

**Homework 5**

Due by 12PM CT (noon) on Tuesday, October 1<sup>st</sup>  
Answers to this homework assignment must be submitted online through eLearning

**Section 1: Revenue Recognition**

1. Nadia's Brews is a coffee bean company. The company normally sells a bulk bag of dark roast coffee beans for \$200, which costs the company \$170. To incentivize customers to purchase, the company offers a 10% discount for a limited time. During this discount period, the company sells 15 bags of coffee beans and all customers purchase on credit. Record the journal entries for these sales.
  
2. If a company offers a sales discount with terms 2/15, n/45, that means that the customer gets a \_\_\_\_\_ percent discount if they pay within \_\_\_\_\_ days. Otherwise, the customer owes the full amount in \_\_\_\_\_ days.
  
3. On July 15, Nadia's Brews sold 5 bags of light roast coffee beans to a customer for \$210 each, which cost the company \$175 each. The customer made the purchase on account. Record the journal entries for July 15.

Nadia's Brews offered the customer a sales discount of 3/10, n/40. On July 23, the customer paid for the order. Record the journal entries for July 23.

4. On July 24, Nadia's Brews sold a customer several bags of coffee beans priced at \$800 total that cost Nadia's Brews \$600. The customer paid in cash and the customer has the right to return the order within 30 days. Record the journal entries for July 24.

On July 30, the customer returns half of the order. Record the journal entry to account for the return.

5. How much would Nadia's Brews recognize in net revenue (AKA net sales) for the month of July based on the events of questions 3 and 4?

## **Section 2: Accounts Receivable**

6. Nami's Navigational Services had \$60,000 in credit sales in 2014. Based on past experience, the company estimates that 2% of credit sales will be uncollectible. Calculate the estimated bad debt expense for 2014.

Record the adjusting entry at the end of 2014 to recognize this bad debt expense.

7. During 2018, Nami's Navigational Services had \$75,000 in credit sales. Of this, \$10,000 remains uncollected at December 31, 2018. The company estimates that \$1,500 will be uncollectible.

(a) Record the adjusting entry at the end of 2018 to recognize bad debt expense.

(b) On December 31, 2018, what was the balance of Accounts Receivable, gross? What was the balance of Accounts Receivable, net?

(c) On February 1, 2019, Nami's Navigational Services decides that \$500 owed by Customer A is uncollectible and needs to be written-off. Record the journal entry to recognize this write-off.

(d) On June 1, 2019, Customer A pays the \$500 that had been written off on February 1. Record the journal entry to recognize this payment.

8. Consider the following information about Straw Hat Logistics:

- On December 31, 2012, Straw Hat Logistics, Inc. had \$12,000 in Allowance for Doubtful Accounts
- On December 10, 2013, the company decided \$7,500 owed by Customer A should be written-off
- On December 22, 2013, the company decided an additional \$6,000 owed by Customer B should be written-off
- On December 31, 2013, the company had \$15,000 in Allowance for Doubtful Accounts

(a) Using the T-account below, fill in all appropriate amounts for 2013, including beginning balance, any increases, any decreases, and ending balance. Calculate bad debt expense for 2013.

Allowance for Doubtful Accounts (xA, A)


(b) Consider the total write-offs during December 2013 of \$13,500. What effect do these write-offs have on Accounts Receivable, Gross (if any)? What effect do these write-offs have on Accounts Receivable, Net (if any)?

9. At the beginning of 2018, Straw Hat Logistics had a beginning balance of \$25,000 for Allowance for Doubtful Accounts. During 2018, the company wrote off \$22,500 in receivables. On December 31, 2018, the company provided the following aging of its receivables.

Age of Accounts	Receivables Balance	Estimated % Uncollectible	Estimated \$ Uncollectible
0-30 days	\$420,000	0.5%	
31-60 days	200,000	5.2%	
61-90 days	75,000	10.3%	
91-120 days	35,000	21.5%	
Over 121 days	15,000	75.2%	
<b>Total</b>	<b>\$745,000</b>		

(a) Calculate the estimated amount (\$) uncollectible and fill in the column of the table. What is the total estimated amount uncollectible?

(b) Fill in the Allowance for Doubtful Accounts T-account below for 2018. Note that the total estimated amount uncollectible you calculated in (a) is the ending balance for 2018. How much would Straw Hat Logistics recognize in bad debt expense for 2018?

Allowance for Doubtful Accounts (xA, A)


(c) Note that in the table, “Receivables Balance” is the same thing as Accounts Receivable, Gross. This is the total amount of receivables as of December 31, 2018. What is the amount of Accounts Receivables, Net on December 31, 2018?

10. Consider the following information about Cowboys Coaching:

- On December 31, 2018, the company had \$20,000 in Allowance for Doubtful Accounts
- During the year 2019, the company determined \$16,000 owed by customers were uncollectible and were written-off.
- On December 31, 2019, the company estimated bad debt expense of \$18,000.

Using the T-account below, fill in all appropriate amounts for 2019 and calculate the ending balance of Allowance for Doubtful Accounts on December 31, 2019.

Allowance for Doubtful Accounts (xA, A)
