

CH 7
ASSESSMENT

[The following information applies to the questions displayed below.]

Daley Company prepared the following aging of receivables analysis at December 31.

	Total	Days Past Due				
		0	1 to 30	31 to 60	61 to 90	Over 90
Accounts receivable	\$ 670,000	\$ 416,000	\$ 110,000	\$ 56,000	\$ 38,000	\$ 50,000
Percent uncollectible		3%	.4%	7%	9%	12%

1.

Award: 20.00 points

Problems? [Adjust credit](#) for all students.

Required information

- a. Complete the table below to calculate the estimated balance of Allowance for Doubtful Accounts using aging of accounts receivable.
- b. Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$5,600 credit.
- c. Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$2,100 debit.

Complete this question by entering your answers in the tabs below.

Req A Req B and C

Complete the table below to calculate the estimated balance of Allowance for Doubtful Accounts using aging of accounts receivable.

	Accounts Receivable	x	Percent Uncollectible (%)	=	Estimated Uncollectible
Not due:	\$ 416,000	x	3%	=	\$ 12,480
1 to 30:	110,000	x	4%	=	4,400
31 to 60:	56,000	x	7%	=	3,920
61 to 90:	38,000	x	9%	=	3,420
Over 90:	50,000	x	12%	=	6,000
Estimated balance of allowance for uncollectibles					\$ 30,220 credit

< Req A Req B and C >

Explanation:

b. & c.

Unadjusted balance	\$ 5,600 credit
Estimated balance	30,220 credit
Required adjustment	<u>\$ 24,620 credit</u>
Unadjusted balance	\$ 2,100 debit
Estimated balance	30,220 credit
Required adjustment	<u>\$ 32,320 credit</u>

see next page

P 1 of 8

1.

Award: 20.00 points Problems? Adjust credit for all students.

Required information

- a. Complete the table below to calculate the estimated balance of Allowance for Doubtful Accounts using aging of accounts receivable.
- b. Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$5,600 credit.
- c. Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$2,100 debit.

Complete this question by entering your answers in the tabs below.

Req A **Req B and C**

- b. Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$5,600 credit.
- c. Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$2,100 debit.

Show less ▲

No	Date	General Journal	Debit	Credit
1	December 31	Bad debts expense	24,620	
		Allowance for doubtful accounts		24,620
2	December 31	Bad debts expense	32,320	
		Allowance for doubtful accounts		32,320

< Req A **Req B and C** >

Explanation:

b. & c.	
Unadjusted balance	\$ 5,600 credit
Estimated balance	<u>30,220 credit</u>
Required adjustment	<u>\$ 24,620 credit</u>
Unadjusted balance	\$ 2,100 debit
Estimated balance	<u>30,220 credit</u>
Required adjustment	<u>\$ 32,320 credit</u>

2

[The following information applies to the questions displayed below.]

Daley Company prepared the following aging of receivables analysis at December 31.

	Total	Days Past Due				
		0	1 to 30	31 to 60	61 to 90	Over 90
Accounts receivable	\$ 670,000	\$ 416,000	\$ 110,000	\$ 56,000	\$ 38,000	\$ 50,000
Percent uncollectible		3%	4%	7%	9%	12%

2.

Award: 20.00 points

Problems? Adjust credit for all students.

Required information

- a. Estimate the balance of the Allowance for Doubtful Accounts assuming the company uses 5% of total accounts receivable to estimate uncollectibles, instead of the aging of receivables method.
- b. Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$14,000 credit.
- c. Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$3,000 debit.

Complete this question by entering your answers in the tabs below.

Req A Req B and C

Estimate the balance of the Allowance for Doubtful Accounts assuming the company uses 5% of total accounts receivable to estimate uncollectibles, instead of the aging of receivables method.

Estimated balance of allowance for uncollectibles \$ 33,500 credit

< Req A Req B and C >

Explanation:


a. Computation of the estimated balance of the allowance for uncollectibles:
 $\$670,000 \times 0.05 = \$33,500$ credit

b. & c.

Unadjusted balance	\$ 14,000	credit
Estimated balance	33,500	credit
Required adjustment	<u>\$ 19,500</u>	credit
Unadjusted balance	\$ 3,000	debit
Estimated balance	33,500	credit
Required adjustment	<u>\$ 36,500</u>	credit

see next page

3

 [The following information applies to the questions displayed below.]

Daley Company prepared the following aging of receivables analysis at December 31.

Accounts receivable Percent uncollectible	Total \$ 670,000	Days Past Due				
		0 \$ 416,000 3%	1 to 30 \$ 110,000 4%	31 to 60 \$ 56,000 7%	61 to 90 \$ 38,000 9%	Over 90 \$ 50,000 12%

2.

Award: 20.00 points

Problems? [Adjust credit](#) for all students.

Required information

- Estimate the balance of the Allowance for Doubtful Accounts assuming the company uses 5% of total accounts receivable to estimate uncollectibles, instead of the aging of receivables method.
- Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$14,000 credit.
- Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$3,000 debit.

Complete this question by entering your answers in the tabs below.

Req A **Req B and C**

- Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$14,000 credit.
- Prepare the adjusting entry to record bad debts expense using the estimate from part a. Assume the unadjusted balance in the Allowance for Doubtful Accounts is a \$3,000 debit.

Show less ▲

No	Date	General Journal	Debit	Credit
1	December 31	Bad debts expense	19,500	
		Allowance for doubtful accounts		19,500
2	December 31	Bad debts expense	36,500	
		Allowance for doubtful accounts		36,500

< Req A

Req B and C >

Explanation:

a.
Computation of the estimated balance of the allowance for uncollectibles:
\$670,000 × 0.05 = \$33,500 credit

b. & c.

Unadjusted balance	\$ 14,000 credit
Estimated balance	33,500 credit
Required adjustment	<u>\$ 19,500 credit</u>
Unadjusted balance	\$ 3,000 debit
Estimated balance	33,500 credit
Required adjustment	<u>\$ 36,500 credit</u>

4

[The following information applies to the questions displayed below.]

At year-end December 31, Chan Company estimates its bad debts as 0.40% of its annual credit sales of \$803,000. Chan records its bad debts expense for that estimate. On the following February 1, Chan decides that the \$402 account of P. Park is uncollectible and writes it off as a bad debt. On June 5, Park unexpectedly pays the amount previously written off.

3.

Award: 20.00 points Problems? Adjust credit for all students.

Required information

Prepare Chan's journal entries to record the transactions of December 31, February 1, and June 5.

No	Date	General Journal	Debit	Credit
1	December 31	Bad debts expense	3,212	
		Allowance for doubtful accounts		3,212
2	February 01	Allowance for doubtful accounts	402	
		Accounts receivable—P. Park		402
3	June 05	Accounts receivable—P. Park	402	
		Allowance for doubtful accounts		402
4	June 05	Cash	402	
		Accounts receivable—P. Park		402

Explanation:

December 31 To record estimated bad debts expense ($0.004 \times \$803,000$) = \$3,212

4.

Award: 20.00 points Problems? Adjust credit for all students.

Following are transactions for Vitalo Company.

- November 1** Accepted a \$8,000, 180-day, 9% note from Kelly White in granting a time extension on her past-due account receivable.
- December 31** Adjusted the year-end accounts for the accrued interest earned on the White note.
- April 30** White honored her note when presented for payment.

Complete the table to calculate the interest amounts at December 31st and April 30th and use those calculated values to prepare your journal entries. (Do not round intermediate calculations. Use 360 days a year.)

Complete this question by entering your answers in the tabs below.

Interest Amounts

General Journal

Complete the table to calculate the interest amounts at December 31st and April 30th.

	Total Through Maturity	November 1 Through December 31	January 1 Through April 30
Principal	\$ 8,000	\$ 8,000	\$ 8,000
Rate (%)	9%	9%	9%
Time	180/360 ▾	60/360 ▾	120/360 ▾
Total interest	\$ 360	\$ 120 ^{+/-1}	\$ 240 ^{+/-1}

< Interest Amounts

General Journal >

Explanation:

December 31 Interest Revenue $\$8,000 \times 0.09 \times 60 / 360 = \120
 April 30 Interest Revenue $\$8,000 \times 0.09 \times 120 / 360 = \240

6

4.

Award: 20.00 points Problems? Adjust credit for all students.

Following are transactions for Vitalo Company.

- November 1** Accepted a \$8,000, 180-day, 9% note from Kelly White in granting a time extension on her past-due account receivable.
- December 31** Adjusted the year-end accounts for the accrued interest earned on the White note.
- April 30** White honored her note when presented for payment.

Complete the table to calculate the interest amounts at December 31st and April 30th and use those calculated values to prepare your journal entries. (Do not round intermediate calculations. Use 360 days a year.)

Complete this question by entering your answers in the tabs below.

Interest Amounts **General Journal**

Use those calculated values to prepare your journal entries.

No	Date	General Journal	Debit	Credit
1	November 01	Notes receivable—K. White	8,000	
		Accounts receivable—K. White		8,000
2	December 31	Interest receivable	120 ^{+/-1}	
		Interest revenue		120 ^{+/-1}
3	April 30	Cash	8,360 ^{+/-1}	
		Notes receivable—K. White		8,000
		Interest revenue		240 ^{+/-1}
		Interest receivable		120 ^{+/-1}

< Interest Amounts **General Journal** >

Explanation:

December 31 Interest Revenue $\$8,000 \times 0.09 \times 60 / 360 = \120
 April 30 Interest Revenue $\$8,000 \times 0.09 \times 120 / 360 = \240

7

5.

Award: 20.00 points Problems? [Adjust credit](#) for all students.

Dexter Company uses the direct write-off method.

March 11 Dexter determines that it cannot collect \$9,800 of its accounts receivable from Leer Company.

March 29 Leer Company unexpectedly pays its account in full to Dexter Company. Dexter records its recovery of this bad debt.

Prepare journal entries to record the above transactions.

No	Date	General Journal	Debit	Credit
1	March 11	Bad debts expense	9,800	
		Accounts receivable—Leer Company		9,800
2	March 29	Accounts receivable—Leer Company	9,800	
		Bad debts expense		9,800
3	March 29	Cash	9,800	
		Accounts receivable—Leer Company		9,800

Explanation:

No further explanation details are available for this problem.

8