PROBLEM 8-2A

(a) 1. Accounts Receivable .............................................. 2,500,000
   Sales .......................................................... 2,500,000

2. Sales Returns and Allowances ......................... 40,000
   Accounts Receivable ............................................. 40,000

3. Cash .......................................................... 2,200,000
   Accounts Receivable ............................................. 2,200,000

4. Allowance for Doubtful Accounts .................. 45,000
   Accounts Receivable ............................................. 45,000

5. Accounts Receivable ............................................. 15,000
   Allowance for Doubtful Accounts .................. 15,000
   Cash .......................................................... 15,000
   Accounts Receivable ............................................. 15,000

(b) Accounts Receivable

<table>
<thead>
<tr>
<th></th>
<th>Accounts Receivable</th>
<th>Allowance for Doubtful Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal.</td>
<td>600,000</td>
<td></td>
</tr>
<tr>
<td>(1)</td>
<td>2,500,000</td>
<td>(4) 45,000</td>
</tr>
<tr>
<td>(5)</td>
<td>15,000</td>
<td>(5) 15,000</td>
</tr>
<tr>
<td>Bal.</td>
<td>815,000</td>
<td></td>
</tr>
</tbody>
</table>

(c) Balance needed ........................................... $46,000
   Balance before adjustment [See (b)] ................ 10,000
   Adjustment required ..................................... $36,000

The journal entry would therefore be as follows:

Bad Debts Expense ............................................. 36,000
   Allowance for Doubtful Accounts .................. 36,000
PROBLEM 8-2A (Continued)

(d) \[
\frac{\$2,500,000 - \$40,000}{(\$560,000* + \$769,000**) \div 2} = \frac{\$2,460,000}{\$664,500} = 3.7 \text{ times}
\]

* \$600,000 - \$40,000
** \$815,000 - \$46,000

The average collection period is:

\[
\frac{365 \text{ days}}{3.7} = 98.6 \text{ days}
\]