

## Tutorial 6 (Week 7) – Operating Activities: Receivables

**\*Amended Sept 22, 2025\***

As part of its loan covenant with the bank, Hunt3X is now required to perform an audit of its financial statements. Hunt3X hired Earnest&Co Auditing Limited (Earnest&Co) as its auditors.

During the audit of its 2025 financial year, Earnest&Co discovered that Hunt3X did not record any expected credit loss for 2025 (ignore the financial year 2024 as the effect is negligible). Earnest&Co advises Hunt3X to use the allowance method to account for its uncollectible accounts receivable.

An aging of Hunt3X's accounts receivable at 31 December 2025 shows the following:

Schedule of Accounts Receivable by Age at 31 December 2025		
Classification of Receivables	Amount	Estimated % Uncollectible
Current	29,050	2%
1-60 days past due	2,800	15%
61-90 days past due	1,600	25%
Over 90 days past due	350	40%
<b>Total</b>	<b>33,800</b>	

### Required for Tutorial 6:

Using your spreadsheet:

- (1) Calculate the estimated uncollectible receivables for the financial year 2025. Prepare the journal entry to record the expected credit loss (ECL) for the year (omit journal explanation).
  
- (2) After adjusting for uncollectible accounts, calculate the following for financial year 2025:  
 (Use figures from Tutorial 4, do not incorporate any of the hypothetical scenarios from Tutorial 5)
  - (i) Net Income
  - (ii) Receivables (Net)
  - (iii) Total Assets
  
- (3) Calculate the receivables turnover ratio and average collection period for the financial year 2025 (round to 3 decimal places). The balance of the Accounts Receivable account at the beginning of 2025 is \$21,700.

- (4) If assuming that in **2026**, Hunt3X had to write off \$2,000 of its accounts receivable as one of its customers, Kwima Productions Ltd., has unexpectedly gone bankrupt and the amount is no longer deemed collectible. Determine the following:
- (i) What is the journal entry to record the write off?
  - (ii) What is the balance of its loss allowance account immediately after the write off?
  - (iii) Do you think the prior year's (2025) estimate of uncollectible accounts receivables was understated?
  - (iv) If at the end of 2026, an aging analysis of Hunt3X receivables shows a target Loss Allowance balance of \$2,100, how much will Hunt3X record as its expected credit loss in 2026?

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*~ End of Tutorial 6 ~*