

Study Guide 14

Name	Perfect Score	Your Score
Identifying Accounting Terms	22 Pts.	
Analyzing Accounts Receivable and Notes Receivable	20 Pts.	
Journalizing Accounts Receivable and Notes Receivable Transactions	21 Pts.	
Total	63 Pts.	

Part One—Identifying Accounting Terms

Directions: Select the one term in Column I that best fits each definition in Column II. Print the letter identifying your choice in the Answers column.

Column I	Column II	Answers
A. aging of accounts receivable	1. Accounts receivable that cannot be collected. (p. 412)	1. _____
B. allowance method	2. Crediting the estimated value of uncollectible accounts to a contra account. (p. 412)	2. _____
C. book value	3. The difference between an asset's account balance and its related contra account balance. (p. 412)	3. _____
D. book value of accounts receivable	4. The difference between the balance of Accounts Receivable and its contra account, Allowance for Uncollectible Accounts. (p. 412)	4. _____
E. direct write-off method	5. The amount of accounts receivable a business expects to collect. (p. 412)	5. _____
F. dishonored note	6. A method used to estimate uncollectible accounts receivable that assumes a percent of credit sales will become uncollectible. (p. 413)	6. _____
G. interest income	7. A method used to estimate uncollectible accounts receivable that uses an analysis of accounts receivable to estimate the amount that will be uncollectible. (p. 413)	7. _____
H. interest rate	8. Analyzing accounts receivable according to when they are due. (p. 414)	8. _____
I. maker of a note	9. Canceling the balance of a customer account because the customer does not pay. (p. 418)	9. _____
J. maturity date	10. Recording uncollectible accounts expense only when an amount is actually known to be uncollectible. (p. 419)	10. _____
K. maturity value	11. A written and signed promise to pay a sum of money at a specified time. (p. 425)	11. _____
L. net realizable value	12. A promissory note signed by a business and given to a creditor. (p. 425)	12. _____
M. note payable	13. A promissory note that a business accepts from a person or business. (p. 425)	13. _____
N. note receivable	14. The person or business that signs a note, and thus promises to make payment. (p. 425)	14. _____
O. payee	15. The person or business to whom the amount of a note is payable. (p. 425)	15. _____

Column I	Column II	Answers
P. percent of accounts receivable method	16. The original amount of a note, sometimes referred to as the face amount. (p. 425)	16. _____
Q. percent of sales method	17. The percentage of the principal that is due for the use of the funds secured by a note. (p. 425)	17. _____
R. principal	18. The date on which the principal of a note is due to be repaid. (p. 425)	18. _____
S. promissory note	19. The length of time from the signing date of a note to the maturity date. (p. 425)	19. _____
T. time of a note	20. The amount that is due on the maturity date of a note. (p. 427)	20. _____
U. uncollectible accounts	21. The interest earned on money loaned. (p. 428)	21. _____
V. writing off an account	22. A note that is not paid when due. (p. 429)	22. _____

Part Two—Analyzing Accounts Receivable and Notes Receivable

Directions: Place a *T* for True or an *F* for False in the Answers column to show whether each of the following statements is true or false.

	Answers
1. The expense of an uncollectible account should be recorded in the accounting period that the account becomes uncollectible. (p. 412)	1. _____
2. The account, Allowance for Uncollectible Accounts, has a normal credit balance. (p. 412)	2. _____
3. A business usually knows at the end of the fiscal year which customer accounts will become uncollectible. (p. 412)	3. _____
4. The account, Allowance for Uncollectible Accounts, is reported on the income statement. (p. 412)	4. _____
5. The book value of accounts receivable must be a reasonable and unbiased estimate of the money the business expects to collect in the future. (p. 413)	5. _____
6. The percent of sales method of estimating uncollectible accounts expense assumes that a portion of every dollar of sales on account will become uncollectible. (p. 413)	6. _____
7. The accounting concept, Conservatism, is applied when the process of making accounting estimates is free from bias. (p. 413)	7. _____
8. The percent of each age group of an accounts receivable aging that is expected to become uncollectible is determined by the Securities and Exchange Commission. (p. 414)	8. _____
9. The adjusting entry for uncollectible accounts does not affect the balance of the Accounts Receivable account. (p. 415)	9. _____
10. A business having a \$300.00 credit balance in Allowance for Uncollectible Accounts and estimating its uncollectible accounts to be \$4,000.00 would record a \$4,300.00 credit to Allowance for Uncollectible Accounts. (p. 415)	10. _____
11. When an account is written off as uncollectible, the business sends the customer a credit memo. (p. 418)	11. _____
12. When a customer account is written off under the allowance method, book value of accounts receivable decreases. (p. 418)	12. _____
13. The direct write-off method of accounting for uncollectible accounts does not comply with GAAP. (p. 419)	13. _____
14. When a previously written-off account is collected, Accounts Receivable is both debited and credited for the amount collected. (pp. 421–422)	14. _____
15. A note provides the business with legal evidence of the debt should it be necessary to go to court to collect. (p. 425)	15. _____
16. Total assets are reduced when a business accepts a note receivable from a customer needing an extension of time to pay an account receivable. (p. 426)	16. _____
17. Interest rates are stated as a percentage of the principal. (p. 427)	17. _____
18. Interest income is classified as an Other Revenue account. (p. 428)	18. _____
19. The method for calculating interest is the same for notes payable and notes receivable. (p. 428)	19. _____
20. Interest income should not be recorded on a dishonored note receivable. (p. 429)	20. _____

Part Three—Journalizing Accounts Receivable and Notes Receivable Transactions

Directions: In Answers Column 1, print the abbreviation for the journal in which each transaction is to be recorded. In Answers Columns 2 and 3, print the letters identifying the accounts to be debited and credited for each transaction.

G—General journal CR—Cash receipts journal

Account Titles	Transactions	Answers		
		1 Journal	2 Debit	3 Credit
A. Accounts Receivable	1-2-3. Recorded adjusting entry for uncollectible accounts expense. (p. 415)	1. _____	2. _____	3. _____
B. Allowance for Uncollectible Accounts	4-5-6. Wrote off Sanderson Company's past-due account as uncollectible. (p. 418)	4. _____	5. _____	6. _____
C. Cash	Received cash in full payment of Sanderson Company's account, previously written off as uncollectible. (Record two entries, 7-8-9 and 10-11-12, below.)			
D. Interest Income	7-8-9. First entry. (p. 421)	7. _____	8. _____	9. _____
E. Notes Receivable	10-11-12. Second entry. (p. 422)	10. _____	11. _____	12. _____
F. Sanderson Company	13-14-15. Accepted a note from Sanderson Company for an extension of time on its account. (p. 426)	13. _____	14. _____	15. _____
G. Uncollectible Accounts Expense	16-17-18. Collected a note receivable from Sanderson Company. (p. 428)	16. _____	17. _____	18. _____
H. Williams Supply	19-20-21. Williams Supply dishonored a note receivable. (p. 429)	19. _____	20. _____	21. _____