

Valuation of Accounts Receivable

Sold merchandise on cash	Worthless accounts written off
Cash xxx Sales xxx (Sold merchandise on cash) Or (Sales on cash/Cash sales)	Allowance for Bad Debts xxx Accounts Receivable xxx (wrote off customers' accounts)
Sold merchandise on credit	Previously accounts recovered
Accounts Receivable xxx Sales xxx (Sold merchandise on credit) Or (Sales on credit/Credit sales)	Re-instate: Accounts Receivable xxx Allowance for Bad Debts xxx (To re-instate customer's accounts) collection: Cash xxx Accounts Receivable xxx (Collected cash from customer)
Merchandise returned sold on cash	Advance from customer
Sales return & allowance xxx Cash xxx (To record sales return & allowance) Or (merchandise returned on cash)	Accounts Receivable xxx Advance from customers xxx (To record advance from customers)
Merchandise returned sold on credit	Estimated bad debts /doubtful debts / uncollectible
Sales return & allowance xxx Accounts Receivable xxx (To record sales return & allowance) Or (merchandise returned on credit / account)	Bad Debts Expense xxx Allowance for Bad Debts xxx (To record estimated bad debts)
Received from customer xxx in full settlement of xxx. Or Received from customer xxx and allowed discount xxx.	Decrease in allowance for bad debts Allowance for bad debts xxx Capital xxx (To record estimated bad debts)
Cash xxx Sales Discount xxx Accounts Receivable xxx (Collected cash from customer and allowed discount)	

Qno1: BALANCE SHEET APPROACH

For all the situations given below, estimated bad debts and prepare partial balance sheets:

Situation no 1:

Accounts Receivable-Ending balance	Rs.100,000
Estimated bad debts are 10% of year-end accounts receivable	

Operational Level 1

Fundamentals of Financial Accounting

Situation no 2:

Accounts Receivable-Ending balance	Rs.150,000
Allowance for Bad Debts-Ending balance	Rs.10,000
Estimated bad debts are 10% of year-end accounts receivable	

Situation no 3:

Accounts Receivable-Ending balance	Rs.200,000
Allowance for Bad Debts-Beginning balance	Rs.15,000
Write off during the year	15,000
Allowance for Bad Debts-Ending balance	Nil
Estimated bad debts are 10% of year-end accounts receivable	

Situation no 4:

Accounts Receivable-Ending balance	Rs.300,000
Allowance for Bad Debts-Beginning balance	Rs.20,000
Write off during the year	15,000
Allowance for Bad Debts-Ending balance	5,000
Estimated bad debts are 10% of year-end accounts receivable	

Situation no 5:

Accounts Receivable-Ending balance	Rs.100,000
Allowance for Bad Debts-Beginning balance	Rs.30,000
Write off during the year	35,000
Allowance for Bad Debts-Ending balance(Debit)	5,000
Estimated bad debts are 10% of year-end accounts receivable	

Situation no 6:

Accounts Receivable-Ending balance	Rs.80,000
Allowance for Bad Debts-Beginning balance	Rs.10,000
Write off during the year	2,000
Allowance for Bad Debts-Ending balance	8,000
Estimated bad debts are 10% of year-end accounts receivable	

Situation no 7:

Accounts Receivable-Ending balance	Rs.50,000
Allowance for Bad Debts-Beginning balance	Rs.8,000
Write off during the year	1,000
Allowance for Bad Debts-Ending balance	7,000
Estimated bad debts are 10% of year-end accounts receivable	

Qno2: The Al-Hamra Enterprises presents the following summary of data relating to its receivable during the year 2009:

Accounts Receivable-Jan 1 , 2009	Rs.295,000
Allowance for Bad Debts-Jan 1 , 2009	11,800
Gross Credit Sales for the year	610,340
Total cash collected from customer to apply on account	420,000
Promissory note received from customers	25,000
Credit balance in customers' accounts-Advance from customers-cash received not included in above collection	23,000
Customers accounts written off as uncollectible during the year	6,400
Sales return and allowance	30,200
Credit balance in customers' accounts(overpayment by customers)included in cash collected above	1,200
Sales discount allowed	4,000
Uncollectible customers accounts written off during the year	2,200

It is agreed that estimated allowance for bad debts should be equal to 4% of the debit balance of accounts receivable.

Required:

- Give the journal entries for the above noted transactions and the adjusting entry on Dec 31, 2009.
- Reconstruct the accounts receivable and allowance for bad debts accounts.
- Prepare the partial balance sheet as of Dec 31, 2009 and report the items.

Qno3: The following data are those of Zakir Company:

Accounts Receivable , debit balances Jan 1 , 1999	Rs.135,100
Allowance for Bad Debts , Credit Balance January 1 , 1999	6,000
Total cash collected from customers	396,000
Promissory notes received from the customers to apply on accounts	33,000
Credit balances in customers accounts end of year , advance payment	23,100
Gross credit sales for the year	600,000
Customer accounts written off during the year	3,800
Sales return and allowances	31,400
Sales discount allowed to customers	4,400
Uncollectible customers accounts written off	2,100

Note: Allowance for Bad Debts should be equal to 3% of the Accounts Receivable account balance as of December 31 , 1999.

Operational Level 1

Fundamentals of Financial Accounting

Required:

- Prepare the Accounts Receivable account and the Allowance for Bad Debts Account from the above information. Balance both the accounts on Dec , 31 , 1999.
- Prepare a journal entry to record the year-end adjustment as required in the note.
- Several accounts are involved in the above question. Some of which will be shown on the balance sheet. Prepare a partial balance sheet showing these accounts with amounts.

Qno4: On December 31 , 2005 , the balance sheet of Nasim & Co showed the following:

Accounts Receivable	Rs.75,000
Less: Allowance for Bad Debts	(4,750)
Net Realizable Value	Rs.70,250

During the year 2005, total sales (including cash sales Rs.135,000) amounted to Rs.425,000 ; Rs.4,500 was written off as bad debts ; Collection from customers amounted to Rs.275,000 including a sum of Rs.1,500 recovered from an account written off as bad debts.

An allowance of 5% of the amount of year-end accounts receivable was made on December 31 , 2005.

Required:

Give the General Journal entries for transaction including the one to make allowance for bad debts at the end of the year. Show the two accounts on the Balance Sheet of 31-12-2005.

Qno5: Fareed Sons estimates Bad Debts Expenses at ½ of 1% of net sales.

At Jan 1 , 2007 , Allowance for Bad Debts Account had a balance of Rs.30,150: During the current financial year , the following transactions took place:

Jan 12	Jameel & Sons paid Rs.2,750. This account has been written off in the preceding year.
Feb 17	Jabbar & Co intimated that they are forced to quit business and unable to pay Rs.3,250.
Mar 18	Amir & Sons paid Rs.32,700 against an amount of Rs.35,000. No further collection is possible.
May 15	Wrote off Rs.3,000 as uncollectible the account of M/S Habib & Co.
June 17	Jabbar & Co paid Rs.1,750 as the final payment of their account.
Sept 18	Wrote off as uncollectible various accounts in the amount of Rs.25,785.

Nov 16	Habib & Co paid Rs.1,500 against their account which was written off as the final payment.
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Net sales for the year were Rs.5,984,000.

Required:

- Give the journal entries for the transactions occurred during 2007, adjusting entry to record the provision for bad debts and closing entry to close bad debts expense account on Dec 31, 2007.
- Open the ledger accounts for bad debts expense and allowance for bad debts. Post the entries and balance the accounts.
- State the amounts of Bad Debts Expense which should appear in Income Statement for the year 2007 and the allowance for bad debts which should appear on the Balance Sheet.

Qno6: Malik & Co presented the following selected information for the year 2010:

Accounts Receivable(1-1-2013)	Rs.110,230
Allowance for Bad Debts(1-1-2013)	3,591
Customers accounts written off during the year	1,950
Cash collected from customers to apply on account	265,640
Credit given to customers for sales return and allowance	11,165
Worthless customers' account	1,550
Promissory note received from customers to apply on accounts	17,500
Overpayments received from customers during the year(included in cash receipts above)	3,760
Gross amount of credit sales for the year	340,967
Credit given to customers because of sales discounts	3,426

Required:

- Reconstruct the accounts receivable account and the allowance for bad debts.
- Give the adjusting entry to record estimated bad debts expense for the year (one half of 1% of net sales).

Qno7: United Steels Ltd follows the practice of making allowance for bad debts at one-half of 1% of net credit sales. The company's accounting year ends on December 31 each year.

Transactions data for two years follows:

On January 1, 2013, the allowance for bad debts account showed a credit balance of Rs.1,450. On March 25, 2013, Rs.700 due from a customer, Syed

was wholly written off as bad. During the year ending , December 31 , 2013 , total sales amounted to Rs.157,900 (including net cash sales Rs.47,300).

On February 14 , 2014 , 70 paise in the rupee was recovered from Syed , a customer, whose account had been written off on March 25 , 2014. On September 10 , 2014 , Rs.950 due from a customer , a Karim, was wholly written off as bad. During the year ending Dec 31 , 2014 , total net sales amounted to Rs.187,000 (including net cash sales Rs.52,000).

Required:

- i. Dated entries in General Journal for writing off bad accounts , recovery of bad debts , and making of allowance for bad debts. Show your computation.
- ii. Dated entries in the allowance for bad debts account.

Qno8: On January 1 , 2008 , the ledger of Mama Co. included the following accounts and balances:

Accounts Receivable			Allowance for Bad Debts		
2008			2008		
Jan 1	Bal	43,000	Jan 1	Bal	950

During the year , the following transactions occurred (Summary form):

1. Sales on account Rs.185,000.
2. Credit memoranda issued to customers Rs.6,700.
3. Cheques received from customers Rs.174,000 after discounts of Rs.3,280 were deducted.
4. Uncollectible accounts written off Rs.1,120.

Required:

1. Prepare journal entries to record the above transactions.
2. Open skeleton accounts and post entries including balances on January 1.
3. Journalize and post the adjustment for bad debts, assuming bad debts for the year are estimated to be $\frac{1}{2}$ of 1% of net credit sales before discounts.

Qno9: The adjusted trial balance of Muslim Company on December 31 , 2010 includes the following items:

Debit	Credit
Accounts Receivable	Rs.32,000
Estimated Uncollectible	Rs.950

During 2010 , the following transactions occurred:

- i. Cheques received from customers Rs.131,320 , all represented collections after taking discounts of 2%.
- ii. Sales on open account Rs.142,000.
- iii. Uncollectible accounts written off Rs.1,340.

- iv. Sales return and allowances Rs.2,000. Credit memoranda were issued to the customers.

On December 31, 2010, the adjustment for bad debts expense is to be made equal to 1½% of net credit sales (Sales less sales return and allowances)

Required:

Record all the transactions during 2010 and adjustment for bad debts at the end of 2010.

Qno10: Following are the accounts balances have been taken from the books of Sunny Stores on January 1, 2006:

Accounts ReceivableRs.250, 000
Allowance for Bad Debts.....10,000

Following is the summary of the transactions completed during 2006:

- i. Credit sales Rs.880, 000.
- ii. Goods returned from customers Rs.20, 000.
- iii. Cash collections from customers Rs.820, 000.
- iv. Discount granted to customers Rs.10, 000.
- v. Worthless customers' accounts written off Rs.20, 000.
- vi. Previously written off accounts recovered Rs.5, 000.

Required:

- a. Record the above transactions in General Journal.
- b. Give adjusting and closing entries and also prepare partial balance sheet under each case separately.

Cases:

1. Estimated bad debts are @5% of year end balance of accounts receivable.
2. Estimated bad debts are @ 1% of net sales.

Qno11: Following are the accounts balances have been taken from the books of Shera Sharif on January 1, 2008:

Accounts ReceivableRs.150, 000
Allowance for Bad Debts.....10,000

Following is the summary of the transactions completed during 2008:

- i. Credit sales Rs.225, 000.
- ii. Cash received from customers Rs.50,000
- iii. Goods returned by customers Rs.15,000
- iv. Discount granted to customers Rs.10, 000.
- v. Previously written off accounts recovered Rs.25, 000.

- vi. Worthless accounts written off Rs.20, 000.

Required:

- c. Record the above transactions in General Journal.
- d. Give adjusting and closing entries and also prepare partial balance sheet under each case separately.

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Cases:

1. Estimated bad debts are @10% of year end balance of accounts receivable.
2. Estimated bad debts are @ 5% of net sales.

Qno12: M/S Ayub & Sons estimates Bad Debts at 10% of year end balance of Accounts Receivable. On December 31 of 2005 , the Accounts Receivable (Control) balance was Rs.46,000 and the Allowance for Bad Debts had a debit balance of Rs.400 , before closing of accounts.

On March 16 of 2006 , Accounts Receivable written off amounted to Rs.5,600.

On Nov 11 , 2006 , a previously written off account of Rs.6,000 was subsequently recovered to the extent of 50 paisas in a rupee.

On December 31 , 2006 , the Accounts Receivable(Control) account showed a debit balance of Rs.58,000. Analysis of Accounts Receivable subsidiary ledger revealed a credit balance of Rs.2,000 in a customer's ledger account. On this date , the company estimated bad debts at 10% of Accounts Receivable.

Required:

- i. Dated entries from Dec 31, 2005 to Dec 31 , 2006 including closing entries relating to the above.
- ii. Prepare ledger accounts for allowance for bad debts for the periods covered.
- iii. Show how the relative accounts will appear in the Balance Sheet on Dec 31 , 2005 and Dec 31 , 2006.

Qno13: The trial balance of Tariq & Co contained the following accounts and balances on Dec 31 , 2009:

Accounts Receivable	Rs.90,000
Allowance for Bad Debts (Debit Balance)	500
Sales	624,000
Sales Return & Allowance	4,000

Required:

Prepare the journal entry to record the estimated bad debts expense on Dec 31 , 2009 for each of the following independent cases:

1. Bad debts expense is estimated to be 1% of net sales.

2. The allowance for bad debts account is maintained at 3% of accounts receivable.

Qno14: The unadjusted trial balance for Mujahid & Co at the end of the current fiscal year includes the following accounts:

Accounts Receivable	Rs.240,000
Allowance for Bad Debts	2,650
Sales (25% represents cash sales)	600,000
Sales Return & Allowance	10,000

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Required:

Compute the uncollectible expense for the current year under the following situations and give the adjusting journal entry under each situation:

- 1% of total credit sales.
- 1 ½ % of net credit sales.
- Allowance for doubtful debts is estimated at 3% of Accounts Receivable.
- Allowance for doubtful debts is estimated at 1% of Accounts Receivable.

Qno15: At the end of the current year , the accounts receivable account has a debit balance of Rs.90,000 and net sales for the year totaled Rs.1,000,000. Determine the amount of adjusting entry to record the provision for doubtful accounts under each of the following assumptions. Give adjusting entries as well:

- The allowance for bad debts account before adjustment has a credit balance of Rs.800
 - Uncollectible account expense is estimated at ½ of 1% of net sales.
 - Analysis of customers ledger indicates doubtful account of Rs.8,000.
- The allowance for bad debts account before adjustment has a debit balance of Rs.500
 - Uncollectible account before adjustment is estimated at ½ of 1% of net sales.
 - The allowance for bad debts is maintained at 4% of accounts receivable.

Qno16: At the end of the current year , Farooq Textile Mills shows the following balances:

Accounts Receivable	Rs.200,000
Sales	1,000,000

- The allowance for bad debts account before adjustment has a credit balance of Rs.9500
 - Uncollectible account expense is estimated at ½ of 1% of net sales.
 - Uncollectible expense is estimated at 5% of accounts receivable.

- b. The allowance for bad debts account before adjustment has a debit balance of Rs.600
1. Analysis of customers' accounts indicate doubtful accounts of Rs.4,500.
 2. Uncollectible expense is estimated at $\frac{3}{4}$ of 1% of net sales.
- c. The allowance for bad debts account before adjustment has a credit balance of Rs.7,600
1. Uncollectible account before adjustment is estimated at 3% of accounts receivable.
 2. Analysis of accounts receivable by aging the groups reveals the doubtful accounts estimated at Rs.4,200.

Qno17: The following account appear on the trial balance of M/s Mubeen Baig as of 31st Dec , 2013:

Accounts Receivable	Rs.205,000
Sales	500,000
Sales Return & Allowance	10,000

On Dec 31 , 2013 , an allowance for bad debts was estimated at 3% of accounts receivable as the policy of the management. During the following year , 2014 , the following uncollectible accounts were written off:

Feb 15	Khan & Co	Rs.6,000
Oct 16	Adam & Co	2,400
Nov 30	Zain Bros	4,120
Dec 28	Baber & Co	5,280

On Dec 5 , 2014 , Rs.2,300 was received from Khan & Sons as the final payment and on Dec 27 , 2014 , 1,550 were recovered from Adam & Co.

Net sales during the year were Rs.10,000,000 and the amount collected during the year was Rs.975,000.

Required:

1. Prepare the adjusting entries on Dec 31 , 2013 and the required dated entries during 3014 to reflect the bad debts and recovery transactions.
2. Prepare the accounts receivable and allowance for bad debts accounts during the period covered in the question.
3. Prepare the partial balance sheet as on Dec 31 , 2013 and 2014.

Qno18: (Recording Bad Debts) At the end of 2010 Sorter Company has accounts receivable of \$900,000 and an allowance for doubtful accounts of

\$40,000. On January 16, 2011, Sorter Company determined that its receivable from Ordenez Company of \$8,000 will not be collected, and management authorized its write-off.

Instructions:

- (a) Prepare the journal entry for Sorter Company to write off the Ordenez receivable.
- (b) What is the net realizable value of Sorter Company's accounts receivable before the write-off of the Ordenez receivable?
- (c) What is the net realizable value of Sorter Company's accounts receivable after the write-off of the Ordenez receivable?

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Qno19: Zaheer & Co sells merchandise to its customers on credit. The terms in all cases are 30 days. The company's accounting year ends on December 31 each year. The company provides an allowance for doubtful debts equal to:

- 10% to all balances not due.
- 15% to all balances which are 1-30 days past due.
- 20% to all the balances which are 31-60 days past due.
- 30% to all the balances which are 61-90 days past due.
- 50% to all the balances which are above 90 days past due.

The following customers's accounts appear in the subsidiary ledger during the year 2006:

Baber			
Jan 20	21,500	Feb 15	21,500
Sep 15	2,000		
Oct 16	500		
Aslam			
Mar 1	14,000	Apr 4	14,000
Oct 15	3,000		
Sajjad			
May 9	22,000	June 9	22,000
Dec 1	13,000		
Mudassir			
Sep 16	7,500		
Nov 20	4,000		
Khurshid			
July 15	12,000	Aug 14	12,000
Aug 16	7,500		
Nov 15	2,000		
Kamal			
Jan 28	1,000	Aug 10	2,500
July 11	2,500		
Sept 10	2,000		

Required:

- Prepare a table showing analysis of the above accounts by AGE GROUPS as given above.
- Compute the amount for doubtful debts applying the percentages given above.
- Give the necessary adjusting entries in proper form to record the doubtful debts as on Dec 31 of the current year assuming:
 - That the allowance for doubtful debts account has a debit balance of Rs.750 before adjustment.
 - That the allowance for doubtful debts account has a credit balance of Rs,750 before adjustment.
 - That the allowance for doubtful debts account has a credit balance of Rs.7,500 before adjustment.

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Qno20: Asif & Co sells merchandise to its customers on credit. The terms in all cases are 30 days. The company's accounting year ends on December 31 each year. The company provides an allowance for doubtful debts equal to:

- 3% to all balances not due.
- 5% to all balances which are 1-30 days past due.
- 10% to all the balances which are 31-60 days past due.
- 15% to all the balances which are 61-90 days past due.
- 40% to all the balances which are above 90 days past due.

The following customers's accounts appear in the subsidiary ledger during the year 1994:

Aslam			
Jan 12	900	Feb 11	900
Aug 17	1,100		
Altaf			
Ma 30	300		
Nov 16	800		
Khalid			
Dec 24	1,600		
Saleem			
Aug 19	500	Sep 18	500
Oct 4	900		
Karim			
Sep 28	400		
Nov 16	800		
Dec 04	2,000		

Required:

- Prepare a table showing analysis of the above accounts by AGE GROUPS as given above.
- Compute the amount for doubtful debts applying the percentages given above.
- Give the necessary adjusting entries in proper form to record the doubtful debts as on Dec 31 of the current year assuming that the allowance for bad debts account has a debit balance of Rs.250 before adjustment.

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Qno21: Majid & Co sells merchandise to its customers on credit. The terms in all cases are 30 days. The company's accounting year ends on October 31 each year. The company provides an allowance for doubtful debts equal to:

- 10% to the balances not due.
- 20% to all the balances which are 1-30 days past due.
- 30% to all the balances which are 31-60 days past due.
- 50% to all the balances which are above 60 days past due.

The following customers' accounts appear in the subsidiary ledger during 2014:

Kamal				Aftab			
May 9	220	June 8	220	July 5	90		
Oct 20	190			Sep 20	100		
Haleem				Nasir			
Aug 5	700	Sep 4	700	April 12	150	May 2	150
Aug 28	300			Sep 15	230		

Required:

- Prepare a table showing analysis of the above accounts by AGE GROUPS as given above.
- Compute the amount for doubtful debts applying the percentages given above.
- Give the necessary adjusting entries in proper form to record the doubtful debts as on Dec 31 of the current year assuming that the allowance for bad debts account has a debit balance of Rs.30 before adjustment.

Qno22: (Bad-Debt Reporting—Aging) Manilow Corporation operates in an industry that has a high rate of bad debts. Before any year-end adjustments, the balance in Manilow's Accounts Receivable account was \$555,000 and the Allowance for Doubtful Accounts had a credit balance of \$40,000. The year-end balance reported in the balance sheet for the Allowance for Doubtful Accounts will be based on the aging schedule shown below:

<u>Days Account Outstanding</u>	<u>Amount</u>	<u>Probability of Collection</u>
Less than 16 days	\$300,000	.98
Between 16 and 30 days	100,000	.90
Between 31 and 45 days	80,000	.85
Between 46 and 60 days	40,000	.80
Between 61 and 75 days	20,000	.55
Over 75 days	15,000	.00

Instructions:

- (a) What is the appropriate balance for the Allowance for Doubtful Accounts at year-end?
- (b) Show how accounts receivable would be presented on the balance sheet.
- (c) What is the dollar effect of the year-end bad debt adjustment on the before-tax income?

(CMA adapted)

Qno23: (Bad-Debt Reporting) From inception of operations to December 31, 2010, Fortner Corporation provided for uncollectible accounts receivable under the allowance method: provisions were made monthly at 2% of credit sales; bad debts written off were charged to the allowance account; recoveries of bad debts previously written off were credited to the allowance account; and no year-end adjustments to the allowance account were made. Fortner's usual credit terms are net 30 days.

The balance in the Allowance for Doubtful Accounts was \$130,000 at January 1, 2010. During 2010 credit sales totaled \$9,000,000, interim provisions for doubtful accounts were made at 2% of credit sales, \$90,000 of bad debts were written off, and recoveries of accounts previously written off amounted to \$15,000. Fortner installed a computer system in November 2010, and an aging of accounts receivable was prepared for the first time as of December 31, 2010. A summary of the aging is as follows:

<u>Classification by Month of Sale</u>	<u>Balance in Each Category</u>	<u>Estimated % Uncollectible</u>
November–December 2010	\$1,080,000	2%
July–October	650,000	10%
January–June	420,000	25%
Prior to 1/1/10	150,000	80%
	<u>\$2,300,000</u>	

Based on the review of collectibility of the account balances in the “prior to

1/1/10" aging category, additional receivables totaling \$60,000 were written off as of December 31, 2010. The 80% uncollectible estimate applies to the remaining \$90,000 in the category. Effective with the year ended December 31, 2010, Fortner adopted a different method for estimating the allowance for doubtful accounts at the amount indicated by the year-end aging analysis of accounts receivable.

Instructions:

(a) Prepare a schedule analyzing the changes in the Allowance for Doubtful Accounts for the year ended December 31, 2010. Show supporting computations in good form. (Hint: In computing the 12/31/10 allowance, subtract the \$60,000 write-off).

(b) Prepare the journal entry for the year-end adjustment to the Allowance for Doubtful Accounts balance as of December 31, 2010.

(AICPA adapted)

Qno24: Bad-Debt Reporting) Presented below is information related to the Accounts Receivable accounts of Gulistan Inc. during the current year 2010.

1. An aging schedule of the accounts receivable as of December 31, 2010, is as follows:

Age	Net Debit Balance	% to Be Applied after Correction Is Made
Under 60 days	\$172,342	1%
60–90 days	136,490	3%
91–120 days	39,924*	6%
Over 120 days	23,644	\$3,700 definitely uncollectible; estimated remainder uncollectible is 25%
	<u>\$372,400</u>	

*The \$3,240 write-off of receivables is related to the 91-to-120 day category.

2. The Accounts Receivable control account has a debit balance of \$372,400 on December 31, 2010.

3. Two entries were made in the Bad Debt Expense account during the year: (1) a debit on December 31 for the amount credited to Allowance for Doubtful Accounts, and (2) a credit for \$3,240 on November 3, 2010, and a debit to Allowance for Doubtful Accounts because of a bankruptcy.

4. The Allowance for Doubtful Accounts is as follows for 2010.

Allowance for Doubtful Accounts

Nov. 3	Uncollectible accounts written off	3,240	Jan. 1	Beginning balance	8,750
			Dec. 31	5% of \$372,400	18,620

5. A credit balance exists in the Accounts Receivable (60–90 days) of \$4,840, which represents an advance on a sales contract.

Instructions:

Assuming that the books have not been closed for 2010, make the necessary correcting entries.

Qno25: (Bad Debts—Aging) Puckett, Inc. includes the following account among its trade receivables.

Alstott Co.					
1/1	Balance forward	700	1/28	Cash (#1710)	1,100
1/20	Invoice #1710	1,100	4/2	Cash (#2116)	1,350
3/14	Invoice #2116	1,350	4/10	Cash (1/1 Balance)	255
4/12	Invoice #2412	1,710	4/30	Cash (#2412)	1,000
9/5	Invoice #3614	490	9/20	Cash (#3614 and	
10/17	Invoice #4912	860		part of #2412)	890
11/18	Invoice #5681	2,000	10/31	Cash (#4912)	860
12/20	Invoice #6347	800	12/1	Cash (#5681)	1,250
			12/29	Cash (#6347)	800

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Instructions:

Age the balance and specify any items that apparently require particular attention at year-end.

Qno26: (Journalize Various Accounts Receivable Transactions) The balance sheet of Starsky Company at December 31, 2010, includes the following:

Notes receivable	\$ 36,000	
Accounts receivable	182,100	
Less: Allowance for doubtful accounts	<u>17,300</u>	200,800

Transactions in 2010 include the following.

1. Accounts receivable of \$138,000 were collected including accounts of \$60,000 on which 2% sales discounts were allowed.
2. \$5,300 was received in payment of an account which was written off the books as worthless in 2010. (*Hint: Reestablish the receivable account.*)
3. Customer accounts of \$17,500 were written off during the year.
4. At year-end the Allowance for Doubtful Accounts was estimated to need a balance of \$20,000. This estimate is based on an analysis of aged accounts receivable.

Instructions:

Prepare all journal entries necessary to reflect the transactions above.

Qno27: The Balance Sheet of Amin & Co showed the following balances as on Dec 31 of the last year:

Accounts Receivable	Rs.500,200
Less: Allowance for Bad Debts	(25,000)
Net Realizable Value	Rs.475,200

Transactions during the current year are summarized below:

- Sales during the year amounted to Rs.185,2100.
- Collection from customers amounted to Rs.1,765,000 (including Rs.4,000 from M/s Sattar whose account had been written off during last year.
- Uncollectible accounts written off during current year Rs.10,455.
- A plot of land costing Rs.80,000 was sold for Rs.150,000 to Bashir Co in exchange for cash Rs.60,000 and a 60% 6 months note for Rs.40,000 and Machinery for Rs.50,000 on Dec 1 of current year.
- The company estimated that probable loss is 20% of past due accounts of Rs.50,245 and 1% of net due accounts.

Required:

- Present necessary entries in General Journal showing computation for adjustment.
- Prepare partial balance sheet as on Dec 31 of current year.

Qno28: The balance sheet of Saghir Chemicals Corp at Dec 31 of last year showed Rs.242,000 in accounts receivable and credit balance of Rs.12,000 in the allowance for doubtful accounts. The summary shows the totals of certain type of transactions occurring during the current financial year:

- Sales on account Rs.220,000
- Sales return & allowance Rs.5,400
- Cash received from customers which all represent collection after taking discount of 2% Rs.194,000.
- Accounts receivable of Jamshed was written off as worthless Rs.5,000.

At Dec 31 of current financial year, after analysis of the customers' accounts, the allowance for bad debts is estimated to be Rs.13,500.

Required:

- Give the journal entries of all the transactions noted above and the adjusting entry at Dec 31 to provide the bad debts expense.
- Show the amount of accounts receivable and the allowance for doubtful account as they would appear in the partial balance sheet at Dec 31 of the current year.
- Assume that three months later the accounts receivable of Jamshed have been fully recovered. Give the journal entry or entries to reflect the collection.

Qno29: The SUNSHINE WHOLESALERS CO. sells paints and supplies to retail stores. Sales are made on credit and an account receivable subsidiary ledger is maintained. Credit terms to all customers are 1/10, n/30.

The following transactions affecting accounts receivable are to be recorded:

Sales Journal

Date	Customers' Names	Invoice no	Amount
Jan 8	Abdullah Paint Stores	91084	Rs.874
9	Karim Hardware Stores	91085	731
18	Mahmood Paints	91086	698
24	Bashir Paint Stores	91087	372
30	Other Sales Transactions	91088-91060	64241

Cash Receipts

Date	Customers' Names	Invoice no	Amount
Jan 11	Karim Hardware Store	91085	Rs.723.69
25	Bashir Paint Store	91087	247.5
31	Other collections		63598.59

Sales Returns

Date	Customers' Names	Invoice no	Amount
Jan 25	Bashir Paint Store	91087	Rs.122

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Other data:

On Jan 31, notice is received that Mahmood Paints becomes insolvent, invoice no.91086 for Rs.698 is therefore uncollectible. The allowance for bad debts had a credit balance of Rs.850 on Jan 1. The Co carries the policy of providing provision of 1% of net sales for bad debts expense.

Required:

- Prepare Journal Entries for each January transactions.
- Post the entries to the customers' accounts in the Accounts Receivable subsidiary ledger
- Prepare partial balance sheet as of Jan 31.

Qno30:(Bad-Debt Reporting) Presented below are a series of unrelated situations:

1. Halen Company's unadjusted trial balance at December 31, 2010, included the following accounts:

- Allowance for doubtful accounts \$4,000
- Net sales \$1,200,000

Halen Company estimates its bad debt expense to be 1 1/2% of net sales. Determine its bad debt expense for 2010.

2. An analysis and aging of Stuart Corp. accounts receivable at December 31, 2010, disclosed the following:

- Amounts estimated to be uncollectible \$ 180,000
- Accounts receivable 1,750,000
- Allowance for doubtful accounts (per books) 125,000

What is the net realizable value of Stuart's receivables at December 31, 2010?

3. Shore Co. provides for doubtful accounts based on 3% of credit sales.**The following data are available for 2010:**

- Credit sales during 2010 \$2,400,000
- Allowance for doubtful accounts (1/1/10) \$17,000
- Collection of accounts written off in prior years (customer credit was reestablished) \$8,000
- Customer accounts written off as uncollectible during 2010 \$30,000

What is the balance in the Allowance for Doubtful Accounts at December 31, 2010?

4. At the end of its first year of operations, December 31, 2010, Darden Inc. reported the following information:

- Accounts receivable, net of allowance for doubtful accounts \$950,000
- Customer accounts written off as uncollectible during 2010 \$24,000
- Bad debt expense for 2010 \$84,000

What should be the balance in accounts receivable at December 31, 2010, before subtracting the allowance for doubtful accounts?

5. The following accounts were taken from Bullock Inc.'s trial balance at December 31, 2010.

- Net credit sales \$750,000
- Allowance for doubtful accounts \$ 14,000
- Accounts receivable \$310,000

If doubtful accounts are 3% of accounts receivable, determine the bad debt expense to be reported for 2010.

Instructions:

Answer the questions relating to each of the five independent situations as requested.