Lemon Co.

Lemon Company uses the aging approach to estimate uncollectible accounts receivable. Based upon recent collection history, it has developed the following chart indicating percentages of uncollectible accounts receivable.

0-30 days	3%
31-60 days	8%
61-90 days	15%
91-120 days	40%
more than 120 days	60%

On December 31, 2004, Lemon's accountant prepared the following aging of its accounts receivable balance.

Age of Receivable	Amount of Receivable
0-30 days	560,000
31-60 days	200,000
61-90 days	30,000
91-120 days	21,500
more than 120 days	1,000
Total	812,500

Additional information:

Balance in accounts receivable on 1/1/04	725,000
2004 sales	8,560,000
Accounts written off during 2004	35,600
Balance in allowance for doubtful accounts at 1/1/04	39,500

Questions

a. Determine the amount of cash collected from accounts receivable during 2004.

b. Determine the amount of bad debt expense that will appear in Lemon's 2004 income statement.

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c. Prepare the adjusting entry that was made on 12/31/04 to recognize bad debts for 2004.

d. Determine the net accounts receivable that will appear on Lemon's 12/31/04 balance sheet.

e. Notwithstanding your answers to parts a-d, assume that Lemon uses the percent-of-sales approach to estimating uncollectible accounts receivable. The controller estimates that 0.5% of sales will become uncollectible. Determine the amount of bad debt expense that will appear on Lemon's 2004 income statement.

f. Based on your answer to part e, determine the net realizable value of Lemon's accounts receivable at 12/31/04.