

Wiggins Corporation utilizes an accounting software package that is capable of producing a detailed aging of outstanding accounts receivable. Following is the aging schedule as of December 31, 20X2.

Spreadsheet					
	A	B	fx	D	E
1	Age	Amount Outstanding	C		
2	0 to 30 days	\$1,200,000			
3	31 to 60 days	700,000			
4	61 to 120 days	200,000			
5	Over 120 days	25,000			
6					

Casper Wiggins has owned and operated Wiggins Corporation for many years and has a very good sense of the probability of collection of outstanding receivables, based on an aging analysis. The following table reveals the likelihood of collection:

Spreadsheet					
	A	B	fx	D	E
1	Age	Probability of Collection	C		
2	0 to 30 days	98%			
3	31 to 60 days	90%			
4	61 to 120 days	75%			
5	Over 120 days	50%			
6					

- Prepare an aging analysis, and show how accounts receivable and the related allowance for uncollectibles should appear on the balance sheet at December 31.
- Prepare the necessary journal entry to update the allowance for uncollectibles, assuming the balance prior to preparing the aging was a \$15,000 credit.
- Prepare the necessary journal entry to update the allowance for uncollectibles, assuming the balance prior to preparing the aging was a \$5,000 debit. How could the allowance account have contained a debit balance?