Example:

A/R = 110,000 Credit Sales Revenue = 840,000

Sales return & allowance = 28,000

**A- If X company applies the direct write-off method to account for uncollectable accounts, journalize the adjusting entry on December 31st, recognizing $1500 as uncollectable from Z company as determined by X.**

Bad debt exp 1500

 A/R 1500

**B- If AFDA has a credit balance of $ 2,500 in the trial balance, record the journal entry at Dec 31, assuming bad debt are expected to be: (1- 1% of net sales, and 2- 10% of A/R)**

Net sales = 840,000- 28,000 = 812,000

1% \* 812,000 =8,120

Bad debt exp 8120

 AFDA 8120

A/R = 110,000 \*10% = 11,000

Bad debt exp 8500

 AFDA 8500

**C- If AFDA has a debit balance of $ 200 in the trial balance, record the journal entry at Dec 31, assuming bad debt are expected to be: (1- 0.75% of net sales, and 2- 6% of A/R).**

Net sales = 840,000- 28,000 = 812,000

812,000 \* 0.75% = 6090

 Bad debt exp 6090

 AFDA 6090

A/R = 110,000 \* 6% = 6,600

Bad debt exp 6800

 AFDA 6800