

Customer Payment

Directions:

Analyze the following scenarios and identify the accounts which will be debited and credited as well as provide the journal entry which would be entered.

1. A company called TLEX records \$8,000,000 of credit sales to several hundred customers, and projects 2% of the credit sales will be uncollectible. TLEX does not know which customers will default. It records 2% of the sales will be uncollectible on January 1. Which accounts will be debited and credited?

Debited Account: **Bad Debts Expense**

Credited Account: **Allowance for Doubtful Accounts**

2. How would you record the general journal entry?

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
Jan 1	Bad Debts Expense	160,000	
	Allowance for Doubtful Accounts		160,000

3. A company called Home Tools Inc. is a hardware store which sells common tools used at homes. Home Tools sells \$3,500 of tools to a customer named Bill, who has an outstanding credit record. The customer later suffers a severe economic setback. Bill eventually filed for bankruptcy and is unable to pay the amount he owes to Home Tools Inc. The credit and collections department of Home Tools Inc. makes many efforts over the next three months to collect on Bill's credit account. Once all the efforts have failed to collect any type of payment, the company decides to write-off the account using the direct write-off method on May 10. Which accounts will be debited and credited ?

Debited Account: **Bad Debts Expense**

Credited Account: **Accounts Receivable**

4. How would you record the general journal entry?

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
May 10	Bad Debts Expense	3,500	
	Accounts Receivable		3,500

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5. A company called Amazon records \$70,000,000 of credit sales to several hundred customers, and projects 2% of the credit sales will be uncollectible. Amazon does not know which customers will default. It records 2% of the sales will be uncollectible on January 1. Which accounts will be debited and credited ?

Debited Account: **Bad Debts Expense**

Credited Account: **Allowance for Doubtful Accounts**

6. How would you record the general journal entry?

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
Jan 1	Bad Debts Expense	1,400,000	
	Allowance for Doubtful Accounts		1,400,000

7. A company called Tools R Us is a hardware store which sells common tools used at homes. Home Tools sells \$7,300 of tools to a customer named Jason, who has an outstanding credit record. The customer later suffers a severe economic setback. Jason eventually filed for bankruptcy and is unable to pay the amount he owes to Home Tools Inc. The credit and collections department of Tools R Us makes many efforts over the next three months to collect on Jason's credit account. Once all the efforts have failed to collect any type of payment, the company decides to write-off the account using the direct write-off method on May 10. Which accounts will be debited and credited?

Debited Account: **Bad Debts Expense**

Credited Account: **Accounts Receivable**

8. How would you record the general journal entry?

<u>Date</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
May 10	Bad Debts Expense	7,300	
	Accounts Receivable		7,300