I. ACCOUNTING FOR BAD DEBTS

Linda's Video Showcase allowed customers to charge and pay monthly. To estimate bad debts, they chose the percentage of receivable sales method. First year receivable sales were $20,000, and industrial data indicated 2% would go bad.

Dec. 31

READ FIRST--> To record 1996 bad debt expense.

March 23

Aug. 20

To write off A. Company for $25.

Oct. 14

To write off B. Company for $130.

Nov. 20

To write off C. Company for $250.

A. Company, previously written off, made good on their debt.

Nov. 20

Dec. 31 1996

Cash received from A. Company.

Hint: On Jan. 1, 1997, the Allowance for Bad Debt Account had a balance of $460.

To record bad debt expense estimated at $440 for 1997 (2% of $22,000).

Question: How was the allowance for bad debts reported on the Balance Sheet?

II. CREDIT CARD SALES

The Video Showcase dealt with two types of credit card companies: one electronically tied to the company's cash register and paid immediately, the other delayed payment until receipts were received and processed. Both charged 4%. Record the Journal Entry for a credit sale of $100.

<table>
<thead>
<tr>
<th>CASH RECEIVED IMMEDIATELY</th>
<th>DR.</th>
<th>CR.</th>
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<tbody>
<tr>
<td>Jan. 5</td>
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<table>
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<th>CREDIT CARD COMPANY BILLED</th>
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<td>Jan. 5</td>
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Jan. 25