

ACCT: 2100

Fall 2016

Chapter 6 Take-Home Quiz

Following are the monthly sales, collections and bad debt write-offs for Envirocare Equipment, Inc. for 2015. Assume all sales are credit sales.

Month	Cash Collections	Credit Sales	Write-Offs
January	\$100,000	\$75,000	
February	105,000	83,000	\$4,500
March	91,000	85,000	
April	100,000	97,000	5,000
May	87,500	95,000	
June	108,000	115,000	
July	95,000	125,000	3,500
August	101,100	98,000	
September	110,500	101,000	3,000
October	98,000	120,000	
November	110,000	107,000	
December	76,500	100,000	2,500
Total	<u>\$1,182,600</u>	<u>\$1,201,000</u>	<u>\$18,500</u>

Envirocare's controller prepared the following aging of accounts receivable as of December 31, 2015:

Account Classification	Balance	Percent Uncollectable
Current	\$90,000	1%
1-30 days past due	47,000	5%
31-60 days past due	16,000	10%
61-90 days past due	9,000	20%
Over 90 days past due	10,000	25%

The allowance for doubtful accounts balance on January 1, 2015 was \$8,900.

Required:

1. Envirocare records bad debt expense at 2% of credit sales during the year. Prepare a trial balance at December 31, 2015 with additional columns for adjustments and the adjusted trial balance. You need only show the accounts related to accounts receivable.

2. Envirocare uses an aging of accounts receivable to determine the final numbers for the financial statements. Post any adjusting journal entries necessary to adjust from the percentage of sales estimates to the year-end aging numbers. Prepare the trial balance and prepare the relevant portions of the adjusted trial balance.
3. Show what Envirocare would have reported on its 2014 and 2015 balance sheet related to receivables.
4. Show what Envirocare would have reported on its 2015 income statement related to receivables.
5. Show what Envirocare would have reported on its 2015 statement of cash flow under both the direct and indirect methods related to receivables.