During the year ended July 31, 2004, the company had the following transactions related to receivables:

1.	Total sales, all on account	$ 309,000
2.	Sales returns and allowances, all on account	15,000
3.	Collections of accounts receivable, including $17,000 previously written off as uncollectible	204,000
4.	Write-offs of accounts receivable considered to be uncollectible	5,000

Instructions

(a) Prepare the journal entries to record each of these four groups of transactions.

(b) Prepare the journal entry to record bad debts expense for 2004, assuming that the company believes 10% of net sales for the year will be uncollectible.

(c) Ignoring part b), prepare the journal entry to record bad debts expense for 2004, assuming that the company believes 10% of year-end accounts receivable will be uncollectible.

Action Plan

- Accounts receivable are generally recorded at invoice price.
- Sales returns and allowances reduce the amount received on accounts receivable.
- Write-offs of accounts and recovery of previously written-off accounts affect only balance sheet accounts.
- If you use the percentage-of-sales method to record bad debts, you do not have to take into account the balance in the allowance for doubtful accounts.
- If you use the percentage-of-receivables method to record bad debts, you must take into account the balance in the allowance for doubtful accounts.