**S 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

Refer to the information in QS 7-9. On October 30, P. Moore unexpectedly paid his account in full to Solstice Company. Record Solstice's entry(ies) to reflect this 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 a $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 and the percent of sales methods 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?
3. Assume the same background facts as above except that Warner estimates uncollectibles as 0.5% of sales. Prepare the December 31 year-end adjusting entry for uncollectibles.

**Exercise 7-6**

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, 2013, 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 2013 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.

**Exercise 7-7**

Aging of receivables method P2

Daley Company estimates uncollectible accounts using the allowance method at December 31. It prepared the following aging of receivables analysis.



1. Estimate the balance of the Allowance for Doubtful Accounts using the aging of accounts receivable method.
2. Prepare the adjusting entry to record Bad Debts Expense using the estimate from part *a*. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a $3,600 credit.
3. Prepare the adjusting entry to record Bad Debts Expense using the estimate from part *a*. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a $100 debit.

**QS 7-11**

Disposing receivables C3

Record the sale by Balus Company of $125,000 in accounts receivable on May 1. Balus is charged a 2.5% factoring fee.

**QS 7-10**

Note receivable P3

Daw Company's December 31 year-end unadjusted trial balance shows a $10,000 balance in Notes Receivable. This balance is from one 6% note dated December 1, with a period of 45 days. Prepare any necessary journal entries for December 31 and for the note's maturity date assuming it is honored.



Exercise 9-4 (30 minutes)

1. Maturity date = November 1 + 90 days = January 30, 2019.

|  |  |  |
| --- | --- | --- |
| 2. | Principal  | $200,000 |
|  | x Interest rate  | 9% |
|  | x Fraction of year (Nov. 1 – Dec. 31)  |  60/360 |
|  | Total interest in 2018  | $ 3,000 |

|  |  |  |
| --- | --- | --- |
| 3. | Principal  | $200,000 |
|  | x Interest rate  | 9% |
|  | x Fraction of year (Jan. 1 – Jan. 30)  |  30/360 |
|  | Total interest in 2019  | $ 1,500 |

4a.

|  |  |  |  |
| --- | --- | --- | --- |
| 2018 |  |  |  |
| Nov. 1 | Cash  | 200,000 |  |
|  |  Notes Payable  |  | 200,000 |
|  |  *Borrowed cash by issuing an interest-bearing note.* |  |  |

4b.

|  |  |  |  |
| --- | --- | --- | --- |
| 2018 |  |  |  |
| Dec. 31 | Interest Expense  |  3,000 |  |
|  |  Interest Payable  |  | 3,000 |
|  |  *Accrued interest on note payable.* |  |  |

4c.

2019

|  |  |  |  |
| --- | --- | --- | --- |
| Jan. 30 | Interest Expense  | 1,500 |  |
|  | Interest Payable  | 3,000 |  |
|  | Notes Payable  | 200,000 |  |
|  |  Cash  |  | 204,500 |
|  |  *Repaid note plus interest.* |  |  |