

Receivables: Bad Debts
Chapter 9

Premise

When you extend credit to _____, you know some _____ will not pay.

Solutions

- I. Notes Receivable and Interest Revenue
- II. Uncollectible Accounts

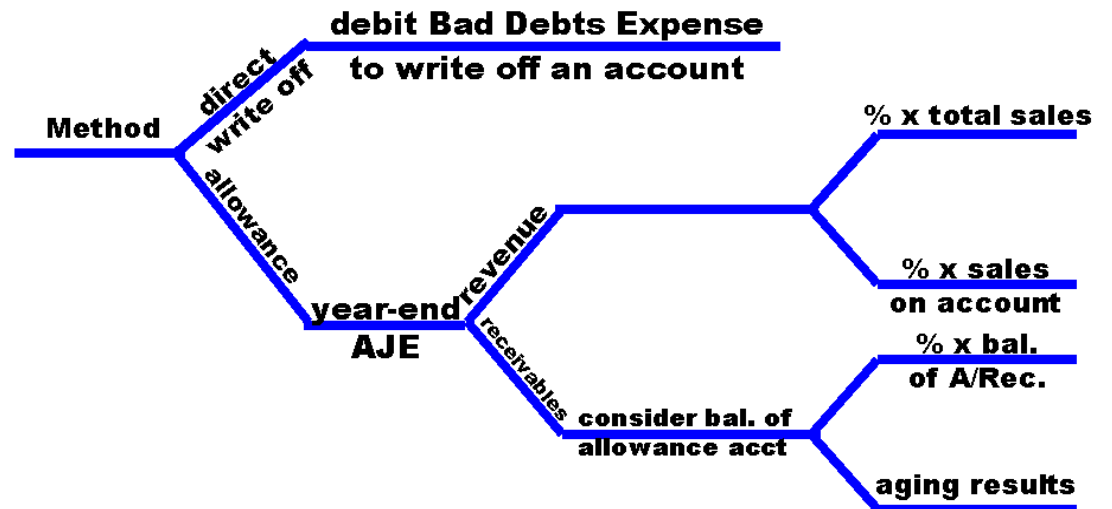
Sometimes Referred to As

- 1. Uncollectible Accounts
- 2. Doubtful Accounts
- 3. _____

Methods

- 1. _____ method
- 2. _____ method

Uncollectible Accounts

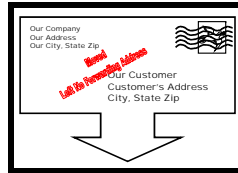


Comparison of Allowance and Direct Write-Off Methods

I. Allowance Method
 advance provision for _____ of accounts
 thought to be uncollectible

A. Advantages

1. provides better _____ of expenses with time period
2. reduces value of receivables to the amount of _____ expected to be collected



B. Provision for _____ at year end:

	est.	
		est.

What kind of an account is Allowance for Doubtful Accounts?

Why use a _____ account?
 Do not know which _____

C. Estimate may be based on:

1. _____ (I.S. view)
2. _____ (B.S. view)

(refer to decision tree)

II. Direct Write-Off Method
 expense recognized when account determined to be worthless

A. Advantage: _____

B. _____

C. _____

Allowance Method (cont'd)

D. Write off an account:

	bal.	
		bal.

E. Reinstate if collected:

	col.	
		col.

record cash collection as usual

Direct Write-Off Method (cont'd)

D. Write off an account:

	bal.	
		bal.

E. Reinstate if collected:

	col.	
		col.

record cash collection as usual

