

**ACC1701X**  
**ACCOUNTING FOR DECISION MAKERS**  
**SEMESTER 1 2022 / 2023**

**TUTORIAL 5 ANSWER SOLUTION**  
Receivables

**Understanding Financial Statements - Samsung**

(a) How do you ascertain that the amount reported on Samsung's Statements of Financial Position for "Trade receivable" has taken into account bad debts? What is the balance of credit loss allowance reported by Samsung in 2021, and which approach under IFRS 9 does Samsung use to measure its loss allowance?

From Notes 7 (Trade and Non-trade Receivables), it is shown that the "Trade receivable" balance of ₩40,713,415 which is reflected on the SFP, is net of the credit loss allowance of ₩310,880.

Samsung uses the simplified approach to measure its loss allowance (See Note 2.6 (C))

**7. Trade and Non-Trade Receivables**

(A) Trade and non-trade receivables as of December 31, 2021 and 2020 are as follows:

<i>(In millions of Korean won)</i>	December 31, 2021		December 31, 2020	
	Trade	Non-trade	Trade	Non-trade
Receivables	41,250,034	5,572,176	31,369,364	4,065,404
Less: Loss allowance	(310,880)	(72,805)	(318,731)	(59,487)
Subtotal	40,939,154	5,499,371	31,050,633	4,005,917
Less: Non-current portion	(225,739)	(1,002,114)	(85,575)	(401,378)
<b>Current portion</b>	<b>40,713,415</b>	<b>4,497,257</b>	<b>30,965,058</b>	<b>3,604,539</b>

(b) How much bad debt expense did Samsung report for 2021 in relation to its trade receivable? Can you find this figure in its Statement of Profit or Loss (SPL) or the notes relating to the SPL, and why do you think that is so?

From Notes 7 (Trade and Non-trade Receivables), it is shown that the bad debt expense taken in 2021 in relation to its trade receivable is ₩17,990.

(B) Movements in the loss allowance for receivables for the years ended December 31, 2021 and 2020 are as follows:

<i>(In millions of Korean won)</i>	2021		2020	
	Trade	Non-trade	Trade	Non-trade
Balance as of January 1	318,731	59,487	340,410	58,666
Bad debt expense (reversal)	17,990	9,009	40,006	2,869
Write-off	(19,095)	(2,424)	(40,384)	(103)
Other	(6,746)	6,733	(21,301)	(1,945)
<b>Balance as of December 31</b>	<b>310,880</b>	<b>72,805</b>	<b>318,731</b>	<b>59,487</b>

This bad debt expense figure cannot be found in the SPL or its related notes as it does not seem that Samsung reports its bad debt expense as a separate line item in the SPL and the notes. Most likely, bad debt expense had been lumped together into the “Other” expense item under Selling and Administrative Expenses (refer to Note 22).

(c) Calculate and compare the receivables turnover ratio and average collection period for Samsung for the financial years 2021 and 2020. Use current trade receivables amount.

Note: You will need to search for and extract the necessary 2019 financial figures to calculate your ratios for 2020. (*Hint: Look for the 2020 or 2019 annual reports online*)

<i>(In ₩'000,000)</i>	<b>2021</b>	<b>2020</b>
Revenue	279,604,799	236,806,988
Trade Receivable - Beginning	30,965,058	35,131,343
Trade Receivable - Ending	40,713,415	30,965,058
Average Receivables	35,839,237	33,048,201
<b>Receivables Turnover Ratio</b>	<b>7.80</b>	<b>7.17</b>
<b>Average Collection Period</b>	<b>46.79</b>	<b>50.94</b>

Samsung’s receivables turnover ratio improved slightly from 2020 (7.17) to 2021 (7.8), indicating that it is able to receive and collect its accounts receivables more efficiently in 2021. It takes Samsung an average of about 46 – 51 days to collect its accounts receivable in 2020 and 2021.

## SSA Textbook Tutorial Assignment:

### E 7-11 (LO5)      Accounting for Notes Receivable

(1).  $(31 - 1) + 30 + 31 + 29 = 120$   
The maturity date is June 29.

(2).

Jun. 29	Cash .....	6,160	
	Notes Receivable—Kingstone Co. ....		6,000
	Interest Revenue $(\$6,000 \times 8\% \times 120/360)$ .....		160

**P 7-2 (LO3)                      Analysis of Loss Allowance**

1. <b>Loss Allowance</b>	<b>2%</b>	<b>×</b>	<b>\$1,140,000</b>	<b>=</b>	<b>\$ 22,800</b>
<b>on December 31, 2022</b>	<b>10%</b>	<b>×</b>	<b>\$600,000</b>	<b>=</b>	<b>60,000</b>
<b>(through aging analysis)</b>	<b>23%</b>	<b>×</b>	<b>\$400,000</b>	<b>=</b>	<b>92,000</b>
	<b>75%</b>	<b>×</b>	<b>\$120,000</b>	<b>=</b>	<b>90,000</b>
					<u><b>\$264,800</b></u>

<b>December 31, 2021 allowance .....</b>	<b>\$130,000</b>
<b>Accounts written off .....</b>	<b>(90,000)</b>
<b>Accounts recovered .....</b>	<b>15,000</b>
<b>Unadjusted allowance balance @ Dec 31, 2022</b>	<u><b>\$ 55,000</b></u>

<b>Expected Credit Loss .....</b>	<b>209,800</b>	
<b>Loss Allowance .....</b>		<b>209,800</b>
<i>To record estimate of uncollectible accounts receivable (\$264,800 – \$55,000 = 209,800).</i>		

2. <b>Loss Allowance .....</b>	<b>90,000</b>	
<b>Accounts Receivable .....</b>		<b>90,000</b>
<i>To write off uncollectible accounts receivable.</i>		
<b>Accounts Receivable .....</b>	<b>15,000</b>	
<b>Loss Allowance .....</b>		<b>15,000</b>
<i>To reinstate account balance previously written off.</i>		
<b>Cash .....</b>	<b>15,000</b>	
<b>Accounts Receivable .....</b>		<b>15,000</b>
<i>To recognize collection of previously written off receivables.</i>		