

Journalize entries to record allowance for doubtful accounts using two different bases.

(LO 2)

E9-3 The ledger of Costello Company at the end of the current year shows Accounts Receivable \$110,000, Sales Revenue \$840,000, and Sales Returns and Allowances \$20,000.

Instructions

- If Costello uses the direct write-off method to account for uncollectible accounts, journalize the adjusting entry at December 31, assuming Costello determines that L. Dole's \$1,400 balance is uncollectible.
- If Allowance for Doubtful Accounts has a credit balance of \$2,100 in the trial balance, journalize the adjusting entry at December 31, assuming bad debts are expected to be (1) 1% of net sales, and (2) 10% of accounts receivable.
- If Allowance for Doubtful Accounts has a debit balance of \$200 in the trial balance, journalize the adjusting entry at December 31, assuming bad debts are expected to be (1) 0.75% of net sales and (2) 6% of accounts receivable.

Journalize write-off and recovery.

(LO 2)

E9-5 At December 31, 2016, Finzelberg Company had a credit balance of \$15,000 in Allowance for Doubtful Accounts. During 2017, Finzelberg wrote off accounts totaling \$11,000. One of those accounts (\$1,800) was later collected. At December 31, 2017, an aging schedule indicated that the balance in Allowance for Doubtful Accounts should be \$19,000.

Instructions

Prepare journal entries to record the 2017 transactions of Finzelberg Company.

Journalize percentage of sales basis, write-off, recovery.

(LO 2)

E9-6 On December 31, 2017, Ling Co. estimated that 2% of its net sales of \$450,000 will become uncollectible. The company recorded this amount as an addition to Allowance for Doubtful Accounts. On May 11, 2018, Ling Co. determined that the Jeff Shoemaker account was uncollectible and wrote off \$1,100. On June 12, 2018, Shoemaker paid the amount previously written off.

Instructions

Prepare the journal entries on December 31, 2017, May 11, 2018, and June 12, 2018.


Compute bad debt amounts.

(LO 2)

P9-2A Information related to Mingenback Company for 2017 is summarized below.

Total credit sales	\$2,500,000
Accounts receivable at December 31	875,000
Bad debts written off	33,000

Instructions

- What amount of bad debt expense will Mingenback Company report if it uses the direct write-off method of accounting for bad debts?
- Assume that Mingenback Company estimates its bad debt expense to be 2% of credit sales. What amount of bad debt expense will Mingenback record if it has an Allowance for Doubtful Accounts credit balance of \$4,000?
- Assume that Mingenback Company estimates its bad debt expense based on 6% of accounts receivable. What amount of bad debt expense will Mingenback record if it has an Allowance for Doubtful Accounts credit balance of \$3,000?
- Assume the same facts as in (c), except that there is a \$3,000 debit balance in Allowance for Doubtful Accounts. What amount of bad debt expense will Mingenback record?
-  What is the weakness of the direct write-off method of reporting bad debt expense?

EXERCISE 9-3

(a)	Dec. 31	Bad Debt Expense.....	1,400	
		Accounts Receivable—L. Dole		1,400
(b) (1)	Dec. 31	Bad Debt Expense		
		[($\$840,000 - \$20,000$) X 1%]	8,200	
		Allowance for Doubtful		
		Accounts		8,200
(2)	Dec. 31	Bad Debt Expense.....	8,900	
		Allowance for Doubtful Accounts		
		[($\$110,000 \times 10\%$) – $\$2,100$]		8,900
(c) (1)	Dec. 31	Bad Debt Expense		
		[($\$840,000 - \$20,000$) X .75%]	6,150	
		Allowance for Doubtful		
		Accounts		6,150
(2)	Dec. 31	Bad Debt Expense.....	6,800	
		Allowance for Doubtful Accounts		
		[($\$110,000 \times 6\%$) + $\$200$]		6,800

EXERCISE 9-5

Allowance for Doubtful Accounts.....	11,000	
Accounts Receivable		11,000
Accounts Receivable.....	1,800	
Allowance for Doubtful Accounts		1,800
Cash.....	1,800	
Accounts Receivable		1,800
Bad Debt Expense	13,200	
Allowance for Doubtful Accounts		
[$\$19,000 - (\$15,000 - \$11,000 + \$1,800)$]		13,200

EXERCISE 9-6

December 31, 2017		
Bad Debt Expense (2% X \$450,000).....	9,000	
Allowance for Doubtful Accounts		9,000
May 11, 2018		
Allowance for Doubtful Accounts.....	1,100	
Accounts Receivable—Shoemaker.....		1,100
June 12, 2018		
Accounts Receivable—Shoemaker	1,100	
Allowance for Doubtful Accounts		1,100
Cash.....	1,100	
Accounts Receivable—Shoemaker.....		1,100

PROBLEM 9-2A

- (a) \$33,000.
- (b) \$50,000 ($\$2,500,000 \times 2\%$).
- (c) \$49,500 [$(\$875,000 \times 6\%) - \$3,000$].
- (d) \$55,500 [$(\$875,000 \times 6\%) + \$3,000$].
- (e) The weakness of the direct write-off method is two-fold. First, it does not match expenses with revenues. Second, the accounts receivable are not stated at cash realizable value at the balance sheet date.