

1-2F: Estimating and Recording Uncollectible Accounts

Assignment (20 Marks) - ANSWER KEY

1. a)

| | | | |
|---------|---|------|-------|
| Jan. 25 | Bank | \$97 | |
| | Discount Allowed | 3 | |
| | Accounts Receivable | | \$100 |
| | (Date: Jan. 10 + 15 days; Amount: \$1000 - \$900 = \$100 - 3% = \$97) | | |

2. a) $\$12,000 = 3,240 + 2,900 + 1,840 + 2,100 + 1,920$
- b)

| | | |
|--|----------|----------|
| Bad Debts Expense | \$14,000 | |
| Allowance for Bad Debts | | \$14,000 |
| (\$12,000 credit ending Allowance balance = \$2,000 debit + \$14,000 credit) | | |
- c) A debit balance means that more bad debts were written off than estimated.

3. a)

| | | |
|-------------------------|----------|----------|
| Bad Debts Expense | \$12,000 | |
| Allowance for Bad Debts | | \$12,000 |
| (½% X \$2,400,000) | | |
- a) $0.4\% = \$12,000 / \$3M$

4. a)

| | | |
|-------------------------|---------|---------|
| Allowance for Bad Debts | \$2,400 | |
| Accounts Receivable | | \$2,400 |