

ACCOUNTING

Aging Accounts Receivable & Account Write-Offs

Image Works, a firm specializing in marketing and publicity services, uses a balance sheet approach to estimate uncollectible accounts expense. At year-end an analysis of the account receivables produced the following classifications:

Not due yet	\$400,000
1-30 days past due	\$120,000
31-60 days past due	\$50,000
61-90 days past due	\$25,000
Over 90 days past due	\$12,000
TOTAL	\$607,000

On the basis of past experience, the company estimated the percentages probably uncollectible for the above five groups to be as follows:

- Group 1—1%
- Group 2—3%
- Group 3—10%
- Group 4—20%
- Group 5—50%

The Allowance for Doubtful Accounts before the adjustment at December 31 showed a credit balance of \$9,500.

- a. Compute the estimated amount of uncollectible accounts based on the above classification by age groups.
\$ _____
- b. Record the adjusting entry needed to bring the Allowance for Doubtful Accounts to the proper amount in the general journal below.
- c. Assume that on March 12 of the following year, Image Works learns that an account receivable which had originated on October 2 in the amount of \$10,400 was worthless because of the bankruptcy of the customer, Donovan Consulting. Prepare the journal entry on March 12 to write off this account.

GENERAL JOURNAL			

ACCOUNTING

Aging Accounts Receivable & Account Write-Offs

Image Works, a firm specializing in marketing and publicity services, uses a balance sheet approach to estimate uncollectible accounts expense. At year-end an analysis of the account receivables produced the following classifications:

Not due yet	\$400,000
1-30 days past due	\$120,000
31-60 days past due	\$50,000
61-90 days past due	\$25,000
Over 90 days past due	\$12,000
TOTAL	\$607,000

On the basis of past experience, the company estimated the percentages probably uncollectible for the above five groups to be as follows:

Group 1—1%	4000
Group 2—3%	3600
Group 3—10%	5000
Group 4—20%	5000
Group 5—50%	6000

The Allowance for Doubtful Accounts before the adjustment at December 31 showed a credit balance of \$9,500.

- Compute the estimated amount of uncollectible accounts based on the above classification by age groups.
\$ 23600
- Record the adjusting entry needed to bring the Allowance for Doubtful Accounts to the proper amount in the general journal below.
- Assume that on March 12 of the following year, Image Works learns that an account receivable which had originated on October 2 in the amount of \$10,400 was worthless because of the bankruptcy of the customer, Donovan Consulting. Prepare the journal entry on March 12 to write off this account.

GENERAL JOURNAL			
Dec 31	Uncollectable Accounts Expense	14100	
	Allowance for Doubtful Accounts		14100
Mar 12	Allowance for Doubtful Accounts	10,400	
	A/R - Donovan		10,400

A/R Donovan	10,400	
Allowance for Doubtful Accounts		10,400
Cash	10,400	
A/R Donovan		10,400