At December 31, 2011 Ethan Company reports the following results for its calendar year

|  |  |
| --- | --- |
| Cash sales | $1,803,750 |
| Credit sales | 3,534,000 |

In addition, its unadjusted trial balance includes the following items/

|  |  |
| --- | --- |
| Accounts receivable | $1,070,100 Debit |
| Allowance for doubtful accounts | 15,750 Debit |

Required:

1. Prepare the adjusting entry for the company to recognize bad debts under each of the following independent assumptions (Round your answers to the nearest dollar amount. Omit the “$” sign in your response.)
2. Bad debts are estimated to be 2% of credit sales.
3. Bad debts are estimated to be 1% of total sales.
4. An aging analysis estimates that 5% of year-end accounts receivable are uncollectible.
5. Show how accounts Receivable and the Allowance for Doubtful Accounts appear on its December 31, 2011, balance sheet given the facts in part 1a, b, and c. (Amounts to be deducted should be indicated with a minus sign. Omit the “$” sign in your Response.