the amount of annual depreciation recorded for the second year after purchase would be
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|-------------|-------------|-------------|-------------|
| a. \$36,000 | b. \$54,000 | c. \$32,400 | d. \$60,000 |
|-------------|-------------|-------------|-------------|
- 26) Intangible assets are
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|---------------------------------|--|
| a. reported with current assets | c. assets which have no physical substance |
| b. not subject to depreciation  | d. assets which have physical substance    |
- Use the data below to answer the next TWO questions
- On April 1, 2024, Jasmine Florists purchased a small delivery truck costing \$13,000. Expected salvage value was \$1,000 and estimated useful life 5 years. Jasmine adopts the straight-line method.
- 27) How much is the depreciation cost of the delivery truck?
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|-------------|-------------|-------------|------------------|
| a. \$13,000 | b. \$12,000 | c. \$14,000 | d. None of those |
|-------------|-------------|-------------|------------------|
- 28) How much is the depreciation expense for the year ended Dec. 31, 2024?
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|------------|------------|------------|------------|
| a. \$1,950 | b. \$4,800 | c. \$2,600 | d. \$1,800 |
|------------|------------|------------|------------|
- 29) Which of the following terms best relates to natural resources?
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| a. Accrual | b. Amortization | c. Depletion | d. Depreciation |
|------------|-----------------|--------------|-----------------|
- 30) Equipment is purchased at \$300,000 on January 1, 2024. Estimated service life is 9 years and estimated residual value is \$20,000. If the equipment is depreciated using Sum-of-the-Years'-Digits method, the depreciation expense of year ended December 31, 2024?
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| a. \$56,000 | b. \$60,000 | c. \$6,222 | d. \$3,111 |
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## Part II Essay Questions

### Question 1

The following information is available for Spring, Inc., as of April 30, 2025:

- Cash on the books as of April 30 amounted to \$42,755 Cash on the bank statement for the same date was \$52,350.
- A deposit of \$5,220, representing cash receipts of April 30, did not appear on the bank statement.
- Outstanding checks totaled \$4,590.
- A check for \$1,380 returned with the statement as NSF.
- The bank service charge for April amounted to \$25.
- The bank collected \$12,360 for Spring, on a note.
- The bank mistakenly charged the company account a check for \$850 drawn by another company.
- The bank reported that it had credited the account for \$120 in interest on the average balance for April

**REQUIRED:** Prepare a bank reconciliation for Spring as of April 30, 2025.

### Question 2

At the beginning of the current period, Rose Corp. had balances in Accounts Receivable of \$200,000 and in Allowance for Doubtful Accounts of \$9,000 (credit). During the period, it had net credit sales of \$800,000 and collections of \$763,000. It wrote off as uncollectible accounts receivable of \$7,300. However, a \$3,100 account previously written off as uncollectible was recovered before the end of the current period. Uncollectible accounts are estimated to total \$25,000 at the end of the period.

#### Instructions

- Prepare the entries to record sales and collections during the period.
- Prepare the entry to record the write-off of uncollectible accounts during the period.
- Prepare the entries to record the recovery of the uncollectible account during the period.
- Prepare the entry to record bad debt expense for the period.
- Determine the ending balances in Accounts Receivable and Allowance for Doubtful Accounts.
- What is the net realizable value of the receivables at the end of the period?