

EXERCISE E9-3, pages 441

(a) (1) Direct write-off method:

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
12/31	Bad Debts Expense		1,400	
	Accounts Receivable - Gaga			1,400

(a) (2) Write-off using "Allowance" method:

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
12/31	<i>Allowance for Doubtful Accts.</i>		1,400	
	<i>Accounts Receivable - Gaga</i>			1,400

EXERCISE E9-3, pages 441 (continued)

(b) Now using which method?

ALLOWANCE

In each of the four cases the year-end adjusting journal entry will be the same; only the amount will be different:

Date	Account Titles	Ref	Debit	Credit
12/31	Bad Debts Expense		xxx	
	Allowance for Doubtful Accts			xxx

Allowance for Doubtful Accounts

* 2,100

*

(1) \$10,200 (\$8,100 + \$2,100)
 \$ 8,100 (1% x \$810,000)
 \$ 6,000 (\$8,100) \$2,100)

(2) \$14,100 (\$12,000 + \$2,100)
 \$12,000 (\$120,000 x 10%)
 \$ 9,900 (\$12,000) \$2,100)

EXERCISE E9-3 (continued)

In each of the four cases the journal entry will be the same; only the amount will be different:

Date	Account Titles	Ref	Debit	Credit
12/31	Bad Debts Expense		XXX	
	Allowance for Doubtful Accts			XXX

Allowance for Doubtful Accounts

200 *

*

- (1) \$5,875 (\$6,075) \$200
 \$6,075 (.75% x \$810,000)
 \$6,275 (\$6,075 + \$200)
- (2) \$7,000 (\$7,200) \$200
 \$7,200 (6% x \$120,000)
 \$7,400 (\$7,200 + \$200)

EXERCISE E9-4
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<u>Month</u>	<u>Balance</u>	<u>Percent</u>	<u>Estimate</u>
March	\$60,000	2.0%	\$1,200
February	17,600	5.0%	880
January	8,500	30.0%	2,550
Prior to Jan.	<u>7,000</u>	50.0%	<u>3,500</u>
Total	<u>\$93,100</u>		<u>\$8,130</u>

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
3/31	Bad Debts Expense		6,930	
	Allow for Doubtful Accts			6,930
	(\$8,130) \$1,200)			

EXERCISE E9-6

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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
12/31	Bad Debts Expense		8,000	
	Allow for Doubtful Accts			8,000
5/11	Allow for Doubtful Accts		1,100	
	Accts Rec - Lundquist			1,100
6/12	Accts Rec - Lundquist		1,100	
	Allow for Doubtful Accts			1,100
6/12	Cash		1,100	
	Accts Rec - Lundquist			1,100

EXERCISE E9-10 – page 442

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
11/1	Notes Receivable		15,000	
	Cash			15,000
12/11	Notes Receivable		6,750	
	Sales			6,750
	(What about COGS?)			
16	Notes Receivable		4,000	
	Accts Rec - Reber			4,000

Interest Calculations

<u>Principal</u>	<u>Rate</u>	<u>Time</u>	<u>Interest</u>
\$15,000	10%	2/12	\$250
\$ 6,750	8%	20/360	30
\$ 4,000	9%	.5/12	15
Total			<u>\$295</u>

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
31	Interest Receivable		295	
	Interest Revenue			295

EXERCISE E9-11

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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
5/1	Notes Receivable		7,500	
	Accts Rec- J. Gonzalez			7,500
12/31	Interest Receivable		500	
	Interest Revenue			500
31	Interest Revenue		500	
	Income Summary			500

Interest Receivable

A 500 *
 *
 *

Interest Revenue

C 500 * A 500
 *
 *

EXERCISE E9-11

(continued)

2013

Jan 1 Recorded the reversing entry for accrued interest.

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
1/1	Interest Revenue		500	
	Interest Receivable			500

Interest Receivable

A	500	*	R	500	
		*			
		*			

Interest Revenue

C	<u>500</u>	*	A	<u>500</u>	
		*			
		*			

May 1 Received principal ...

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
5/1	Cash		8,250	
	Notes Receivable			7,500
	Interest Revenue			750

EXERCISE E9-9

(continued)

2013

May 1 Received principal ... (as stated in the text assuming no reversing entry was made)

Interest Receivable

A	500	*
		*
		*

Interest Revenue

C	<u>500</u>	*	A	<u>500</u>
		*		
		*		

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
5/1	Cash		8,250	
	Notes Receivable			7,500
	Interest Receivable			500
	Interest Revenue			250

Interest Receivable

A	500	*	500
		*	
		*	

Interest Revenue

	<u>500</u>	*	A	<u>500</u>
		*		250
		*		

BRIEF EXERCISE BE9-4

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Date	Account Titles	Ref	Debit	Credit
1/24	Allow for Doubtful Accts		5,400	
	Accts Rec - Lynn			5,400

	<u>Before</u>	<u>Change</u>	<u>After</u>
Accts Receivable	\$700,000	- 5,400	\$694,600
) A.F.D.A	- 54,000	- 5,400	- 48,600
= Realizable Value*	<u>\$646,000</u>		<u>\$646,000</u>

* **Cash Realizable Value**
Expected Realizable Value
Net Realizable Value

BRIEF EXERCISE BE9-5

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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
3/4	Accts Rec - Lynn		5,400	
	Allow for Doubtful Accts			5,400
4	Cash		5,400	
	Accts Rec - Lynn			5,400

BRIEF EXERCISE BE9-6

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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
12/31	Bad Debts Expense		???	
	Allow for Doubtful Accts			???

Choices:

- \$ 6,100 (\$15,100) \$9,000)
- \$15,100 (\$755,000 x 2%)
- \$24,100 (\$15,100 + \$9,000)

BRIEF EXERCISE BE9-7

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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
12/31	Bad Debts Expense		???	
	Allow for Doubtful Accts			???

(a) Choices:

\$3,000 (\$4,500) \$1,500)

\$4,500 (\$450,000 x 1%)

\$6,000 (\$4,500 + \$1,500)

(b) Choices:

\$5,300 (\$4,500 + \$800)

\$4,500 (\$450,000 x 1%)

\$3,700 (\$4,500) \$800)