

BAD DEBTS & ALLOWANCE FOR DOUBTFUL DEBT MCO'S

1. During the year CN Ltd wrote off an unpaid invoice of \$540.

Which entries should CN Ltd make at the end of the financial year?

	debit	credit
A	bad debts	customer
B	bad debts	income statement
C	customer	bad debts
D	income statement	bad debts

2. On 1 September Wayne sent a cheque to his credit supplier, John. This was correctly entered in John's books. On 10 September the cheque was returned unpaid due to lack of funds.

Which entries will be made in John's books on 10 September?

	account to be debited	account to be credited
A	bad debts	bank
B	bank	bad debts
C	bank	Wayne
D	Wayne	bank

3. Rashid maintains a provision for doubtful debts of 5% of the trade receivables at the end of each year.

Trade receivables owed \$40 000 on 31 December 2012.

Trade receivables owed \$46 000 on 31 December 2013.

Which journal entry should Rashid make on 31 December 2013?

		debit \$	credit \$
A	income statement provision for doubtful debts	300	300
B	income statement provision for doubtful debts	2300	2300
C	provision for doubtful debts income statement	300	300
D	provision for doubtful debts income statement	2300	2300

4. A trader decides to change his provision for doubtful debts from 2% to 3% of trade receivables.

Which entry is made to record this?

	debit	credit
A	bad debts income	income statement
B	statement income	bad debts
C	statement	provision for doubtful debts
D	provision for doubtful debts	income statement

5. Raminder maintains a provision for doubtful debts of 2.5 % of the trade receivables.

On 1 January the balance on the provision account was \$1075. The trade receivables at 31 December amounted to \$41 000.

Which entries will Raminder make on 31 December to adjust the provision for doubtful debts?

	debit	\$	credit	\$
A	income statement	50	provision for doubtful debts	50
B	income statement	1025	provision for doubtful debts	1025
C	provision for doubtful debts	50	income statement	50
D	provision for doubtful debts	1025	income statement	1025

6. On 1 January 2009 a company's provision for doubtful debts was \$500.
On 31 December 2009 debtors were \$20 000.
The provision is to be maintained at 2% of debtors.

Which adjustment to the provision for doubtful debts account is needed?

- A** \$100 debit
B \$100 credit
C \$400 debit
D \$400 credit
7. At the end of her financial year Annie decided to reduce her provision for doubtful debts. Which entry recorded this?

	debit	credit
A	bad debts	provision for doubtful debts
B	income statement	provision for doubtful debts
C	provision for doubtful debts	bad debts
D	provision for doubtful debts	income statement

8. A trader maintains a provision for doubtful debts of 2½%.
The provision on 1 January 2013 was \$250.
Trade receivables on 31 December 2013 were \$28 000.
At what value were trade receivables shown in the statement of financial position on 31 December 2013?

- A** \$27 050 **B** \$27 300 **C** \$27 750 **D** \$28 700