Instructions: For all Parts make the Journal Entry given the transaction description.

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**
Bad Debt Expense 400
Allowance for Bad Debts 400

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

**March 23**
Allowance for Bad Debts 25
Accounts Receivable, A. Company 25
To write off A. Company for $25.

**Aug. 20**
Allowance for Bad Debts 130
Accounts Receivable, B. Company 130
To write off B. Company for $130.

**Oct. 14**
Allowance for Bad Debts 250
Accounts Receivable, C. Company 250
To write off C. Company for $250.

**Nov. 20**
Accounts Receivable, A. Company 25
Allowance for Bad Debts 25
A. Company, previously written off, made good on their debt.

**Nov. 20**
Cash 25
Accounts Receivable, A. Company 25
Cash received from A. Company.

**Dec. 31**
Bad Debt Expense 440
Allowance for Bad Debts 440
To record bad debt expense estimated at $440 for 1997 (2% of $22,000).

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

**Question:** How was the allowance for bad debts reported on the Balance Sheet? The Allowance for Bad Debts is subtracted from Accounts Receivable.

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.

**CASH RECEIVED IMMEDIATELY**

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<th>Date</th>
<th>Description</th>
<th>DR.</th>
<th>CR.</th>
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<tbody>
<tr>
<td>Jan. 5</td>
<td>Cash</td>
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<td>6</td>
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<tr>
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<td>Credit Card Expense Sales</td>
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</tbody>
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**CREDIT CARD COMPANY BILLED**

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<th>Description</th>
<th>DR.</th>
<th>CR.</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Accounts Receivable Sales</td>
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<tr>
<td>Jan. 25</td>
<td>Credit Card Expense Accounts Receivable</td>
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