CONCEPT: NET RECEIVABLES – AGING OF RECEIVABLES METHOD

● In this method, we estimate the amount of uncollectible accounts in the _____ balance of AR based on _____

   □ This is considered a _____ approach

   □ An exam question will typically give you an aging schedule → use this is to calculate _____

      - Easier exam questions will tell you the results of the aging schedule → this is _____

   □ We can use the BASE formula to find the bad debt expense:

$$BB\ Allowance + Bad\ Debt\ Expense - Accounts\ Written\ Off = EB\ Allowance$$

EXAMPLE: A company has gross accounts receivable totaling $100,000. The company estimates the allowance for doubtful accounts based on the following table. If the allowance for doubtful accounts has a credit balance of $1,000, what is the entry to record this year's bad debt expense?

Age	Amount	Percent Uncollectible
1-30 Days	$45,000	1%
31-60 Days	$25,000	3%
61-90 Days	$20,000	5%
91+ Days	$10,000	20%

PRACTICE: A company has gross accounts receivable totaling $150,000. The company uses the aging-of-receivables method to estimate the allowance for doubtful accounts. The company estimates that the amount of uncollectible receivables will be $3,600. Currently, the allowance for doubtful accounts has a debit balance of $800. What is the journal entry to record this year's bad debt expense?