

Chapter 7 Accounts Receivable Activity

On January 1, 2023, Ace Company has a debit balance in Accounts Receivable of \$440,000 and a credit balance in the Allowance for Doubtful Accounts of \$22,000. During the year ended December 31, 2023, the following transactions relating to Accounts Receivable occurred. Ace Company follows the percent of receivable method of accounts for bad debts. Adjusting entries are only recorded as of December 31st.

15-Jan	Sold \$50,000 of merchandise inventory that had cost \$40,000 to Club Corp. on account.
1-Feb	Wrote off a \$20,000 account from King Company related to prior year sales since King had filed bankruptcy.
15-Feb	Collected the \$50,000 account receivable from the Jan 15 transaction with Club Corp.
10-Mar	Sold \$100,000 of merchandise inventory that had cost \$80,000 to Club Corp. on account.
20-May	Processed credit card sales of \$20,000. Credit card fee equals 2%. Assume that cash is immediately transferred from the credit card company.
1-Nov	Accepted a \$60,000, 5%, 90-day note receivable from Heart Company for the purchase of \$60,000 of merchandise that had cost Club \$40,000. All interest and principal are due at maturity.
31-Dec	Throughout the year, collected \$390,000 of the beginning balance of Accounts Receivable.
31-Dec	Recorded accrued interest on the Nov 1 note from Heart Company. Use a 360 day year to calculate interest.
31-Dec	Recorded bad debt expense based on 4.5% of the balance of accounts receivable as of December 31, 2023.

Required: Record the journal entries for each transaction. Prepare a T-account for Accounts Receivable, Allowance for Doubtful Accounts, and Bad Debt Expense.