At the end of 2011, Geisel, Inc has a $1,000 **debit** balance in the Allowance for Doubtful

Accounts, before adjusting entries were prepared. Credit sales for 2011 totaled $510,000. Sales returns for 2011 were $10,000. Credit Sales for 2010 were $610,000. Sales returns for 2010 were

$10,000. The following aging analysis of Accounts Receivable was prepared at 12/31/11:

|  |  |  |
| --- | --- | --- |
| Age Classification | 12/31/11 $Amount | Estimated % Uncollectible |
| Current not yet due | 110,000 | 1% |
| 1-30 days past due | 15,000 | 2% |
| 31-60 days past due | 10,000 | 6% |
| 61-90 days past due | 5,000 | 12% |
| Over 90 days past due | 8,000 | 30% |
| Total | $148,000 |  |

a. Prepare the 12/31/11 adjusting entry using the **aging analysis** approach to estimate bad debts.

b. Calculate the accounts receivable turnover ratio and the days to collect for 2010 and 2011 (round each calculation to one decimal place).

The net receivables balance reported on the company's 12/31/09 financial statements was $120,000. The net receivables balance reported on the 12/31/10 financial statements was $130,000.

c. Discuss the implications of the receivables turnover ratio and days to collect as calculated in part b. Discuss possible reasons for any changes in the calculations.