Cirque de Liverpool Ltd (CDLL) reported the following amounts at the end of 2008.

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| **Accounts receivable** | £265,000 |  |
| **Allowance for doubtful accounts** |  | £15,000 |
| **Bad debt expense** | £45,000 |  |

During 2009, the following transactions occurred:

* + Sales on account of £395,000
  + Accounts written off for £20,000
  + Collection of accounts of £450,000, which includes an amount of £75,000 on which a 3% sales discount was allowed
  + Receipt of £10,000 from an account that was written off in 2007

CDLL has lost their controller during the year due to a salary disagreement issue. They have hired you as their temporary controller for the moment.

**Complete the following:**

* 1. Prepare the journal entries, when necessary, for the transactions that occurred during 2009.
  2. The company’s accounting policies indicate that a provision for bad debts should be recorded at the end of each year based on 5% of the net credit sales of the year. Prepare the necessary journal entry showing the details of your computation.
  3. Prepare the balance sheet presentation at the end of 2009 for the accounts receivable, assuming the company followed the percentage of credit sales method.