

Wang Corporation follows generally accepted accounting principles in accounting for uncollectibles. Wang received notification from a bankruptcy court that its customer, Timber Creek, had been adjudicated and released from all claims presently pending against it by Wang Corporation.

Frank Wang, owner of Wang Corporation, was not at all pleased with this decision. Frank had anticipated recovering at least \$50,000 from Timber Creek, and that balance remained in the Accounts Receivable accounts of Wang Corporation. Because Wang Corporation has no further remedies for collection, Frank directed the accounting department to prepare a journal entry to write off the account of Timber Creek.

- (a) Prepare the journal entry to write off the Timber Creek account.
- (b) Explain why the actual write-off will not result in a reduction of Wang Corporation's income.
- (c) Suppose Timber Creek recovered from its bankruptcy and eventually voluntarily paid the \$50,000 "owed" to Wang. Prepare Wang's journal entries to record the unexpected recovery.