



## Q3 - Q3- CB2100 Quiz 2 Q3

CB2100 (City University of Hong Kong)

**Required information**

*[The following information applies to the questions displayed below.]*

At the beginning of Year 1, a company has a balance of \$24,900 in accounts receivable. Because the company is a privately owned company, the company has used only the direct write-off method to account for uncollectible accounts. However, at the end of Year 1, the company wishes to obtain a loan at the local bank, which requires the preparation of proper financial statements. This means that the company now will need to use the allowance method. The following transactions occur during Year 1 and Year 2.

1. During Year 1, install air conditioning systems on account, \$179,000.
2. During Year 1, collect \$174,000 from customers on account.
3. At the end of Year 1, estimate that uncollectible accounts total 10% of ending accounts receivable.
4. In Year 2, customers' accounts totaling \$6,900 are written off as uncollectible.

3. Calculate bad debt expense for 2021 and 2022 under the allowance method and under the direct write-off method, prior to any adjusting entries in 2022. **(Leave no cells blank.)**

Bad Debt Expense	Allowance Method	Direct Write-off Method
Year 1:	\$ 2,990	\$ 0
Year 2:	\$ 0	\$ 6,900