

**ACCOUNTANCY 321**  
**SUPPLEMENTAL ACCOUNTS RECEIVABLE PROBLEM**  
**SOLUTION**

a. Calculation of collections.

Input/Output formula for accounts receivable:

Beginning balance		\$275,000
Plus credit sales		\$2,368,000
Less collections		X
Less accounts written off		(\$23,000)
Plus accounts recovered		<u>\$5,000</u>
Equals ending balance		<u>\$325,000</u>

X = \$2,300,000

b. Journal entry under the income statement approach.

Bad debts expense = 1.5% of \$2,368,000 = \$35,520

Bad debts expense	\$35,520	
Allowance for uncollectibles		\$35,520
To record bad debts expense under the income statement approach		

c. Journal entry under the balance sheet approach.

Let y = Ending balance of allowance for uncollectibles.

Net realizable value = \$276,000 = \$325,000 – Y

Y = \$49,000

Input/Output formula for allowance for uncollectibles:

Beginning balance		\$34,000
Plus bad debts expense		Z
Less accounts written off		(\$23,000)
Plus accounts recovered		<u>\$5,000</u>
Ending balance (forced)		<u>\$49,000</u>

Z = \$33,000

Bad debts expense	\$33,000	
Allowance for uncollectibles		\$33,000
To record bad debts expense under the balance sheet approach		