

Student ID No. - - -

Name

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AC201 Fundamental Accounting Quiz #10

Best Bikes Company is a wholesaler of motorcycle supplies. An aging of the company's accounts receivable on December 31, 2015, and a historical analysis of the percentage of uncollectible accounts in each age category are as follows:

Age Interval	Accounts Receivable Balance @ Dec 31, 15	Percent Uncollectible
Not past due	\$ 667,000	1
1-30 days past due	158,000	2
31-60 days past due	54,000	5
61-90 days past due	30,500	15
Over 90 days past due	15,500	40
Total	\$ 925,000	

Require:

1. The company uses *aging of accounts receivable method* to estimate expense related to uncollectible accounts.
 - 1.1 On March 6, 2015, the company wrote off the \$650 account of John Smith as uncollectible. Prepare the necessary journal entry to record the write-off.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Mar	6	Allowance for doubtful accounts	650	
		Accounts receivable		650

- 1.2 On June 18, 2015, John Smith, whose account was written off on March 6, 2015, paid \$650 cash on its account. Prepare necessary journal entries to record the reinstatement and collection of John Smith account on June 18, 2015.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Jun	18	Accounts receivable	650	
		Allowance for doubtful accounts		650
Jun	18	Cash	650	
		Accounts receivable		650

- 1.3 Prepare an adjusting journal entry required at December 31, 2015. Assume that the allowance for doubtful accounts has a *credit balance of \$21,200* before adjustment on December 31, 2015.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Bad debt expense	2,105	
		Allowance for doubtful accounts		2,105

1.4 What is the amount of *Allowance for Doubtful Accounts* after adjustment as of December 31, 2015?

\$, **23,305**

1.5 What is the amount of *Accounts Receivable – Net* as of December 31, 2015?

\$, **901,695**

2. The company uses *aging of accounts receivable method* to estimate expense related to uncollectible accounts.

2.1 Give an adjusting journal entry required at December 31, 2015. Assume that the allowance for doubtful accounts has a *debit balance of \$4,750* before adjustment on December 31, 2015.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Bad debt expense	28,055	
		Allowance for doubtful accounts		28,055

3. The company uses *percentage of credit sales method* to estimate expense related to uncollectible accounts. Credit sales for the year 2015 amounted to \$9,380,000. Of its credit sales, 1% was estimated to be uncollectible.

3.1 Prepare an adjusting journal entry required at December 31, 2015.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit
Dec	31	Bad debt expense	93,800	
		Allowance for doubtful accounts		93,800

3.2 Assume that the allowance for doubtful accounts has a credit balance of \$21,200 before adjustment on December 31, 2014. What is the amount of *Allowance for Doubtful Accounts* after adjustment as of December 31, 2015?

\$, **115,000**

3.3 What is the amount of *Accounts Receivable – Net* as of December 31, 2015?

\$, **810,000**