

**Receivables: Bad Debts**  
Chapter 9

Premise

When you extend credit to \_\_\_\_\_, you know some \_\_\_\_\_ will not pay.

Solutions

- I. Notes Receivable and Interest Revenue
- II. Uncollectible Accounts

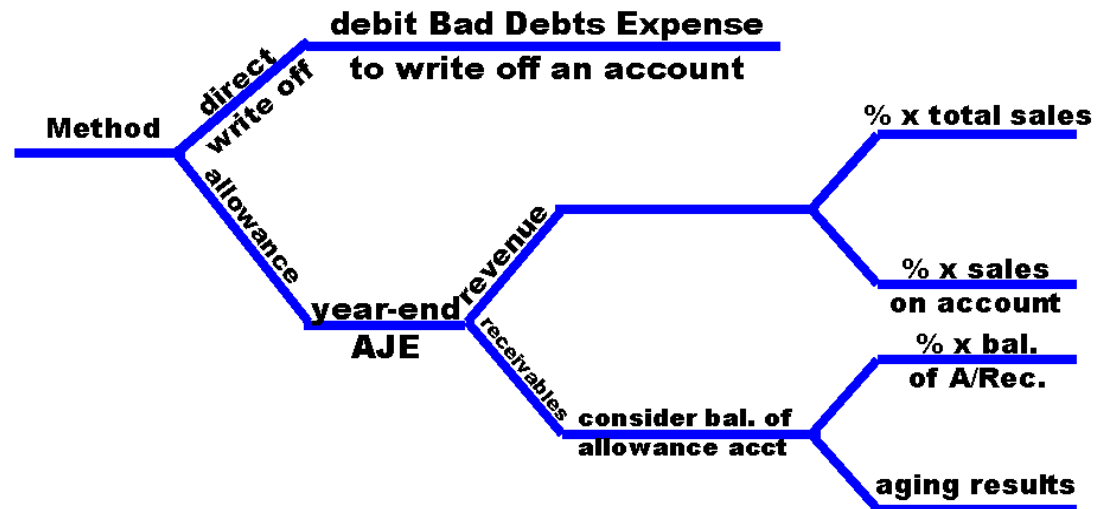
Sometimes Referred to As

- 1. Uncollectible Accounts
- 2. Doubtful Accounts
- 3. \_\_\_\_\_

Methods

- 1. \_\_\_\_\_ method
- 2. \_\_\_\_\_ method

# **Uncollectible Accounts**

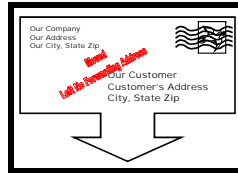


## Comparison of Allowance and Direct Write-Off Methods

I. Allowance Method  
 advance provision for \_\_\_\_\_ of accounts  
 thought to be uncollectible

A. Advantages

1. provides better \_\_\_\_\_ of expenses with time period
2. reduces value of receivables to the amount of \_\_\_\_\_ expected to be collected



B. Provision for \_\_\_\_\_ at year end:

	est.	
		est.

What kind of an account is Allowance for Doubtful Accounts?

Why use a \_\_\_\_\_ account?  
 Do not know which \_\_\_\_\_

C. Estimate may be based on:

1. \_\_\_\_\_ (I.S. view)
2. \_\_\_\_\_ (B.S. view)

(refer to decision tree)

II. Direct Write-Off Method  
 expense recognized when account determined to be worthless

A. Advantage: \_\_\_\_\_

B. \_\_\_\_\_

C. \_\_\_\_\_

Allowance Method (cont'd)

D. Write off an account:

	bal.	
		bal.

E. Reinstate if collected:

	col.	
		col.

record cash collection as usual

Direct Write-Off Method (cont'd)

D. Write off an account:

	bal.	
		bal.

E. Reinstate if collected:

	col.	
		col.

record cash collection as usual

