

Bad Debts Recovered

It is not uncommon for a debt written off in previous years to be recovered in later years. When this occurs, the book-keeping procedures are as follows:

First reinstate the debts by making the following entries:

Dr	<i>Debtor's account</i>
Cr	<i>Bad debts recovered account</i>

Secondly, when the cash/cheque is later received from the debtor in settlement of the account then the following corrective entries are made:

Dr	<i>Cash/Bank account</i>
Cr	<i>Debtor's account</i>

Example

J Jones Ltd. decided to write off R. Rodber's Debtor account as a bad debt at the end of the financial year running from the 1st January to the 31st December 20X7. However on the 5th of January 20X8 J. Jones Ltd. received a \$500 cheque for the amount owing on his account from R. Rodber. Complete the double-entry needed to re-instate the debtor and account for the payment received.

Dr	R. Rodber (Debtor)		Cr		
	\$		\$		
1.1.X7	Sales	500	31.12.X7	Bad Debts	500
		<u>500</u>			<u>500</u>
5.1.X8	Bad debts recovered	500	5.1.X8	Bank	500

Dr	Bad Debts		Cr		
	\$		\$		
31.12.X7	R. Rodber	500	31.12.X7	Profit & Loss	500
		<u>500</u>			<u>500</u>

Dr	Bad Debts Recovered Account		Cr		
	\$		\$		
31.12.X8	Profit & Loss	500	1.1.X8	R Rodber	500
		<u>500</u>			<u>500</u>

Dr	Bank Account		Cr		
	\$		\$		
1.1.X8	R. Rodber	500			