

Glencoe Accounting

Chapter 24: Uncollectible Accounts Receivable

I-Summary

Sometimes business customers fail to pay their accounts. In this chapter, you learned how companies allow for uncollectible *accounts receivable* and how they adjust their accounting records to reflect unpaid customer balances.

While some companies use the *direct write-off* method, others use the *allowance* method. You learned two techniques that will come in handy when estimating uncollectibles under the allowance method.

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I-Quiz

1. Small companies with very few charge customers are likely to use which method when accounting for bad debts?
 - A. allowance method
 - B. direct write-off method
 - C. accelerated method
2. How is the book value for accounts receivable represented on the balance sheet?
 - A. Accounts receivable less allowance for uncollectible accounts
 - B. Accounts receivable less uncollectible accounts expense
 - C. Accounts receivable
3. If an aging analysis of accounts receivables is required, which method for estimating the allowance for uncollectibles is used?
 - A. the percentage of net sales method
 - B. the aging of accounts receivable method
 - C. the direct write-off method
4. The *Uncollectible Accounts Expense* account is associated with which method of recording uncollectible accounts?
 - A. the allowance method
 - B. the direct write-off method
 - C. the allowance and direct write-off methods

Answer Key

1. B
2. A
3. B
4. C