

Instructions

- Determine the number of days past due for each of the preceding accounts.
- Complete the aging-of-receivables schedule.
- Estimate the allowance for doubtful accounts, based on the aging-of-receivables schedule.
- Assume that the allowance for doubtful accounts for Lipsy Wigs has a credit balance of \$11,350 before adjustment on December 31, 2003. Illustrate the effect on the accounts and financial statements of the adjustment for uncollectible accounts.

Problem 8-3A

Compare two methods of accounting for uncollectible receivables

Objectives 4, 5

- ✓ 1. Year 4: Balance of allowance account, end of year, \$6,750

Minaret Company, which operates a chain of 30 electronics supply stores, has just completed its fourth year of operations. The direct write-off method of recording uncollectible accounts expense has been used during the entire period. Because of substantial increases in sales volume and amount of uncollectible accounts, the firm is considering changing to the allowance method. Information is requested as to the effect that an annual provision of 1/2% of sales would have had on the amount of uncollectible accounts expense reported for each of the past four years. It is also considered desirable to know what the balance of Allowance for Doubtful Accounts would have been at the end of each year. The following data have been obtained from the accounts:

Year	Sales	Uncollectible Accounts Written Off	Year of Origin of Accounts Receivable Written Off as Uncollectible			
			1st	2nd	3rd	4th
1st	\$ 750,000	\$ 600	\$ 600			
2nd	820,000	1,650	750	\$ 900		
3rd	1,050,000	6,200	1,800	1,400	\$3,000	
4th	2,250,000	9,150		1,900	2,950	\$4,300

Instructions

- Assemble the desired data, using the following column headings:

Year	Uncollectible Accounts Expense			Balance of Allowance Account, End of Year
	Expense Actually Reported	Expense Based on Estimate	Increase (Decrease) in Amount of Expense	

- Experience during the first four years of operations indicated that the receivables were either collected within two years or had to be written off as uncollectible. Does the estimate of 1/2% of sales appear to be reasonably close to the actual experience with uncollectible accounts originating during the first two years? Explain.

Diaz Co. produces advertising videos. During the last six months of the current fiscal year, Diaz Co. received the following notes.

	Date	Face Amount	Term	Interest Rate
1.	May 17	\$12,000	45 days	8%
2.	July 6	10,000	60 days	9%
3.	Aug. 1	16,500	90 days	8%
4.	Sept. 1	20,000	90 days	7%
5.	Nov. 29	18,000	60 days	9%
6.	Dec. 18	36,000	60 days	12%

Instructions

- Determine for each note (a) the due date and (b) the amount of interest due at maturity, identifying each note by number.
- Journalize the entry to record the dishonor of Note (3) on its due date. *(continued)*

Problem 8-4A

Records of notes receivable
Journal entries

Objectives 6, 7

SPREADSHEET

Due date, Sept. 4;

maturity, \$150

3. Journalize the adjusting entry to record the accrued interest on Notes (5) and (6) on December 31.
4. Journalize the entries to record the receipt of the amounts due on Notes (5) and (6) in January and February.

Problem 8-5A*Notes receivable entries***Objective 7**

The following data relate to notes receivable and interest for Robbins Co., a financial services company. (All notes are dated as of the day they are received.)

- Mar. 1. Received a \$13,000, 9%, 60-day note on account.
 21. Received a \$7,500, 8%, 90-day note on account.
 Apr. 30. Received \$13,195 on note of March 1.
 May 16. Received a \$40,000, 7%, 90-day note on account.
 31. Received a \$6,000, 8%, 30-day note on account.
 June 19. Received \$7,650 on note of March 21.
 30. Received \$6,040 on note of May 31.
 July 1. Received a \$5,000, 12%, 30-day note on account.
 31. Received \$5,050 on note of July 1.
 Aug. 14. Received \$40,700 on note of May 16.

Instructions

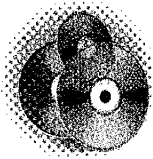
Journalize the entries to record the transactions.

The following were selected from among the transactions completed during the current year by Sonora Co., an appliance wholesale company:

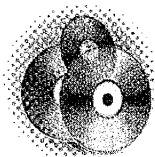
- Jan. 7. Sold merchandise on account to Thi Co., \$7,500. The cost of merchandise sold was \$3,800.
 Mar. 8. Accepted a 60-day, 8% note for \$7,500 from Thi Co. on account.
 May 7. Received from Thi Co. the amount due on the note of March 8.
 June 1. Sold merchandise on account to Kohl's for \$5,000. The cost of merchandise sold was \$3,500.
 5. Loaned \$11,000 cash to Michele Duncan, receiving a 30-day, 6% note.
 11. Received from Kohl's the amount due on the invoice of June 1; less 2% discount.
 July 5. Received the interest due from Michele Duncan and a new 60-day, 9% note as a renewal of the loan of June 5. (Record both the debit and the credit to the notes receivable account.)
 Sept. 3. Received from Michele Duncan the amount due on her note of July 5.
 4. Sold merchandise on account to Stover Co., \$8,000. The cost of merchandise sold was \$5,500.
 Oct. 4. Accepted a 60-day, 6% note for \$8,000 from Stover Co. on account.
 Dec. 3. Stover Co. dishonored the note dated October 4.
 29. Received from Stover Co. the amount owed on the dishonored note, plus interest for 26 days at 6% computed on the maturity value of the note.

Instructions

Journalize the transactions. Round to the nearest dollar.

Problem 8-6A*Sales and notes receivable transactions***Objective 7**

GENERAL LEDGER

PROBLEMS SERIES B**Problem 8-1B***Entries related to uncollectible accounts***Objective 4**

GENERAL LEDGER

The following transactions, adjusting entries, and closing entries were completed by Cascade Contractors Co. during the current fiscal year ended December 31:

- Mar. 17. Received 80% of the \$17,500 balance owed by Baxter Co., a bankrupt business and wrote off the remainder as uncollectible.
 Apr. 20. Reinstated the account of Susan Evans, which had been written off in the preceding year as uncollectible. Journalized the receipt of \$3,782 cash in full payment of Evans' account.
 July 29. Wrote off the \$4,500 balance owed by Cofer Co., which has no assets.
 Oct. 31. Reinstated the account of Mostafa Co., which had been written off in the preceding year as uncollectible. Journalized the receipt of \$7,500 cash in full payment of the account.