Quick Question On Accounting For Bad Debts

On December 31, 1994, before adjustments, the Allowance For Doubtful Accounts had a credit balance of \$2,000. Make the bad debt adjustment necessary under each of the following independent assumptions.

- A. The company estimates that 2.5% of its 1994 sales of \$3,500,000 will not be collectible.
- B. An aging of all receivables reveals that \$80,000 would probably not be collected.

DATE		ACCOUNT TITLE AND DESCRIPTION	PR	DEBIT	CREDIT
Dec.	31	Bad Debt Expense (\$3,500,000)(.025)		87,500	
		Allowance for Bad Debts			87,500
			See London		100
Dec.	31	Bad Debt Expense (\$80,000 - \$2,000)		78,000	
		Allowance for Bad Debts	1 7 .00 %		78,000
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