**Practice Exercise B**

**A.** **Yu Suzuki Company has a balance in its Accounts Receivable control account of $11,000 on January 1, 2012. The subsidiary ledger contains three accounts: Smith Company, balance $4,000; Green Company, balance $2,500; and Koyan Company. During January, the following receivable-related transactions occurred.**

|  |  |  |
| --- | --- | --- |
| **Credit Sales** | **Collections** | **Returns** |
| Smith Company | $9,000 | $8,000 | $ -0- |
| Green Company | 7,000 | 2,500 | 3,000 |
| Koyan Company | 8,500 | 9,000 | -0- |

***Instructions***

1. What is the January 1 balance in the Koyan Company subsidiary account?  
   $
2. What is the January 31 balance in the control account?  
   $
3. Compute the balances in the subsidiary accounts at the end of the month.

|  |  |
| --- | --- |
| Smith Company | $ |
| Green Company | $ |
| Koyan Company | $ |

1. Which January transaction would not be recorded in a special journal?  
   

**B. Listed below are five procedures followed by The Beat Company.**

1. Several individuals operate the cash register using the same register drawer.
2. A monthly bank reconciliation is prepared by someone who has no other cash responsibilities.
3. Ellen May writes checks and also records cash payment journal entries.
4. One individual orders inventory, while a different individual authorizes payments.
5. Unnumbered sales invoices from credit sales are forwarded to the accounting department every four weeks for recording.

***Instructions***

Indicate whether each procedure is an example of good internal control or of weak internal control. If it is an example of good internal control, indicate which internal control principle is being followed. If it is an example of weak internal control, indicate which internal control principle is violated. Use the table below.

|  |  |  |
| --- | --- | --- |
| **Procedure** | **IC Good or Weak** | **Related Internal Control Principle** |
| **1.** |  |  |
| **2.** |  |  |
| **3.** |  |  |
| **4.** |  |  |
| **5.** |  |  |

**C. Listed below are five procedures followed by Collins Company.**

1. Employees are required to take vacations.
2. Any member of the sales department can approve credit sales.
3. Jethro Bodine ships goods to customers, bills customers, and receives payment from customers.
4. Total cash receipts are compared to bank deposits daily by someone who has no other cash responsibilities.
5. Time clocks are used for recording time worked by employees.

***Instructions***

Indicate whether each procedure is an example of good internal control or of weak internal control. If it is an example of good internal control, indicate which internal control principle is being followed. If it is an example of weak internal control, indicate which internal control principle is violated. Use the table below.

|  |  |  |
| --- | --- | --- |
| **Procedure** | **IC Good or Weak** | **Related Internal Control Principle** |
| **1.** |  |  |
| **2.** |  |  |
| **3.** |  |  |
| **4.** |  |  |
| **5.** |  |  |