

Flesch-Kincaid Readability Statistics – Demo

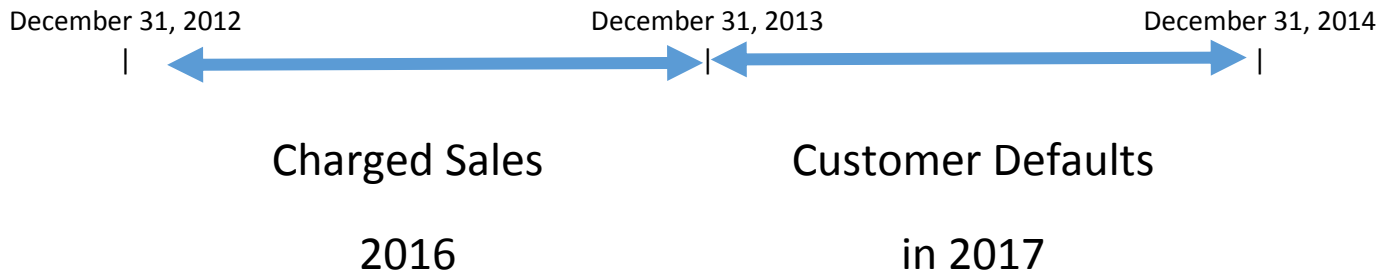
<https://www.youtube.com/watch?v=nKDH3y0Rq0s>

LABRADOR WEIGHT LC			
Balance Sheet			
June 30, 2014			
Assets			
<b>Current assets:</b>			
Cash*		\$ 37,500	
Accounts receivable		78,250	
Supplies		5,350	
Prepaid insurance		19,200	
Prepaid rent		18,000	
<b>Total current assets</b>			<b>\$158,300</b>
<b>Property, plant, and equipment:</b>			
Land		\$290,000	
Equipment	\$300,000		
Less accumulated depreciation	103,300	196,700	
<b>Total property, plant, and equipment</b>			<b>486,700</b>
<b>Total assets</b>			<b>\$645,000</b>

- Accounts Receivable vs. Notes Receivable w/ Maturity Date.
- Factoring/Pledging Receivables
- Accounts Receivable & the Allowance for Uncollectible Accts.
- Matching Principle – match revenues and expenses in the time period that they occur

## Accounts Receivable continued

- Direct write off is done by small companies and larger ones where the write off amount is not material (materiality)
- The amount to write off must be determined before you can do the end of period financial statement.



- 2 methods for determining the amount to write off:
  - % of sales
  - Aging of the receivables

Assume that a company has \$600,000 in sales, \$425,000 is on credit. They have \$10,000 credit balance in the Allowance for Uncollectable Accounts. They have experienced in the past that 5% of their charged sales are uncollectable. When they aged the accounts, they estimated that \$25,500 was deemed uncollectable. What would the journal entries be for each of these methods?

Cash		Sales	
\$ 175,000.00			\$ 600,000.00
Accounts Receivable			
\$ 425,000.00			

Allowance for Uncollectable Accts.			
	\$ 10,000.00		

	date		Dr.	Cr.
1		Uncollectable Account Expense	?	
2		Allowance for Uncollectable Acct.		?
3				
4				
5				
6				
7				
8				
9				
10				

Spreadsheet				
L24		fx	=SUM(L20:L23)	
	I	J	K	L
19	Age	Balance	Estimated % Uncollectible	Estimated Amount Uncollectible
20	Current	\$250,000	1%	\$ 2,500
21	31-60 days	100,000	5%	5,000
22	61-90 days	50,000	15%	7,500
23	Over 90 days	<u>25,000</u>	42%	<u>10,500</u>
24		<u>\$ 425,000</u>		<u>\$25,500</u>
25				

Allowance Account	
10,000	Existing Balance
15,500	Expense
<u>25,500</u>	"Desired" Balance

Now when a customer lets you know that he/she won't be able to pay you anymore, what journal entry should you make? (View timeline above)

What will be the net effect of actually writing off a customer? (Use numbers and T accounts above to show the actual net effect.)

What if the customer who let you know he/she was not going to pay goes thru the court system and the court liquidates the company and sends you a check for your part of the settlement?

Why is the Allowance for Uncollectable Accounts considered a Contra Account?