

Solution:

(1)

(a) Under the specific write-off method, the amount is assumed to be collectible unless stated otherwise. Therefore, the effect on balance sheet due to these transactions is as follows:

Transaction	Effect on Balance Sheet Equation		
	Assets =	Liabilities +	Stockholders' Equity
Sales of 2021	+\$900,000 (accounts receivable)		+\$900,000 (sales)
Write-off 2022	-\$16,000 (accounts receivable)		-\$16,000 (bad debt expense)

(b) Under the allowance method, the amount is reliably estimated as the allowance for bad debt and is added to the estimation before. Therefore, the effect on balance sheet due to these transactions is as follows:

Transaction	Effect on Balance Sheet Equation		
	Assets =	Liabilities +	Stockholders' Equity
Sales of 2021	+\$900,000 (accounts receivable)		+\$900,000 (sales)
	-\$18,000 (allowance for bad debt)		-\$18,000 (bad debt expense)
Write-off 2022	+\$16,000 (allowance for bad debt)		
	-\$16,000 (accounts receivable)		

The allowance method is a better method because it allows us to reliably perform the write-off in accordance with the matching principle of accounting.

(2)

The journal entries for both methods is given in the next page
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JOURNAL ENTRY FOR THE SALES (in thousands of \$)

Name: Downtown Department Store

Year	Particulars	Debit	Credit
(a) Using specific write-off method			
2021	Accounts Receivable To Sales Revenue	900	900
2022	Bad Debts Expense To Accounts Receivable	16	16
(b) Using allowance method			
2021	Accounts Receivable To Sales Revenue To Allowance for Bad Debt	900	882 18
2022	Allowance for Bad Debt To Accounts Receivable	16	16