CONCEPT: DIRECT WRITE-OFF METHOD

● When we allow customers to pay us later, there's a chance we will ___________ get paid

□ ***Bad Debt Expense*** – ______________ that result from extending credit, but not getting paid

□ ***Direct Write-off Method*** takes bad debt expense when the company decides it will not be able to collect

- The direct write-off method is ________________!!!
- It is easy to use and acceptable for small companies that rarely have bad debt.
- This method does not follow the ______________ principle

Year 1 → Credit Sales	February Year 2 → Deemed uncollectible by the company

EXAMPLE:

A company sold items on account to three customers: Quick Quinn owes $150, Slow Joe owes $350, and Sketchy Jack owes $500. Quinn paid after two days. Joe paid after six weeks. Sketchy Jack has still not paid and the company has lost contact with Jack. The company deemed his account uncollectible. Journalize these transactions.

Sale Transactions

Quinn: Slow Joe: **Sketchy Jack:**

Payment Transactions

Quinn: Slow Joe: **Sketchy Jack:**