JMV1 Intermediate Accounting I Units 5 7 Exam Version 1

Section: Business & Finance • **Total Questions:** 10 • **Format:** Verified Q&A

1. A student will receive a $25,000 grant at the beginning of every year for the next five years. Assuming an annual interest rate of 4% is appropriate, the present value of an ordinary annuity is 4.4518 * $25,000 = $111,295, and the present value of an annuity due is 4.62990 * $25,000 = $115,748. What is the fair value of the grant payments according to the Financial Accounting Standards Board (FASB)?

(A) $130,000
(B) $115,748
(C) $125,000
(D) $111,295

2. What is the average collection period for Year 2, rounded to the nearest 1 decimal place?

(A) 19.1
(B) 27.1
(C) 20.8
(D) 24.9

3. A company is using the periodic inventory system. The company fails to record the purchase of certain goods and fails to count them in ending inventory. Which effect will this omission have on the company's balance sheet?

(A) Overstatement of inventory and accounts payable
(B) Understatement of inventory and accounts payable
(C) Overstatement of inventory and understatement of accounts payable
(D) Understatement of inventory and overstatement of accounts payable

4. A company factored $100,000 of accounts receivables. The factor discounted the receivables by the interest for the one year it planned to take to collect the receivables. Using an annual interest rate of 9%, the present value of the receivables is $100,000 * 0.917 = $91,700. How much cash should the company expect to receive?

(A) $91,700
(B) $108,300
(C) $100,000
(D) $91,000

5. A company uses a perpetual inventory system. At year end, the inventory account had a balance of $585,000, but a complete year-end physical inventory indicated goods on hand costing only $580,000. Which account should be credited for $5,000 to record this adjustment?

(A) Purchases
(B) Accounts payable
(C) Cost of goods sold
(D) Inventory

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6. A journal entry records an estimate of uncollectible accounts using the allowance method with $100,000 in accounts receivable. 50% of the receivables are 90 days overdue and estimated to be 50% uncollectible. The remainder is under 30 days and estimated to be 10% uncollectible. There is a credit balance of $200 before adjustment. Which journal entry reflects this scenario?

(A) Debit bad debt expense for $29,800; credit allowance for doubtful accounts for $29,800
(B) Debit bad debt expense for $29,800; credit accounts receivable for $29,800
(C) Debit bad debt expense for $30,200; credit allowance for doubtful accounts for $30,200
(D) Debit bad debt expense for $30,200; credit accounts receivable for $30,200

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7. What happens when there is recovery of a specific account previously written off as an uncollectible account using the allowance method?

(A) Increase in cash and increase in retained earnings
(B) Increase in cash and decrease in bad debt expense
(C) Increase in cash and increase in allowance for doubtful accounts
(D) Increase in cash and decrease in loss from bad debt

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8. Which inventory issue must be disclosed in the notes to financial statements?

(A) Price changes for customers
(B) Transactions with related parties
(C) Average costs of inventory
(D) Suppliers' net assets

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9. A company has the following information related to its ending inventory: Owned inventory on shelves: $20,000, Goods on consignment from a seller: $50,000, Goods purchased and in transit, FOB shipping point: $10,000, Goods sold and in transit, FOB destination: $6,000, Goods returned from customers: $7,000. Which amount should be included as the final inventory value for this company?

(A) $85,000
(B) $35,000
(C) $42,000
(D) $20,000

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10. A company's December 31 unadjusted trial balance reports a $300,000 debit balance in accounts receivable and a $10,000 credit balance in allowance for doubtful accounts. The company's management estimates that 10% of accounts receivable will not be collected. Which journal entry appropriately records the required adjustment at December 31?

(A) Debit allowance for doubtful accounts for $20,000; credit bad debt expense for $20,000

(B) Debit bad debt expense for $30,000; credit allowance for doubtful accounts for $30,000

(C) Debit allowance for doubtful accounts for $30,000; credit bad debt expense for $30,000

(D) Debit bad debt expense for $20,000; credit allowance for doubtful accounts for $20,000