

E6-2.

Sales revenue (\$3,000 + \$9,000 + \$4,000).....	\$16,000
Less: Sales discounts (\$9,000 collected from S x 3%)	270
Less: Credit card discounts (\$3,000 from R x 2%).....	<u>60</u>
Net sales	<u>\$15,670</u>

E6-8.**Accounts Receivable (Gross)**

Beg. balance	48,067	289,850	Collections on acct.
Sales on account	304,423	6,969	Write-offs
End. balance	55,671		

Allowance for Doubtful Accounts

		8,384	Beg. balance
Write-offs	6,969	4,685	Bad debt exp.
		6,100	End. balance

Income statement:

Selling, general, and administrative expenses:

Bad debt expense	\$4,685
------------------------	---------

Balance sheet:

Current assets

Accounts receivable	\$55,671	
Less: Allowance for doubtful accounts	<u>6,100</u>	\$49,571

E6-9.

- (a) Allowance for doubtful accounts (−XA, +A) 4,000
 Accounts receivable (−A)..... 4,000
 To write off a specific bad debt.
- (b) Bad debt expense (+E, −SE) (\$1,300,000 x 0.01) 13,000
 Allowance for doubtful accounts (+XA, −A) 13,000
 To record estimated bad debt expense.

E6-11.

	Assets	Liabilities	Stockholders' Equity
(a)	Allowance for doubtful accounts +98,000 Accounts receivable -98,000		
(b)	Allowance for doubtful accounts -100,000		Bad debt expense -100,000

E6-12.

Req. 1

- (a) Allowance for doubtful accounts (-XA, +A) 2,800
 Accounts receivable (-A)..... 2,800
 To write off a specific bad debt.
- (b) Bad debt expense (+E, -SE) (\$680,000 x 0.035)23,800
 Allowance for doubtful accounts (+XA, -A) 23,800
 To record estimated bad debt expense.

Req. 2

Transaction	Net Sales	Gross Profit	Income from Operations
a.	NE	NE	NE
b.	NE	NE	- 23,800

E6-22.

Req. 1

Dec. 31

Allowance for doubtful accounts (−XA, +A).....	550	
Accounts receivable (Toby's Gift Shop) (−A).. To write off an account receivable determined to be uncollectible.		550

Dec. 31

Bad debt expense (+E, −SE)	500	
Allowance for doubtful accounts (+XA, −A)		500
Adjusting entry--estimated loss on uncollectible accounts; based on credit sales (\$25,000 x 2% = \$500).		

Req. 2

Income statement:

<i>Operating expenses:</i>		
Bad debt expense		\$500

Balance sheet:

<i>Current assets</i>		
Accounts receivable (\$3,500 + \$25,000 - \$18,000 - \$550)	\$9,950	
Less: Allowance for doubtful accounts (\$300 - \$550 + \$500)	<u>250</u>	\$9,700

Req. 3

The 2% rate on credit sales appears reasonable because it approximates the amount of receivables written off (\$550) during the year. However, if the uncollectible account receivable written off during the current year is not indicative of average uncollectibles written off over a period of time, the 2% rate may not be appropriate. There is not sufficient historical data to make a definitive decision.

E6-24.

Req. 1

(Dollar amounts in thousands)

$$\text{Receivables turnover} = \frac{\text{Net Sales}}{\text{Average Net Trade Accounts Receivable}} = \frac{\$60,319,000}{\$7,425,500^*} = 8.123 \text{ times}$$

$$\begin{array}{l} \text{Average days sales} \\ \text{in receivables} \end{array} = \frac{365}{\text{Receivables Turnover}} = \frac{365}{8.123} = 44.93 \text{ days}$$

$$* (\$7,252,000 + \$7,599,000) \div 2$$

Req. 2

The receivables turnover ratio reflects how many times average trade receivables were recorded and collected during the period. The average days sales in receivables indicates the average time it takes a customer to pay its account. For the current year presented, FedEx's accounts receivable turned over approximately 8.1 times per year; thus, its customers took about 45 days to pay, on average.