(1)

(a)

In the specific write-off method, amounts are considered fully payable unless proved otherwise. Thus, the updates are as follows:

|  |  |
| --- | --- |
| Particulars | Amount |
| Sales of goods on credit | +900,000 in assets  (Increase in Accounts Receivable)  +900,000 in equity  (Increase in Sales) |
| Bad Debt Expenses that are never paid back (confirmed) | -16,000 in assets  (Decrease in Accounts Receivable)  -16,000 in equity  (Increase in Bad Debt Expenses) |

(b)

In the allowance method, we need to estimate bad debts beforehand and use this estimate as the means to understand that extra money that was unexpected is a bonus for company. Thus, the updates are as follows:

|  |  |
| --- | --- |
| Particulars | Amount |
| Sales of goods on credit | +882,000 in assets  (Increase in Accounts Receivable)  -18,000 in equity  (Increase in Debt Allowance)  +900,000 in equity  (Increase in Sales) |
| Bad Debt Expenses that are never paid back (confirmed) | +16,000 in assets  (Decrease in Debt Allowance)  -16,000 in assets  (Decrease in Accounts Receivable) |

The allowance method is better as it allows the company to relate their bad debts to their income at the sales and hence, conforms majorly to the matching principle of accounting.

(2)

The journal entries for the two methods are as follows:

1. **Specific Write-Off Method**

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Particulars | Debit | Credit |
|  | Accounts Receivable  To Sales | 900,000 | 900,000 |
|  | Bad Debt Expense  To Accounts Receivable | 18,000 | 18,000 |

1. **Allowance Method**

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Particulars | Debit | Credit |
|  | Accounts Receivable  To Sales | 900,000 | 900,000 |
|  | Bad Debt Expense  To Allowance for Debts | 18,000 | 18,000 |
|  | Allowance for Debts  To Accounts Receivable | 16,000 | 16,000 |