## Problem 4

Allen Corporation follows generally accepted accounting principles in accounting for uncollectibles. Wang received notification from a bankruptcy court that its customer, Spandex Limited, had been adjudicated and released from all claims presently pending against it by Allen Corporation. Clint Allen, owner of Allen Corporation, was not at all pleased with this decision. Clint had anticipated recovering at least \$75,000 from Spandex Limited, and that balance remained in the Accounts Receivable accounts of Allen Corporation. Because Allen Corporation has no further remedies for collection, Clint directed the accounting department to prepare a journal entry to write off the account of Spandex Limited.

- a) Prepare the journal entry to write off the Spandex Limited account.
- b) Suppose Spandex Limited recovered from its bankruptcy and eventually voluntarily paid the \$75,000 "owed" to Allen. Prepare Allen's journal entries to record the unexpected recovery.

## Worksheet 4

a)-c)

GENERAL JOURNAL				
Date	Accounts	Debit	Credit	

## Solution 4

a)-c)

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
	Allowance for Uncollectible Accounts	75,000	
	Accounts Receivable		75,000
	To record the write-off of the Spandex Limited receivable		
	Accounts Receivable	75,000	
	Allowance for Uncollectible Accounts		75,000
	To restore the Spandex Limited receivable		
	Cash	75,000	
	Accounts Receivable		75,000
	To record the collection of the Spandex Limited receivable		

