



**Days receivables outstanding:**

<u>365</u>	<u>365</u>	<u>365</u>
Receivables turnover	12.55	13.37
	= 29.08	=27.03

Percentage of receivables not expected to be collected:

	1998	1999
<u>Allowances</u>	<u>\$83.7</u>	<u>\$181.5</u>
Ending accounts receivable	\$2,048.7	\$2,765.2
	=.041	=.066

b. McKesson's ratios indicate an improved performance in the collection of accounts receivable. The company collected receivables almost 2 days faster on average in 2002 compared to 2001.

E8-5

a.	Allowance for doubtful accounts	4,250	
	Accounts receivable—Alissa Corp.		4,250

(To write off Alissa Corporation's accounts receivable)

b. The net accounts receivable will not change as the result of the write-off:

Accounts receivable	\$295,750
Allowance for doubtful accounts	<u>(11,032)</u>
Net accounts receivable	<u>\$284,718</u>

c. The write-off has no effect on Erin's 2004 net income.

E8-6

a.	Bad debt expense	90,000	
	Allowance for doubtful accounts		90,000

(To record bad debt expense estimated at 1.5% of net credit sales)

b.	Bad debt expense	82,000	
	Allowance for doubtful accounts		82,000

(To record bad debt expense with bad debts estimated to be 9% of accounts

receivable.  $.09 \times \$950,000 = \$85,500$ ;  $\$85,500 - \$3,500 = \$82,000$ )

c.	Net value of accounts receivable:	
	Bad debts estimated at 1.5% of net credit sales:	
	Accounts receivable	\$950,000
	Allowance for doubtful accounts (\$3,500 + \$90,000)	<u>(93,500)</u>
	Net value	<u>\$856,500</u>

	Bad debts estimated at 9% of accounts receivable	
	Accounts receivable	\$950,000
	Allowance for doubtful accounts (\$3,500 + 82,000)	<u>(85,500)</u>
	Net value	<u>\$864,500</u>

E8-7

a.	Bad debt expense	90,000	
	Allowance for doubtful accounts		90,000

(To record bad debt expense estimated at 1.5% of net credit sales)

b.	Bad debt expense	90,500	
	Allowance for doubtful accounts		90,500

(To record bad debt expense with bad debts estimated to be 9% of accounts receivable.  $\$85,500 + \$5,000 = \$90,500$ )

c.	Net value of accounts receivable:	
	Bad debts estimated at 1.5% of net credit sales:	
	Accounts receivable	\$950,000
	Allowance for doubtful accounts (\$-5,000 + \$90,000)	<u>(85,000)</u>
	Net value	<u>\$865,000</u>

	Bad debts estimated at 9% of accounts receivable	
	Accounts receivable	\$950,000
	Allowance for doubtful accounts (\$-5,000 + 90,500)	<u>(85,500)</u>
	Net value	<u>\$864,500</u>