

Jarden Company has credit sales of \$3.6 million for year 2015. On December 31, 2015, the company's Allowance for Doubtful Accounts has an unadjusted credit balance of \$14,500. Jarden prepares a schedule of its December 31, 2015, accounts receivable by age. On the basis of past experience, it estimates the percent of receivables in each age category that will become uncollectible. This information is summarized here.

A		B		C
December 31, 2015	Age of	Expected Percent		
Accounts Receivable	Accounts Receivable	Uncollectible		
\$830,000	Not yet due	1.25%		
254,000	1 to 30 days past due	2.00		
86,000	31 to 60 days past due	6.50		
38,000	61 to 90 days past due	32.75		
12,000	Over 90 days past due	68.00		

Required

1. Estimate the required balance of the Allowance for Doubtful Accounts at December 31, 2015, using the aging of accounts receivable method.
2. Prepare the adjusting entry to record bad debts expense at December 31, 2015.

Analysis Component

3. On June 30, 2016, Jarden Company concludes that a customer's \$4,750 receivable (created in 2015) is uncollectible and that the account should be written off. What effect will this action have on Jarden's 2016 net income? Explain.

Problem 9-3A

Aging accounts receivable and accounting for bad debts

P2



Check (2) Dr. Bad Debts Expense \$27,150