

On December 31, 1993, ABC Company's records showed the following results for the year:

Cash sales	741,000
Credit sales	695,500

In addition, the unadjusted trial balance included the following items:

Accounts Receivable	439,400 Debit
Allowance for doubtful accounts	3,655 Debit

**Required:**

1. Prepare the adjusting entry needed on the books of ABC Company to recognize bad debts under each of the following independent assumptions:
  - a. Bad debts are estimated to be 6.9 % of total sales
  - b. Bad debts are estimated to be 3.2 % of credit sales
  - c. It is estimated that 4 % of outstanding receivables at December 31 will be uncollectible.
2. Show how Accounts Receivable and the Allowance for Doubtful Accounts would appear on the December 31, 1993 Statement of Financial Position (Balance Sheet) given the facts in 1b.
3. Show how Accounts Receivable and the Allowance for Doubtful Accounts would appear on the December 31, 1993 Statement of Financial Position (Balance Sheet) given the facts in 1c.

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	ACCOUNT	DEBIT	CREDIT
a)			
	Explain:		
b)			
	Explain:		
c)			
	Explain:		

## Part 2

Accounts Receivable		
Less Allowance for Doubtful Accounts		

## Part 3

Accounts Receivable		
Less Allowance for Doubtful Accounts		

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DATE	ACCOUNT	DEBIT	CREDIT
1a)	Bad Debt Expense	99,118.50	
	Allowance for Doubtful Accounts		99,118.50
	Explain: $(741,000 + 695,500) \times 6.9\%$		
1b)	Bad Debt Expense	22,256.00	
	Allowance for Doubtful Accounts		22,256.00
	Explain: $695,500 \times 3.2\%$		
1c)	Bad Debt Expense	21,231.00	
	Allowance for Doubtful Accounts		21,231.00
	Explain: $439,400 \times 4\% = 17,576$ Credit, the required ending balance of the Allowance Account. Current balance 3,655 Debit		

## Part 2

Accounts Receivable	439,400	
Less Allowance for Doubtful Accounts	<u>18,601</u>	420,799

## Part 3

Accounts Receivable	439,400	
Less Allowance for Doubtful Accounts	<u>17,576</u>	421,824