

**Chapter (3): Accounting For Receivable**

***Text Book Exercises***



**Exercises:**

**Exercise (3-1):**

On Jan 5, 2020, Nass Company made credit sales of BD90,000. The company wrote off BD4,500 of uncollectible accounts receivable in Jan 31, 2020.

**Required:**

Prepare the necessary journal entries.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
	Bad debt expenses		4500	
	Account receivable			4500

**Exercise (3-2):**

On August 31, 2020 the book of Ahlam Trading shows a balance of BD65,000 for Accounts Receivable. On October 15, 2020 one of the accounts – Noor Company could not pay BD1,600 and the company wrote off her balance to be uncollectible. On November 23, 2020, Noor Company made some profit and paid the amount due.

**Required:**

Prepare the necessary journal entries.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
15 OCT	Bad debt expense		1600	
	A/c Receivable - Noor			1600
23 Nov	A/c Receivable - Noor		1600	
	Bad debt expense			1600
23 Nov	Cash		1600	
	A/c Receivable - Noor			1600

**Exercise (3-3):**

On January 31, 2020 the books of Rashid Trading shows a balance of BD36,400 for Accounts Receivable. On April 16, 2020 one of the accounts (Bader Trading) could not pay his balance of BD1,100. On July 21, 2020 Bader Trading made some profit and paid BD350.

**Required:**

Prepare the necessary journal entries.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
16 April	Bad debt expense		1100	
2020	A/c Receivable - Bader Trading			1100
21 Jul	A/c Receivable - Bader Trading		350	
	Bad debt expense			350
21 Jul	Cash		350	
	A/c Receivable - Bader Trading			350

**Exercise (3-4):**

On April 1, 2020, Hanadi found that her customer – Jehad who owed her BD2,500 became bankrupt, therefore, he is not able to pay her. She decided to write off the whole amount. As on April 30, 2020, the total balance in account receivable was BD12,000.

**Required:**

- 1- Prepare the Journal entries to record the bad debts.
- 2- Show the effects on the Balance Sheet.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
1, April	Bad debt expense		2500	
	A/c Receivable - Jehad			2500

.....  
 Balance Sheet (Partial)  
 .....

<u>Current Assets:</u>		
_____	_____	_____
_____	_____	_____
_____	_____	_____

**Exercise (3-5):**

Almanama Co. uses the balance sheet approach to estimate bad debts. An analysis of the Accounts Receivable at December 31, 2020 produced the following age groups and the estimated percentage probably uncollectible:

Period	Accounts Receivable (BD)	Provision %	Provision for doubtful debts (BD)
Not yet due	40,000	1%	400
1 - 30 days past due	20,000	4%	800
31 - 60 days past due	13,000	10%	1300
61 - 90 days past due	7,000	30%	2100
Over 90 days past due	3,000	50%	1500
Total	(a)		6100

Prior to adjustments at December 31, 2020 allowance for Doubtful Debts showed a **credit balance** of BD1,200.

**Required:**

- a) Compute the estimated amount of Bad Debts.(insert the answer in the above table)

- b) Prepare the adjusting entry to bring the allowance for doubtful debts to the proper amount.
- c) Assume that on May 17 2020 Kholood Est. learned that an account receivable of BD400 was worthless. Prepare the journal entry required to write off this amount receivable.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
(b)	Bad debt expense		4900	
	Allowance for doubtful debts			4900
(c)	Allowance for doubtful debts		400	
	A/c Receivable			400

**Exercise (3-6):**

Asia Company uses the balance sheet approach to estimate bad debts. An analysis of the accounts receivable at 31<sup>st</sup> December, 2020 produced the following age groups and the estimated percentage probably uncollectible:

Period	Accounts Receivable (BD)	Provision	Amount of Provision (BD)
Net yet due	50,000	2%	1000
1-30 days past due	30,000	5%	1500
31-60 days past due	18,000	15%	2700
61-90 days past due	12,000	20%	2400
Over 90 days past due	10,000	40%	4000
Total	(1)		11600

Prior to adjustments at 31<sup>st</sup> December, 2020 the allowance for doubtful debts showed a **debit balance** of BD2,500.

**Required:**

- 1- Compute the estimated amount of Bad Debts.
- 2- Show the Journal entry to maintain the provision for doubtful debts to the proper.
- 3- Show the Journal entry to record write off BD 800.
- 4- Show the Journal entry to record recovery BD 600.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
31, Dec	Bad debt expense		14100	
	Allowance for doubtful account			14100
31, Dec	Allowance for doubtful account		800	
	A/c Receivable			800
31, Dec	A/c Receivable		600	
	Allowance for doubtful account			600
31, Dec	Cash		600	
	A/c Receivable			600

**Exercise (3-7):**

Waseem CO. had the following transactions involving bad debts in 2019 and 2020:

December 31, 2019	Records estimated Bad Debt Expense of BD8,500.
May 05, 2020	Wrote off Basam's account receivable of BD2,350 as uncollectible.
September 02, 2020	Basam won money and paid the amount due.

**Required:**

Journalize the above transactions.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
31, Dec	Bad debt expense		8500	
2019	Allowance for doubtful account			8500
5, May	Allowance for doubtful account		2350	
2020	A/c Receivable - Basam			2350
2, Sep	A/c Receivable - Basam		2350	
2020	Allowance for doubtful account			2350
	Cash		2350	
	A/c Receivable - Basam			2350

**Exercise (3-8):**

Sameh Trading Co. had the following balances on December, 31, 2020:

Credit Sales	BD850,000
Cash Sales	BD700,000
Accounts Receivable	BD190,000
Allowance for Doubtful Debts	BD250

**Required:**

Record the **Bad Debts Expense** for the year using each of the following methods for the estimate:

1. Allowance for doubtful debts is to be increased to 3% of Accounts Receivable.
2. Bad debts expense is estimated to be 1% of sales on credit.

Date	Account Title and Explanation	PR	Debit	Credit
31, Dec	Bad debt expense		5450	
	Allowance for doubtful account			5450
31, Dec	Bad debt expense		8250	
	Allowance for doubtful account			8250

**Exercise (3-9):**

On September 12, 2020, Tahani Travel Agency sold an airline ticket for BD450 to a customer who paid with **Master Card**. If the services charge is 2% the company will receive only BD441 and the BD9 is credit card expense.

**Required:**

Make the necessary journal entry.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
12, Sep	Cash		441	
	Credit card expense		9	
	Service Revenue			450

**Exercise (3-10):**

On August 14, Ajjad Company made a sale of BD1,200 to a customer who used **Visa card**. The credit Card company makes a services charge of 3%. On August 21, Ajjad Company also made a sale of BD900 to a customer who used an **American Express card**. The credit Card company makes a services charge of 4%.

**Required:**

Prepare Journal entries for Manama Company for the two sales.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
14, Aug	Cash		1164	
	Credit card expense		36	
	Sales			1200
21, Aug	A/c Receivable		864	
	Credit card expense		36	
	Sales			900



**Exercise (3-11):**

**Choose the correct answer:**

(A) Future Company has the following age groups and the estimated percentages probably uncollectible:

<b>Age Group</b>	<b>Amount (BD)</b>	<b>Estimated Percent Uncollectible</b>	<b>Estimated Amount Uncollectible (BD)</b>
1-30 days past due	450,000	20%	90000
31-60 days past due	300,000	30%	90000
61-90 days past due	250,000	50%	125000

The estimated amount of bad debts is:

- BD300,000
- ✓ • BD305,000
- BD1,000,000
- BD500,000

(B) The following information were extracted from the books of Al-Fateh Co.:

Total Credit Sales	BD550,000
Accounts Receivable	BD90,000
Allowance for Doubtful Debts	BD180

The company decided to increase the allowance to 2% using the Balance Sheet Approach, then the journal entry is:

$$90000 \times 2\% = 1800 - 180 = \text{BD } 1620$$

- ✓ • Bad Debts Expense                      BD1,620  
                     Allowance for Doubtful Debts                      BD1,620
- Bad Debts Expense                      BD180  
                     Allowance for Doubtful Debts                      BD180
- Bad Debts Expense                      BD90,000  
                     Allowance for Doubtful Debts                      BD90,000
- Bad Debts Expense                      BD89,820  
                     Allowance for Doubtful Debts                      BD89,820

(C) If the bad debt is estimated to be 1% of sales on credit, the journal entry will be:

$$550000 \times 1\% = 5500 - 180 = \text{BD } 5320$$

- ✓ • Bad Debts Expense                      ~~BD5,500~~ 5320  
                     Allowance for Doubtful Debts                      ~~BD5,500~~ 5320
- Bad Debts Expense                      BD180  
                     Allowance for Doubtful Debts                      BD180
- Bad Debts Expense                      BD90,000  
                     Allowance for Doubtful Debts                      BD90,000
- Bad Debts Expense                      BD1,620  
                     Allowance for Doubtful Debts                      BD1,620

(D) Fareeda Delivery Services had credit sales of BD1,067,000, prior experience has revealed that 1% of these sales will be uncollectible.

Bad debt expense will be:  $1067000 \times 1\% = \text{BD } 10670$

- BD21,340
- ✓ • BD10,670
- BD40,760
- None of them

(E) Sami Co. has the following sales: cash sales BD68,000, credit sales BD740,500, Visa & Master card sales BD410,800. Sami estimated bad debts to be 1.5% of credit sales. The amount of the allowance for doubtful debts is:  $740500 \times 1.5\% = \text{BD}11107.500$

- BD12,127
- ✓• BD11,107.500
- BD22,215.5
- BD18,289.5

(F) Baker Co. had a beginning allowance of BD7,500 credit on January 1, 2009 and ending balance of BD8,900 at December 31, 2009. Bad debt expense for the year 2009 was BD19,700. The write off bad debts during 2009 were:

- BD21,100
- BD19,700
- BD18,300
- BD89,000



A

## ***Extra Exercise***



**Exercise (1):**

Yousif Company has account receivable of BD180,000 at March 31. An analysis of the accounts shows the following information.

Period	Accounts Receivable (BD)	Estimated % Uncollectible	Amount of Provision (BD)
<b>Prior to January</b>	70,000	2%	1400
<b>January</b>	50,000	10%	5000
<b>February</b>	40,000	30%	12000
<b>March</b>	20,000	50%	10000
<b>Total</b>	180,000	(a)	28400

Allowance for doubtful account has a credit balance of BD2,500 prior to adjustment. The company uses the percentage-of- receivables basis for estimating uncollectible accounts.

**Required:**

- a) Determine the total estimated uncollectible. **28400 - 2500 = BD 25900**
- b) Prepare the adjusted entry at March 31, to record bad debts expense.
- c) Prepare the adjusted entry at March 31, to record wrote off the balance of Customer Mona for BD800, should be uncollectible

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
31, March	Bad debt expense		25900	
	Allowance for doubtful account			25900
31, March	Allowance for doubtful account		800	
	A/c Receivable - Mona			800

**Exercise (2):**

On Jan 1, 2020, Danah Company estimated that 5% of its credit sales of BD 200,000 will become uncollectible. The company recoded this amount as an addition to allowance for doubtful account. On May 12, 2020, Danah Company determined that the Areej account was uncollectible and wrote off BD1,700. On May 31, 2020, Areej paid the amount previously written off.

**Required:**

$200000 \times 5\% = 10000$

Prepare the necessary adjusted entries.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
1, Jan	Bad debt expense		10000	
	Allowance for doubtful account			10000
12, May	Allowance for doubtful account		1700	
	A/c Receivable - Areej			1700
31, May	A/c Receivable - Areej		1700	
	Allowance for doubtful account			1700
31, May	Cash		1700	
	A/c Receivable - Areej			1700

**Exercise (3):**

On June 1, 2020, Weddad Company estimated that 2% of its account receivable of BD 90,000 will become uncollectible. The company had **credit balance** of allowance for doubtful account of BD600 . On Aug 12, 2020, Weddad determined that the Osama account was uncollectible and wrote off BD250. On Aug 31, 2020, Osama paid the amount previously written off.

**Required:**

$\text{New balance} = 90000 \times 2\% = \text{BD } 1800$

$\text{addition to allowance: } 1800 - 600 = \text{BD } 1200$

Prepare the necessary adjusted entries.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
1, Jun	Bad debt expense		1200	
	Allowance for doubtful account			1200
12, Aug	Allowance for doubtful account		250	
	A/c Receivable - Osama			250
31, Aug	A/c Receivable - Osama		250	
	Allowance for doubtful account			250
31, Aug	Cash		250	
	A/c Receivable - Osama			250

**Exercise (4):**

On May 1, 2020, Eman Company estimated that 3% of its account receivable of BD 75,000 will become uncollectible. The company had **debit balance** of allowance for doubtful account of BD450. On July 5, 2020, Eman determined that the Fawaz account was uncollectible and wrote off BD120. On July 31, 2020, Fawaz paid the amount previously written off.

$$75000 \times 3\% = 2250 + 450 = \text{BD } 2700$$

**Required:**

Prepare the necessary adjusted entries.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
1, May	Bad debt expense		2700	
	Allowance for doubtful account			2700
5, July	Allowance for doubtful account		120	
	A/c Receivable - Fawaz			120
31, July	A/c Receivable - Fawaz		120	
	Allowance for doubtful account			120
	Cash		120	
	A/c Receivable - Fawaz			120



**Exercise (5):**

The following balances were extracted from the book of Zeyad Est, on Dec 31, 2019.

Account Title	BD
Cash	25,000
Account Receivable	82,000
Sales	250,000
Sales Returns	10,000
Allowance for doubtful account ( Credit Balance)	2,600

On Jan 1, 2020: The company estimated 10% of net sales to uncollectible.

On Feb 5, 2020: Customer hassan has bankrupt and Zeyad Est, wrote off his balance BD640 to be uncollectible.

On March1, 2020: Hassan won money and pay his balance which wrote off.

**Required:**  $250000 - 10000 = 240000 \times 10\% = 24000 - 2600 = 21400$

Prepare the necessary adjusted entries.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
1, Jan	Bad debt expense		21400	
	Allowance for doubtful account			21400
1, Feb	Allowance for doubtful account		640	
	A/c Receivable - Hassan			640
1, Mar	A/c Receivable - Hassan		640	
	Allowance for doubtful account			640
1, Mar	Cash		640	
	A/c Receivable - Hassan			640

**Exercise (6):**

The Balance Sheet of Mahmood Company which dated 1<sup>st</sup> January 2010, shows BD20,500 for Accounts Receivable.

- On January 6, 2020, they create 5% as provision for doubtful debts using the Balance Sheet Approach. **20500 x 5%= BD 1025**
- On June 15, 2020, they wrote off BD800 of accounts receivable-Jamal.
- On November 20 2020, Jamal won money and paid half of his balance.

**Required:**

Prepare the necessary Journal Entries for the above transactions.

**GENERAL JOURNAL**

Date	Account Title and Explanation	PR	Debit	Credit
6, Jan	Bad debt expense		1025	
	Allowance for doubtful account			1025
15, Jun	Allowance for doubtful account		800	
	A/c Receivable - Jamal			800
20, Nov	A/c Receivable - Jamal		400	
	Allowance for doubtful account			400
	Cash		400	
	A/c Receivable - Jamal			400

**Exercise (7):**

**Wala Company had the following balances on Dec 31 2019.**

Cash Sales BD130,000

Credit Sales BD270,000

Account Receivable BD150,000

**Required:**

Prepare journal entries for the following transactions by using provision for doubtful debts method:

- a) **On Jan 5, 2020**, the company **estimated** bad debts to be 5% from credit sales.  $270000 \times 5\% = 13500$

Date	Account Title and Explanation	PR	Debit	Credit
5, Jan	Bad debt expense		13500	
	Allowance for doubtful account			13500

- b) **On Jan 15, 2020**, Customer Sameh has bankrupt and **wrote off** his balance BD3,500 as uncollectible.

Date	Account Title and Explanation	PR	Debit	Credit
15, Jan	Allowance for doubtful account		3500	
	A/c Receivable - Sameh			3500

- c) **On Feb 10, 2020**, Customer Sameh won money and **paid** BD1,500 from his balance which wrote off on Jan 15, 2020.

Date	Account Title and Explanation	PR	Debit	Credit
15, Jan	A/c Receivable - Sameh		1500	
	Allowance for doubtful account			1500
15, Jan	Cash		1500	
	A/c Receivable - Sameh			1500