

6B
 and notes
 file
 tions

The following were selected from among the transactions completed by Mair Co. during the current year. Mair Co. sells and installs home and business security systems.

- Jan. 10. Loaned \$12,000 cash to Jas Caudel, receiving a 90-day, 8% note.
- Feb. 4. Sold merchandise on account to Periman & Co., \$28,000. The cost of the merchandise sold was \$16,500.
- 13. Sold merchandise on account to Centennial Co., \$30,000. The cost of merchandise sold was \$17,600.
- Mar. 6. Accepted a 60-day, 6% note for \$28,000 from Periman & Co. on account.
- 14. Accepted a 60-day, 12% note for \$30,000 from Centennial Co. on account.
- Apr. 10. Received the interest due from Jas Caudel and a new 90-day, 10% note as a renewal of the loan of January 10. (Record both the debit and the credit to the notes receivable account.)
- May 5. Received from Periman & Co. the amount due on the note of March 6.
- 13. Centennial Co. dishonored its note dated March 14.
- June 12. Received from Centennial Co. the amount owed on the dishonored note, plus interest for 30 days at 12% computed on the maturity value of the note.
- July 9. Received from Jas Caudel the amount due on his note of April 10.
- Aug. 10. Sold merchandise on account to Lindenfield Co., \$13,600. The cost of the merchandise sold was \$8,000.
- 20. Received from Lindenfield Co. the amount of the invoice of August 10, less 1% discount.

Instructions

Journalize the transactions.

Special Activities

1-1
 and
 sional conduct
 iness

Mirna Gaymer, vice president of operations for Rocky Mountain County Bank, has instructed the bank's computer programmer to use a 365-day year to compute interest on depository accounts (payables). Mirna also instructed the programmer to use a 360-day year to compute interest on loans (receivables).

➡ Discuss whether Mirna is behaving in a professional manner.

3-2
 ate
 ectible
 nts

For several years, Halsey Co.'s sales have been on a "cash only" basis. On January 1, 2007, however, Halsey Co. began offering credit on terms of n/30. The amount of the adjusting entry to record the estimated uncollectible receivables at the end of each year has been $\frac{1}{4}$ of 1% of credit sales, which is the rate reported as the average for the industry. Credit sales and the year-end credit balances in Allowance for Doubtful Accounts for the past four years are as follows:

Year	Credit Sales	Allowance for Doubtful Accounts
2007	\$6,120,000	\$ 6,390
2008	6,300,000	11,880
2009	6,390,000	17,000
2010	6,540,000	24,600

Javier Cernao, president of Halsey Co., is concerned that the method used to account for and write off uncollectible receivables is unsatisfactory. He has asked for your advice in the analysis of past operations in this area and for recommendations for change.

1. Determine the amount of (a) the addition to Allowance for Doubtful Accounts and (b) the accounts written off for each of the four years.
2. a. ➡ Advise Javier Cernao as to whether the estimate of $\frac{1}{4}$ of 1% of credit sales appears reasonable.

(continued)