



AUM

American University Of The Middle East

Individual Assignment 4 (15%)

Semester	:	Spring 2020-II	Year	:	2019-2020
Course Title	:	Intermediate Accounting I			
Course Code	:	ACT410	Version	:	B
Instructor(s)	:	Dr. Rezart Demiraj			
Due Date	:	September 20, 2020			

To be completed by the student

Student ID: ▼	Student Name: ▼
Section: ►	

Grading Scheme

Question	Earned Points	Max. Points	Question	Earned Points	Max. Points
1		40	6		
2		60	7		
3			8		
4			9		
5			10		
Total Earned Points		Total Available Points		Instructor Signature	
		100			

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Question 1.

(40 points)

On December 31 2019, the end of its fiscal year, ABC Company estimates bad debts at 3% of accounts receivable.

Required: Prepare the necessary journal entry to record Bad Debt Expense under the following scenarios **and** explain your solution using T-accounts:

a) (20 points)

	Debit	Credit
Accounts Receivable	\$ 300,000	
Allowance for Doubtful Accounts		\$ 5,000

b) (20 points)

	Debit	Credit
Accounts Receivable	\$ 300,000	
Allowance for Doubtful Accounts	2,000	

Solution

a)

GENERAL JOURNAL			
DATE	ACCOUNT TITLES	DEBIT	CREDIT

Explanation:

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b)

GENERAL JOURNAL			
DATE	ACCOUNT TITLES	DEBIT	CREDIT

Explanation:

Question 2.

(60 points)

Given below is inventory information for the month of July obtained from the records of Green Co.

PURCHASES			
Date	Description	Units	Unit cost
July 1	Beginning Inventory	40	10
11	Purchased	80	12
20	Purchased	30	15

SALES			
Date	Description	Units	Unit price
July 10	Sold	30	30
15	Sold	50	30
27	Sold	20	30

Required:

Compute COGS and ENDING INVENTORY COST under the following cost flow assumptions:

a) **FIFO** – Perpetual Inventory System **(25 points)**

b) **AVERAGE** – Perpetual Inventory System **(25 points)**

c) Do you agree with the following statement (explain) **(10 points)**

“Average Cost methods produce the same results under both Periodic and Perpetual inventory system”

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Solution

a) FIFO – Perpetual

DATE	PURCHASES			SALES			BALANCE (INVENTORY)		
	Units	Unit Cost	Total Cost	Units	Unit Cost	Total Cost	Units	Unit Cost	Total Cost
1									
10									
11									
15									
20									
27									
						COGS =		Ending Inventory =	

b) AVERAGE – Perpetual

DATE	PURCHASES			SALES			BALANCE (INVENTORY)		
	Units	Unit Cost	Total Cost	Units	Unit Cost	Total Cost	Units	Unit Cost	Total Cost
1									
10									
11									
15									
20									
27									
						COGS =		Ending Inventory =	

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c) Do you agree with the following statement (explain)

“Average Cost methods produce the same results under both Periodic and Perpetual inventory system”