

Exercise 2: Accounts Receivable Journal Entries

Part A: Prepare journal entries to record the following transactions.

- a. On December 15, 2013, Vandolay Industries recorded \$150,000 sales on credit.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit

- b. On December 31, 2013, the company estimated bad debt expenses of \$15,000.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit

- c. On January 12, 2014, the company collected \$100,000 worth of accounts receivable.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit

- d. After many collection attempts, the company determined on May 15, 2014 that it would not collect \$10,000 in accounts receivables from Pendant Publishing. It decided to write-off this account.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit

- e. On August 16, 2014, Pendant Publishing called to say that they have had financial problems but can afford to pay \$7,000 to settle their \$10,000 debt in full. The company agreed to these terms, and reversed \$7,000 of the prior write-off. It received a \$7,000 check from Pendant the next day.

GENERAL JOURNAL				
Date		Account Titles and Explanation	Debit	Credit

Part B: Post the above entries to the following T-accounts.

+ Accounts Receivable (A) -				- Allowance for Doubtful Accounts (XA) +			

Part C: Show all revenue-related accounts in the following statement of financial position (partial) and statement of income (partial) as of December 31, 2013 and 2014.

VANDOLAY INDUSTRIES INC. Statement of Financial Position (partial) As of December 31, 2013	
Accounts receivable	_____
<u>Less:</u> Allowance for doubtful accounts	_____
Accounts receivable - net	_____
VANDOLAY INDUSTRIES INC. Statement of Income (partial) For the year ended December 31, 2013	
Bad debt expenses	_____

VANDOLAY INDUSTRIES INC. Statement of Financial Position (partial) As of December 31, 2014	
Accounts receivable	_____
<u>Less:</u> Allowance for doubtful accounts	_____
Accounts receivable - net	_____
VANDOLAY INDUSTRIES INC. Statement of Income (partial) For the year ended December 31, 2014	
Bad debt expenses	_____

Exercise 3: Estimation and Recording of Bad Debt Expense – Percentage of Sales Method

Part A: Prepare the required adjusting journal entry.

During 2014, Vandolay Industries reported \$300,000 in sales. The company's allowance for doubtful accounts has an **unadjusted CREDIT balance of \$12,000 at December 31, 2014**. Based on prior experience, management estimates that 2.5% of sales will result in bad debts.

GENERAL JOURNAL			
Date	Account Titles and Explanation	Debit	Credit

+ Bad Debt Expense (E) –				– Allowance for Doubtful Accounts (XA) +			
						Beg. Bal.	
End Bal.						End Bal.	

VANDOLAY INDUSTRIES INC.	
Statement of Financial Position (partial)	
As of December 31, 2014	
Accounts receivable	\$ 150,000
<u>Less: Allowance for doubtful accounts</u>	_____
Accounts receivable - net	_____
VANDOLAY INDUSTRIES INC.	
Statement of Income (partial)	
For the year ended December 31, 2014	
Bad debt expenses	_____

Part B: Prepare the required adjusting journal entry.

Assume instead that the company's allowance for doubtful accounts has an **unadjusted DEBIT balance of \$400 at December 31, 2014.**

GENERAL JOURNAL					
Date		Account Titles and Explanation		Debit	Credit

+ Bad Debt Expense (E) -				- Allowance for Doubtful Accounts (XA) +			
				Beg. Bal.			
End Bal.						End Bal.	

VANDOLAY INDUSTRIES INC.	
Statement of Financial Position (partial)	
As of December 31, 2014	
Accounts receivable	\$ 150,000
<u>Less: Allowance for doubtful accounts</u>	_____
Accounts receivable - net	_____
VANDOLAY INDUSTRIES INC.	
Statement of Income (partial)	
For the year ended December 31, 2014	
Bad debt expenses	_____

Exercise 4: Estimation and Recording of Bad Debt Expense – Aging of Accounts Receivable Method

Part A: Prepare the required adjusting journal entry.

During 2014, Vandolay Industries reported \$300,000 in sales. The company's allowance for doubtful accounts has an **unadjusted CREDIT balance of \$12,000 at December 31, 2014**. Vandolay Industries accountants prepared the following Aging of Accounts Receivable:

Customer	Total	Number of Days Unpaid			
		0-30	30-60	60-90	Over 90
Alpha Sales	\$ 700		\$ 700		
Gamma Manufacturing Co.	1,900	\$ 1,900			
Delta Shipping Corp.	2,200			\$ 2,200	
Epsilon Industries	6,000				\$ 6,000
Theta Manufacturing	1,800		1,800		
Zeta Industries	600		600		
Other customers	136,800	88,100	26,900	9,800	12,000
Totals	\$150,000	\$90,000	\$30,000	\$12,000	\$18,000

Vandolay accountants believe that receivables 0-30 days old have a 5% chance of non-collection. Receivables 30-60 days old have a 10% chance of non-collection. Receivables 60-90 days old have a 20% chance of non-collection. Receivables over 90 days old have a 40% chance of non-collection.

GENERAL JOURNAL			
Date	Account Titles and Explanation	Debit	Credit

+ Bad Debt Expense (E) –				– Allowance for Doubtful Accounts (XA) +			
						Beg. Bal.	
End Bal.						End Bal.	

VANDOLAY INDUSTRIES INC. Statement of Financial Position (partial) As of December 31, 2014		Accounts receivable	_____
		<u>Less:</u> Allowance for doubtful accounts	_____
		Accounts receivable - net	_____
VANDOLAY INDUSTRIES INC. Statement of Income (partial) For the year ended December 31, 2014		Bad debt expenses	_____

Part B: Assume instead that the company's allowance for doubtful accounts has an **unadjusted DEBIT balance of \$400 at December 31, 2014.**

GENERAL JOURNAL			
Date	Account Titles and Explanation	Debit	Credit

+ Bad Debt Expense (E) -			
End Bal.			

- Allowance for Doubtful Accounts (XA) +			
Beg. Bal.			
		End Bal.	

VANDOLAY INDUSTRIES INC. Statement of Financial Position (partial) As of December 31, 2014	
Accounts receivable	_____
<u>Less:</u> Allowance for doubtful accounts	_____
Accounts receivable - net	_____
VANDOLAY INDUSTRIES INC. Statement of Income (partial) For the year ended December 31, 2014	
Bad debt expenses	_____