

Problem 7

Hans' manufactures and sells customized work clothes and uniforms. Following is a list of accounts receivable as of December 31, 2009.

Customer	Date of Sale	Amount
Alpha Electronics	December 7, 2009	15,990
Benito Corp	November 8, 2009	6,500
Boonlert Consulting	December 23, 2009	45,110
Braun	August 14, 2009	19,247
Canyon Auto	August 11, 2009	20,852
Clip Click	December 5, 2009	28,470
Eastern Trade	September 15, 2009	11,687
Friendly Book	December 13, 2009	15,326
Harden System	October 21, 2009	29,003
Horatio	December 1, 2009	175,630
Igloo Pets	November 25, 2009	21,450
Master Car Care	December 17, 2009	331,500
Math Helpers	May 16, 2008	15,322
Neutral Zone	February 12, 2009	24,414
Quick Time	December 20, 2009	13,000
Ralphs Sausage	December 10, 2009	4,615
Slippery Slope	December 13, 2009	53,170
Talikai Travel	October 20, 2009	19,630
Tavita	December 7, 2009	4,810
WalShop	February 1, 2009	18,772
Window World	December 13, 2009	187,200

- Sort the receivables list by age category and determine the estimated balance of uncollectible accounts. Walt's believes the following rates of noncollection will occur: 2% of receivables up to 30 days, 5% for 31 to 90 days, 15% for 91 to 180 days, and 50% of accounts over 180 days.
- If the balance of Allowance for Uncollectible Accounts contained \$25,000 (credit), what adjusting entry is needed to reflect the analysis from part (a).
- If the balance of Allowance for Uncollectible Accounts contained \$25,000 (debit), what adjusting entry is needed to reflect the analysis from part (a).

Worksheet 7 (a)

Customer	Date of Sale	Age	Amount
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Age	Balance	ESTIMATED % UNCOLLECTIBLE	ESTIMATED AMOUNT UNCOLLECTIBLE
0 to 30 days		2%	\$ -
31 to 90 days		5%	-
91 to 180 days		15%	-
Over 180 days		50%	-
			<hr/> <hr/> \$ -

Worksheet 7 (b)

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Date	Accounts	Debit	Credit
(b)			
(c)			

Solution 7 (a)

Customer	Date of Sale	Age	Amount	
Math Helpers	May 16, 2008	594	15,322	
WalShop	February 1, 2009	333	18,772	
Neutral Zone	February 12, 2009	322	24,414	58,508
Canyon Auto	August 11, 2009	142	20,852	
Braun	August 14, 2009	139	19,247	
Eastern Trade	September 15, 2009	107	11,687	51,786
Talikai Travel	October 20, 2009	72	19,630	
Harden System	October 21, 2009	71	29,003	
Benito Corp	November 8, 2009	53	6,500	
Igloo Pets	November 25, 2009	36	21,450	76,583
Horatio	December 1, 2009	30	175,630	
Clip Click	December 5, 2009	26	28,470	
Alpha Electronics	December 7, 2009	24	15,990	
Tavita	December 7, 2009	24	4,810	
Ralphs Sausage	December 10, 2009	21	4,615	
Friendly Book	December 13, 2009	18	15,326	
Slippery Slope	December 13, 2009	18	53,170	
Window World	December 13, 2009	18	187,200	
Master Car Care	December 17, 2009	14	331,500	
Quick Time	December 20, 2009	11	13,000	
Boonlert Consulting	December 23, 2009	8	45,110	874,821

December 31, 2009

Age	Balance	ESTIMATED % UNCOLLECTIBLE	ESTIMATED AMOUNT UNCOLLECTIBLE
0 to 30 days	\$ 874,821	2%	\$ 17,496
31 to 90 days	76,583	5%	3,829
91 to 180 days	51,786	15%	7,768
Over 180 days	58,508	50%	29,254
			<u>\$ 58,347</u>

Solution 7 (b)

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Date	Accounts	Debit	Credit
(b)	Uncollectible Accounts Expense	33,347	
	Allowance for Uncollectible Accounts		33,347
	<i>To increase allowance (\$58,347 - \$25,000 = \$33,347)</i>		
(c)	Uncollectible Accounts Expense	83,347	
	Allowance for Uncollectible Accounts		83,347
	<i>To increase allowance (\$58,347 + \$25,000 = \$83,347)</i>		

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