

Principles of Accounting__Quiz 3

(Chapter 6 and 7, close book)

Name: _____ Student ID: _____

Class: _____ Grade: _____

Question 1 (6 points)

Required:

Assume that Sales Returns and Allowances, Sales Discounts, and Credit Card Discounts are treated as contra-revenues; compute net sales for the month ended December 31.

Sales revenue (\$5,000 + \$2,000 + \$3,000).....	\$10,000
Less: Sales returns and allowances (5/50 x \$5,000 from A)	500
Less: Sales discounts (\$3,000 from C x 3%)	90
Less: Credit card discounts (\$2,000 from B x 1.5%)	30
Net sales	\$9,380

Question 2 (10 points)

Required:

1. Prepare the adjusting journal entry Stickler Company would record related to the bad debt expense.
2. Prepare the journey entry to record the write-off of account receivable.
3. Determine the adjusted 2022 year-end balance of the allowance for doubtful accounts.
4. Determine the net realizable value of accounts receivable (i.e. net accounts receivable) for the December 31, 2022 balance sheet.

Answer:

1. Bad debt expense 12,000

Allowance for doubtful accounts 12,000

2. Allowance for doubtful accounts 5,000

Account receivable 5,000

3. Allowance for doubtful accounts, \$8,000 = (\$1,000 + \$12,000 - \$5,000).

4. Net realizable value, \$187,000 = \$200,000 + \$600,000 – \$10,000 – \$5,000 - \$8,000 = \$777,000

Question 3 (8 points)

The inventory records of Martin Corporation reflected the following information for the month of August:

Required:

Determine the amount of the ending inventory and cost of goods sold under each of the following methods assuming the periodic inventory system.

Method	Ending Inventory	Cost of Goods Sold
FIFO	$1,200 \times \$9 + 200 \times \$7 = \$12,200$	$\$28,800 - \$12,200 = \$16,600$
LIFO	$400 \times \$5 + 400 \times \$5 + 600 \times \$7 = \$8,200$	$\$28,800 - \$8,200 = \$20,600$

Question 4 (6 points)

Year	Ending Inventory	Cost of Goods Sold	Net Income
2021	8,000 (U)	8,000 (O)	8,000 (U)
2022	(N)	8,000 (U)	8,000 (O)