Accounts Receivable In Class Exercises

QS 7-2

Direct write-off method P1

Solstice Company determines on October 1 that it cannot collect $50,000 of its accounts receivable from its customer P. Moore. Apply the direct write-off method to record this loss as of October 1.

QS 7-3

Recovering a bad debt P1

Solstice Company determines on October 1 that it cannot collect $50,000 of its accounts receivable from its customer P. Moore. It uses the direct write-off method to record this loss as of October 1. On October 30, P. Moore unexpectedly pays his account in full to Solstice Company. Record Solstice's entry(ies) to reflect recovery of this bad debt.

QS 7-5

Allowance method for bad debts P2

Gomez Corp. uses the allowance method to account for uncollectibles. On January 31, it wrote off an $800 account of a customer, C. Green. On March 9, it receives a $300 payment from Green.

1. Prepare the journal entry or entries for January 31.
2. Prepare the journal entry or entries for March 9; assume no additional money is expected from Green.

QS 7-6

Percent of accounts receivable method P2

Warner Company's year-end unadjusted trial balance shows accounts receivable of $99,000, allowance for doubtful accounts of $600 (credit), and sales of $280,000. Uncollectibles are estimated to be 1.5% of accounts receivable.

1. Prepare the December 31 year-end adjusting entry for uncollectibles.
2. What amount would have been used in the year-end adjusting entry if the allowance account had a year-end unadjusted debit balance of $300?

QS 7-7

Percent of sales method P2

Warner Company's year-end unadjusted trial balance shows accounts receivable of $99,000, allowance for doubtful accounts of $600 (credit), and sales of $280,000. Uncollectibles are estimated to be 0.5% of sales. Prepare the December 31 year-end adjusting entry for uncollectibles.

Exercise 7-3

Direct write-off method **P1**

Dexter Company applies the direct write-off method in accounting for uncollectible accounts. Prepare journal entries to record the following selected transactions of Dexter.

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| --- | --- | --- |
| March | 11 | Dexter determines that it cannot collect $45,000 of its accounts receivable from its customer Lester Company. |
|  | 29 | Lester Company unexpectedly pays its account in full to Dexter Company. Dexter records its recovery of this bad debt. |

Exercise 7-4

Percent of sales method; write-off **P2**

At year-end (December 31), Chan Company estimates its bad debts as 0.5% of its annual credit sales of $975,000. Chan records its bad debts expense for that estimate. On the following February 1, Chan decides that the $580 account of P. Park is uncollectible and writes it off as a bad debt. On June 5, Park unexpectedly pays the amount previously written off.

Prepare the journal entries of Chan to record these transactions and events of December 31, February 1, and June 5.

Exercise 7-5

Percent of accounts receivable method **P2**

At each calendar year-end, Mazie Supply Co. uses the percent of accounts receivable method to estimate bad debts. On December 31, 2016, it has outstanding accounts receivable of $55,000, and it estimates that 2% will be uncollectible.

Prepare the adjusting entry to record bad debts expense for year 2016 under the assumption that the Allowance for Doubtful Accounts has (*a*) a $415 credit balance before the adjustment and (*b*) a $291 debit balance before the adjustment.