

CHAPTER REVIEW

1. Make the adjusting entry to record estimated bad debt losses by using the allowance method of recording bad debts.

The adjusting entry is a debit to Bad Debts Expense and a credit to Allowance for Doubtful Accounts.

- (a) **Determine the amount of the adjusting entry by aging Accounts Receivable.**

Classify each charge customer's account according to the number of days past due (thirty days, sixty days, and so on).

Multiply the total for each time period by a given percentage deemed to be uncollectible, and sum the totals.

Assuming that the Allowance for Doubtful Accounts has a credit balance, subtract the amount of the credit balance from the amount estimated to be uncollectible to get the amount of the adjusting entry.

- (b) **Determine the amount of the adjusting entry by using a percentage of Accounts Receivable.**

Multiply the balance of Accounts Receivable by the given percentage. Next, assuming that Allowance for Doubtful Accounts has a credit balance, subtract the amount of the credit balance from the percentage amount to get the amount of the adjusting entry.

- (c) **Calculate the amount of the adjusting entry by using a percentage of net sales or net credit sales.**

Multiply the amount of net sales or net credit sales by the given percentage and make the adjusting entry for the amount determined.

2. Journalize the entries to write off accounts receivable as being uncollectible, using the allowance method of accounting for bad debt losses.

Debit Allowance for Doubtful Accounts and credit Accounts Receivable.

3. Journalize entries to reinstate accounts receivable previously written off, using the allowance method.

Debit Accounts Receivable and credit Allowance for Doubtful Accounts (the opposite of a write-off).

4. Journalize the entries to write off accounts receivable as being uncollectible, using the specific charge-off method.

Debit Bad Debts Expense and credit Accounts Receivable.

5. Journalize entries to reinstate accounts receivable previously written off, using the specific charge-off method.

Debit Accounts Receivable and credit Bad Debts Recovered.