**Activity 7.4.1 – Adjustments for Uncollectible Accounts**

Purpose: Demonstrate skill in analyzing and journalizing adjustments for uncollectible accounts at the end of the fiscal period.

1. Ask students to read about uncollectible accounts either from the textbook or from a Web site you reference.
2. Discuss the risk of loss that occurs when a business sells on account. Explain the need to make adjustments and the possible result if this is not done.
3. Demonstrate the balance side and increase and decrease side of Uncollectible Accounts Expense using a “T” account. Demonstrate the contra asset Allowance for Uncollectible Accounts using a “T” account.
4. Explain how a business determines the amount to estimate for uncollectible accounts.
5. Ask students to analyze this situation and answer questions verbally:
   1. TK Phones, Inc. estimates their uncollectible accounts at the end of each fiscal period. They use 2% of total sales. Total sales for the current fiscal period were $27,596.00.
   2. What is the amount of the adjustment? What account is debited?
   3. What account is credited?
   4. If Accounts Receivable has a current balance of $22,500.00, what is the book value of Accounts Receivable after the adjusting entry?
   5. If this adjustment is not made, what is the effect on expenses for the fiscal period?
   6. If this adjustment is not made, what is the effect on assets for the fiscal period?
   7. What is the source document for this entry?
6. Have your students journalize the above adjusting entry using an input form.