


GENERAL JOURNAL								
Date	Accounts	Debit	Credit					
11-Jun	Cash	20,685						
	Service Charges	315						
	Service Revenue		21,000					
	<i>Sold merchandise on "bank card;" same day funding, net of fee of 1.5% assessed by bank</i>							
11-Jun	Accounts Receivable	2,820						
	Service Charges	120						
	Service Revenue		3,000					
	<i>Sold merchandise on "nonbank card," recorded 4% fee</i>							
25-Jun	Cash	2820						
	Accounts Receivable		2,820					
	<i>Collected amount due from credit card company</i>							

(a)(c)

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Date	Accounts	Debit	Credit	
	Uncollectible Accounts Allowance	50,000		
	Accounts Receivable		50,000	
	<i>To write off the Timber Creek account as uncollectible.</i>			
	Accounts Receivable	50,000		
	Uncollectible Accounts Allowance		50,000	
	<i>Reversing the earlier entry to reflect a change in collectibility on the Timber Creek account.</i>			
	Cash	50,000		
	Accounts Receivable		50000	
	<i>To record the payment received from Timber Creek for sales on account.</i>			
(b)	This will not affect income because the Uncollectible Accounts Allowance Account already has funds to cover the loss of value to the Accounts Receivable account. The company has in essence used profits from past years to provide insurance against this current loss.			

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Date	Accounts	Debit	Credit	
Dec. 1	Notes Receivable	24,000		
	Accounts Receivable		24,000	
	<i>To record issuance of 10%, 1-year note, in exchange for outstanding receivable</i>			
Dec. 31	Interest Receivable	200		
	Interest Income		200	
	<i>To accrued interest on note (\$24,000 X 10% X 1/12)</i>			
Nov. 30	Cash	26,400		
	Interest Income		2,200	
	Interest Receivable		200	
	Notes Receivable		24,000	
	<i>To record interest income (11 months) and collection of note receivable and previously accrued interest</i>			
If Lambert had defaulted, Cash would not have been debited on the Nov. 30th entry. Instead, either Accounts Receivable or Allowance for Uncollectible accounts would have replaced it, depending on whether or not Musaka believed he could collect from Lambert.				

(a)					
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	Date	Accounts	Debit	Credit	
	various	Accounts Receivable	6,000,000		
		Sales Revenue		6,000,000	
		To record sales on account			
	various	Cash	4,800,000		
		Accounts Receivable		4,800,000	
		To record collections on account			
	various	Sales Discounts	68,000		
		Accounts Receivable		68,000	
		To record sales discounts			
	various	Uncollectible Accounts Allowance	33,000		
		Accounts Receivable		33,000	
		To write-off uncollectible accounts			
	31-Dec	Uncollectible Accounts Expense	60,000		
		Uncollectible Accounts Allowance		60,000	
		To increase allowance			
(b)	67000				
	GENERAL JOURNAL				
	Date	Accounts	Debit	Credit	
	Dec 31	Accounts Receivable	6,600,000		
		Sales Revenue		6,600,000	
		To record sales on account			
	Dec 31	Cash	5,900,000		
		Accounts Receivable		5,900,000	
		To record collections on account			
	Dec 31	Sales Discounts	88,000		
		Accounts Receivable		88,000	
		To record sales discounts			
	Dec 31	Uncollectible Accounts Allowance	53,000		
		Accounts Receivable		53,000	
		To write-off uncollectible accounts			
	31-Dec				
		To increase allowance (see calculations on next page)			
	CALCULATION OF ALLOWANCE FOR 20X8				
			Receivables	Allowance	
		Beginning balance (20X7)	\$ 1,500,000	\$ 40,000	
		Sales on account (20X7)	6,000,000	- 0	
		Collections on account (20X7)	4,800,000	- 0	
		Sales discounts (20X7)	68,000	- 0	
		Accounts written off (20X7)	33,000	33,000	
		Additions to allowance (20X7)	60,000	60,000	
		Ending balance (20X7)	\$ 2,539,000	\$ 67,000	
			Receivables	Allowance	
		Beginning balance (20X8)	\$ 2,539,000	\$ 67,000	
		Sales on account (20X8)	6,600,000	- 0	
		Collections on account (20X8)	5,900,000	- 0	
		Sales discounts (20X8)	88,000	- 0	
		Accounts written off (20X8)	53,000	53,000	
		Subtotals	\$ 3,098,000	\$ 14,000	
		* Additions to allowance (20X8)	92,940	92,940	
		Ending balance (20X8)	\$ 3,005,060	\$ 106,940	
	*				
(c)	The objective in deciding which technique is appropriate is to get the most accurate estimate for how many accounts will be uncollectible for a given year. Myssie's decision to adopt a new technique could have been influenced by trends or other patterns in uncollectible accounts, including changes in how frequently or what types of accounts were uncollectible, or other factors such as how many resources the company had to devote to estimating the amount of uncollectible revenue.				

Customer	Date of Sale	Amount		
Air There Freight	December 11, 2010	12,300		
Aurora	November 12, 2010	5,000		
Batesville	August 18, 2010	14,805		
CarMan	December 9, 2010	21,900		
Clinic Quick	August 15, 2009	16,040		
Delorres River Guides	September 19, 2010	8,990		
Elonzo's Restaurant	December 17, 2010	11,789		
Hospital Supply	December 4, 2010	135,100		
Inidigo	November 29, 2010	16,500		
Meridan Oil	May 20, 2010	11,786		
Museum of Art	December 21, 2010	255,000		
Norman's	December 23, 2010	10,000		
Novellus	February 16, 2010	18,780		
Robert Ricketts	December 14, 2010	3,550		
Sanchez Systems	October 25, 2010	22,310		
Security by the Hour	December 13, 2010	40,900		
Stop Shop	December 27, 2010	34,700		
Target Time	February 3, 2010	14,440		
Uvlade Ranch	December 7, 2010	3,700		
Xhi	October 20, 2010	15,100		
Zebra Sports	December 3, 2010	144,000		
AGE	BALANCE	ESTIMATED % UNCOLLECTIBLE	ESTIMATED AMOUNT UNCOLLECTIBLE	
0 to 30 days	\$ 672,939	1%	\$ 6,729	
31 to 90 days	58,910	3%	1,767	
91 to 180 days	39,835	10%	3,984	
Over 180 days	45,006	40%	<u>18,002</u>	
			<u><u>\$ 30,483</u></u>	

GENERAL JOURNAL				
Date	Accounts	Debit	Credit	
(b)	Allowance for Uncollectible Accounts	30,483		
	Accounts Receivable		30,483	
	<i>To reflect the estimated amount of uncollectible accounts based on aging</i>			
(c)	Allowance for Uncollectible Accounts	30,483		
	Accounts Receivable		30,483	
	<i>To reflect the estimated amount of uncollectible accounts based on aging</i>			
(d)	The Allowance for Uncollectible Accounts could have a debit balance if the amount of uncollectible accounts had exceeded the allowance.			