I would be hesitant to extend $50,000 in trade credit to a new, unknown company for their annual party. That is a significant amount of money and carries substantial risk if they end up not paying on time. Before agreeing, I would want to gather more information on their financial health and creditworthiness.

If I did decide to extend credit, I would put formal payment terms in a written contract specifying the payment due date and any late fees or penalties for nonpayment. I would also request a deposit upfront to mitigate some of the risk. During the event, I would closely monitor that the order and billing aligns with the contract to avoid disputes.

The potential benefits of extending credit are securing this large new client and gaining their future business if the arrangement goes smoothly. However, the risks are high and $50,000 in uncollected receivables could put my business in financial jeopardy.

If I reject their request, I lose out on their business this year and possibly into the future. However, protecting my business' finances may take priority over acquiring new customers, especially high-risk ones.

For any customers unable to pay, I would record this as a bad debt expense. I would write off the uncollectible amount in my accounts receivable and make an offsetting expense entry. This reduces accounts receivable and recognizes the loss to the income statement.

If trade credit is extended, the journal entry would be:

Accounts Receivable $50,000

Sales	$50,000

This records the $50,000 accounts receivable asset and corresponding sales revenue at the time of the event and billing.

Reference:

Franklin, M. Graybeal, P. & Cooper, D. (2020). Principles of accounting, volume 1: Financial accounting. Open Stax Rice University.

https://openstax.org/details/books/principles-financial-accounting.