1. Answer: B – In the allowance method, the expense is recognized when the estimate is made at year-end, not when a write-off is made. Write-offs decrease both accounts receivable and allowance for doubtful accounts, so neither net income nor net realizable value is affected.

2. Answer: C - $100,000 revenue - $62,000 operating expenses - $2,000 uncollectible accounts expense = $36,000

3. Answer: A – Ending accounts receivable $20,000 - $2,000 allowance for doubtful accounts = $18,000 net realizable value

4. Answer: C - $250,000 x 2% = $5,000 uncollectible accounts expense

5. Answer: D – Accounts receivable ending balance = $50,000 + $250,000 - $260,000 - $1,500 = $38,500; Allowance ending balance = $4,000 - $1,500 + ($250,000 x 2%) = $7,500; $38,500 - $7,500 = $31,000

6. Answer: B – Ending accounts receivable balance = $30,000 + $120,000 - $112,000 - $1,500 = $36,500; $36,500 x 10% = $3,650 desired ending balance in allowance; $2,000 - $1,500 = $500 balance in allowance prior to adjustment; $3,650 - $500 = $3,150 uncollectible accounts expense

7. Answer: B – The journal entry to write off a receivable using the allowance method debits (reduces) allowance for doubtful accounts and credits (reduces) accounts receivable

8. Answer: C – The journal entry to record the year-end estimate of uncollectible accounts expense debits (increases) uncollectible accounts expense and credits (increases) allowance for doubtful accounts.

9. Answer: C – When Grindle writes off the account, both accounts receivable and allowance for doubtful accounts decrease. No other account is affected.

10. Answer: B – When Jones estimates uncollectible accounts expense, allowance for doubtful accounts increases and uncollectible accounts expense increases, decreasing net income and equity.

11. Answer: A – When Carter receives payment for the previously written-off account, there is no net change in total assets, liabilities or equity. When the receivable is reinstated, accounts receivable and allowance for doubtful accounts both increase, and when the payment is recorded, cash increases and accounts receivable decreases.

12. Answer: D – Ending accounts receivable balance = $250,000 - $220,000 - $1,000 = $29,000; $29,000 x 12% = $3,480 ending balance in allowance for doubtful accounts.

13. Answer: C – Uncollectible accounts expense = $120,000 x 1.5% = $1,800; Beginning allowance balance $0 - $500 write-off + $1,800 uncollectible accounts expense = $1,300 ending balance.

14. Answer: B – Sales ($120,000 + $250,000) - $300,000 operating expenses – ($120,000 x 1.5%) uncollectible accounts expense = $68,200.

15. Answer: C – Uncollectible accounts expense is not influenced by the beginning balance in the allowance if the percentage of credit sales method is used. However, it is influenced if the company bases their estimate on the percentage of ending accounts receivable. Neither net realizable value nor total assets are affected by write-offs of uncollectible accounts.

16. Answer: C – Ending balance in allowance = $6,000 - $5,200 + $7,000 = $7,800; x Ending accounts receivable - $7,800 allowance = $68,000 net realizable value; x = $75,800; Beginning accounts receivable $55,000 + x sales on account - $275,000 collections - $5,200 writeoffs = $75,800 ending accounts receivable; x sales on account = $75,800 +$275,000 + $5,200 - $55,000 = $301,000

17. Answer: D – The journal entry to record the credit card sale debits (increases) Accounts receivable – credit card for the net amount that is expected to be collected from the credit card company, debits (increases) credit card expense for the amount of the fee that the credit card company will withhold, and credits (increases) service revenue for the total amount of the sale.

18. Answer: A – When the payment is received from the credit card company, the net amount is debited (added) to cash and credited to (subtracted from) accounts receivable – credit card.

19. Answer: C – The credit card sale increases assets (accounts receivable – credit card) by $480, increases revenue by $500, increases credit card expense by $20, which increases both net income and equity by $480.

20. Answer: A – The collection of the amount due both increases and decreases assets by the same amount, so there is no net effect on total assets; it is a cash inflow from operating activities.