Test 3 Review Chapters 7-9

Chapter 7

Flying Tomato sells a snowboard, WhiteOut, that is popular with snowboard enthusiasts. Presented below is information relating to Flying Tomato's purchases of WhiteOut snowboards during September. During the same month, 121 WhiteOut snowboards were sold at $170 each. Flying Tomato uses a periodic inventory system.

Date	Explanation	Units	Unit Cost	Total Cost
Sept. 1	Inventory	25	$ 100	$ 2,500
Sept. 12	Purchases	45	106	4,770
Sept. 19	Purchases	24	110	2,640
Sept. 26	Purchases	50	112	5,600
Totals		144		$ 15,510

Instructions:

(a) Compute the ending inventory at September 30 and cost of goods sold using the FIFO, LIFO and average cost methods.

(b) What is gross profit under each method?

(c) Which method results in the highest net income?

(d) Which method results in a larger amount reported for assets on the balance sheet?

Chapter 8 Question 1

At December 31, 2024, Dallas Company had a balance of $400,000 in Accounts Receivable and $25,000 in the Allowance for Doubtful Accounts. During 2025, Dallas wrote off accounts totaling $22,200. One of those accounts ($3,000) was later collected. At December 31, 2025, an aging schedule indicated that the balance in the Allowance for Doubtful Accounts should be $32,000.

Instructions:

(a) Prepare journal entries to record the 2025 transactions of Dallas Company to write off $22,200 of accounts receivable and to record the recovery of $3,000 of accounts receivable previously written off.

(b) Record the December 31, 2025 adjusting entry for bad debts.

Chapter 8 Question 2

On Nov. 1, 2024 Ordonez Supply Co. loaned $20,000 cash to Soozie Takham on a 9 month, 10% note.

Instructions:

(a) Journalize the Nov. 1, 2024 transaction.

(b) Journalize the adjusting entry for the December 31, 2024 to record accrued interest.

(c) Journalize the collection of payment for interest and the note at maturity on August 1, 2025.

Chapter 9

Getz Company purchased a new machine at a cost of $120,000.The company estimated that the machine will have a salvage value of $12,000. The machine is expected to be used for 10,000 working hours during its 5-year life.

Compute the depreciation expense under the following methods for the year indicated.

(a) If the machine was purchased on January 1, 2024, calculate depreciation expense for 2024 and 2025 using straight line, double-declining balance and units-of-production (assume the machine was used for 700 hours in 2024 and 750 hours in 2025).

(b) Assume the company uses straight-line depreciation. What amount of gain or loss would Getz recognize if they sell the asset for $70,000 on 1/1/26? Journalize the entry for the sale on Jan. 1, 2026.