

Chapter 6

Reporting and Interpreting Sales Revenue, Receivables, and Cash

销售收入、应收账款及现金的报告和解释

Learning Objectives

After studying this chapter, you should be able to:

- 6-1** Analyze the impact of credit card sales, sales discounts, sales returns, and sales of bundled items on the amounts reported as net sales.
- 6-2** Estimate, report, and evaluate the effects of uncollectible accounts receivable (bad debts) on financial statements.
- 6-3** Analyze and interpret the receivables turnover ratio and the effects of accounts receivable on cash flows.
- 6-4** Report, control, and safeguard cash.

Learning Objective 6-1

6-1 Analyze the impact of credit card sales, sales discounts, sales returns, and sales of bundled items on the amounts reported as net sales.

信用卡销售，销售折扣，销售退货，捆绑销售等影响分析

6-3

Accounting for Net Sales Revenue 销售净额核算 (1 of 2)

The revenue recognition principle requires that revenues be recorded:

1. **when** the company transfers goods and services to customers.
2. in the **amount** the company expects to be entitled to receive.

6-4

Accounting for Net Sales Revenue (2 of 2)

For sellers of goods, sales revenue is recorded when **title and risks of ownership transfer to the buyer**. 当商品所有权和风险均已转移至买方时可以记录收入

The point at which title changes hands is determined by these **shipping terms**: FOB Destination and FOB Shipping point. FOB目的地交货FOB起运点交货

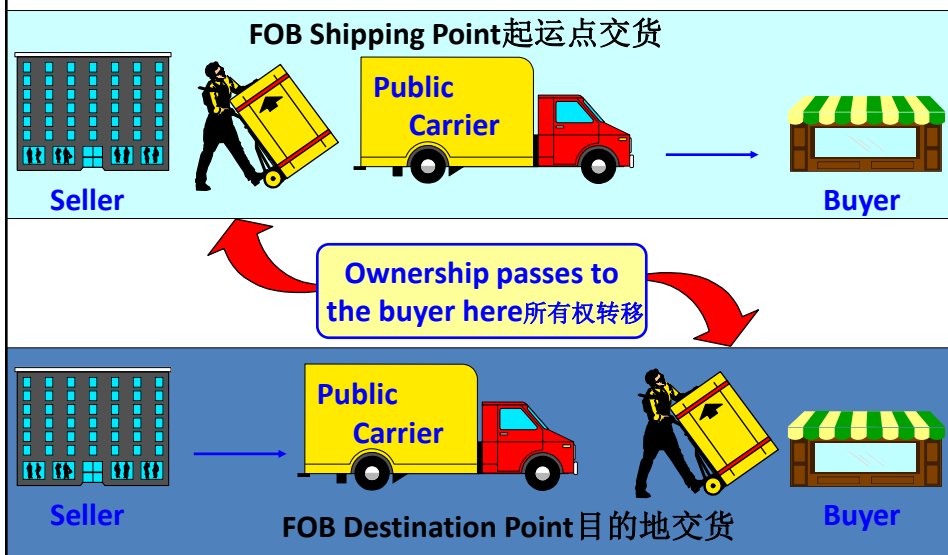
- ❖ FOB Destination - the title of the goods changes hands on delivery.
- ❖ FOB Shipping point - the title of the goods changes hands at the shipping date.

FOB = free on board

Service companies most often record sales revenue when they have provided services to the buyer. 已经向买方提供完服务时确认收入

6-5

Goods in Transit



6-6

Summary of Significant Accounting Policies

Here is an example of a financial statement footnote that discloses the revenue recognition rule:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue when control of the promised goods or services is transferred to its customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. . . . The Company recognizes revenue on wholesale sales upon shipment as that is when the customer obtains control of the promised goods. . . . For our in-store sales, the Company recognizes revenue at the point of sale. For sales made through our websites, we recognize revenue upon shipment to the customer which is when the customer obtains control of the promised good. . . .

6-7

Motivating Sales and Collections 促销与收款

Companies use a variety of methods to motivate businesses and consumers to buy their products and make payments for their purchases, including:

- 1) 信用卡销售
- 2) 对企业客户提早付款的销售折扣
- 3) 允许符合条件的退货

These methods affect the way companies compute **net sales revenue** 销售净额.

6-8

Credit Card Sales to Consumers 信用卡销售

Retailers accept credit cards for several reasons:

1. 增加客流量，增加收入
2. 避免直接向客户提供信贷产生的成本
3. 降低信贷风险
4. 避免信用销售的损失
5. 加快收款时间

When credit card sales are made, the company must pay the credit card company a fee for the service it provides. This fee is called a **Credit Card Discount**. 信用卡折扣

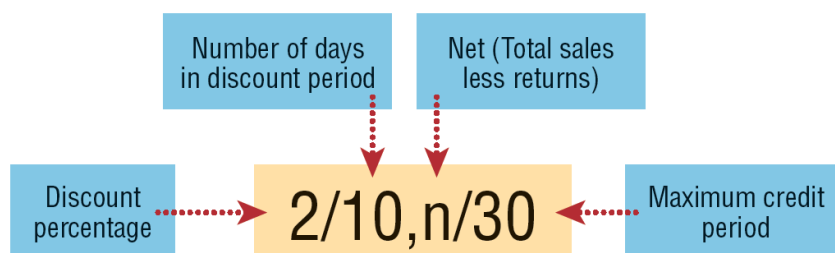
Sales revenue	\$3,000
Less: Credit card discounts ($0.03 \times 3,000$)	90
Net sales (reported on the income statement)	\$2,910

6-9

Sales Discounts to Businesses 对企业客户的销售折扣

When customers purchase on open account, they may be offered a **sales discount** to encourage early payment.

Early Payment Incentive



Read as: “Two ten, net thirty”

6-10

To Take or Not to Take the Discount 是否享受折扣

\$\$\$

With discount terms of 2/10,n/30, a customer saves \$2 on a \$100 purchase by paying on the 10th day instead of the 30th day.

$$\text{Interest Rate for 20 Days} = \frac{\text{Amount Saved}}{\text{Amount Paid}}$$

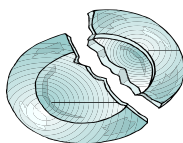
$$\text{Interest Rate for 20 Days} = \frac{\$2}{\$98} = 2.04\%$$

$$\text{Annual Interest Rate} = \frac{365 \text{ Days}}{20 \text{ Days}} \times 2.04\% = 37.23\%$$

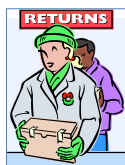
6-11

Sales Returns and Allowances 销售退回与折让

Customers have a right to return unsatisfactory or damaged merchandise and receive a refund or an adjustment to their bill. Such returns are often accumulated in a separate account called Sales Returns and Allowances.



Damaged Merchandise



Returned Merchandise

6-12

Sales Returns and Allowances 销售退回与折让

Customers have a right to return unsatisfactory or damaged merchandise and receive a refund or an adjustment to their bill. These returns are accumulated in a separate account called **Sales Returns and Allowances**.

Sales revenue	\$2,000
Less: Sales returns and allowances (10 pairs × \$50)	<u>500</u>
Net sales (reported on the income statement)	\$1,500

Cost of goods sold related to the returned sale would also be reduced.

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Reporting Net Sales 销售净额的报告

Companies record credit card discounts, sales discounts, and sales returns and allowances separately to allow management to monitor the magnitude of these transactions.

Sales revenue	\$6,000
Less: Credit card discounts (a contra-revenue)	90
Sales discounts (a contra-revenue)	20
Sales returns and allowances (a contra-revenue)	<u>500</u>
Net sales (the first line of the income statement)	\$5,390

销售收入

减：信用卡折扣(备抵账户)

 销售折扣(备抵账户)

 销售退回及折让(备抵账户)

销售净额(利润表的第一行)

销售净额= 收入 – 所有收入的备抵账户

6-14

Exhibit 6.1

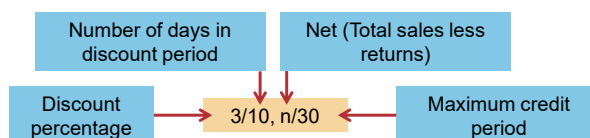
Net Sales on the Income Statement

SKECHERS U.S.A., INC. AND SUBSIDIARIES Consolidated Statements of Earnings (partial) Years Ended December 31, 2017, 2016, 2015 (amounts in thousands)			
	2017	2016	2015
Net sales	\$4,164,160	\$3,563,311	\$3,147,323
Cost of sales	<u>2,225,271</u>	<u>1,928,715</u>	<u>1,723,315</u>
Gross profit	1,938,889	1,634,596	1,424,008
Royalty income	<u>16,666</u>	<u>13,885</u>	<u>11,745</u>
	<u>1,955,555</u>	<u>1,648,481</u>	<u>1,435,753</u>
Operating expenses:			
Selling	327,201	257,129	235,586
General and administrative	<u>1,245,474</u>	<u>1,020,834</u>	<u>849,343</u>
	<u>1,572,675</u>	<u>1,277,963</u>	<u>1,084,929</u>
Earnings from operations	<u>382,880</u>	<u>370,518</u>	<u>350,824</u>
...			

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Exercise 6-1

Nov.	20	Sold 20 items of merchandise to Customer B at an invoice price of \$6,300 (total); terms 3/10, n/30.
	25	Sold two items of merchandise to Customer C, who charged the \$700 (total) sales price on her Visa credit card. Visa charges Crowley Retailers a 2 percent credit card fee.
	28	Sold 10 identical items of merchandise to Customer D at an invoice price of \$9,700 (total); terms 3/10, n/30.
	29	Customer D returned one of the items purchased on the 28th; the item was defective and credit was given to the customer.
Dec.	6	Customer D paid the account balance in full.
	20	Customer B paid in full for the invoice of November 20.



These transactions were selected from among those completed by Crowley Retailers in November and December. Assume that Sales Returns and Allowances, Sales Discounts, and Credit Card Discounts are treated as contra-revenues; compute net sales for the two months ended December 31.

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Nov.	20	Sold 20 items of merchandise to Customer B at an invoice price of \$6,300 (total); terms 3/10, n/30.
	25	Sold two items of merchandise to Customer C, who charged the \$700 (total) sales price on her Visa credit card. Visa charges Crowley Retailers a 2 percent credit card fee.
	28	Sold 10 identical items of merchandise to Customer D at an invoice price of \$9,700 (total); terms 3/10, n/30.
	29	Customer D returned one of the items purchased on the 28th; the item was defective and credit was given to the customer.
Dec.	6	Customer D paid the account balance in full.
	20	Customer B paid in full for the invoice of November 20.

Income statement

Sales revenue (\$6,300 to B + \$700 to C + \$9,700 to D)	\$16,700
Less: Sales returns and allowances ($1/10 \times \$9,700$ from D)	970
Less: Sales discount $(\$9,700 - \$970) \times 3\%$ from D)	262
Less: Credit card discount $(\$700 \text{ to C} \times 2\%)$	14
Net Sales	<u>\$15,454</u>

6-17

Volume Discounts数量折扣/Rebates折让 and Earnings Misstatements利润错报

Question of Ethics

In 2016, the SEC found that Monsanto had materially misstated company revenue and earnings by improperly accounting for volume discounts and rebates offered to retailers and distributors of its product Roundup.

Sales revenue should be recorded **"in the amount the company expects to be entitled to receive"**. This rule requires Monsanto to **reduce the amount of reported net sales by the expected rebates** in the year of the sale.

\$\$\$

Monsanto delayed recording rebates until the following year, overstating net sales and earnings before taxes by \$44.5 million and \$48 million, respectively, over two years 将折让推迟至下一年度确认

Monsanto also improperly accounted for additional rebates as expense instead of a reduction in net sales. This practice overstated gross profit, an important measure used by analysts, but did not affect income before tax. 将折让作为费用，而不是冲减销售收入

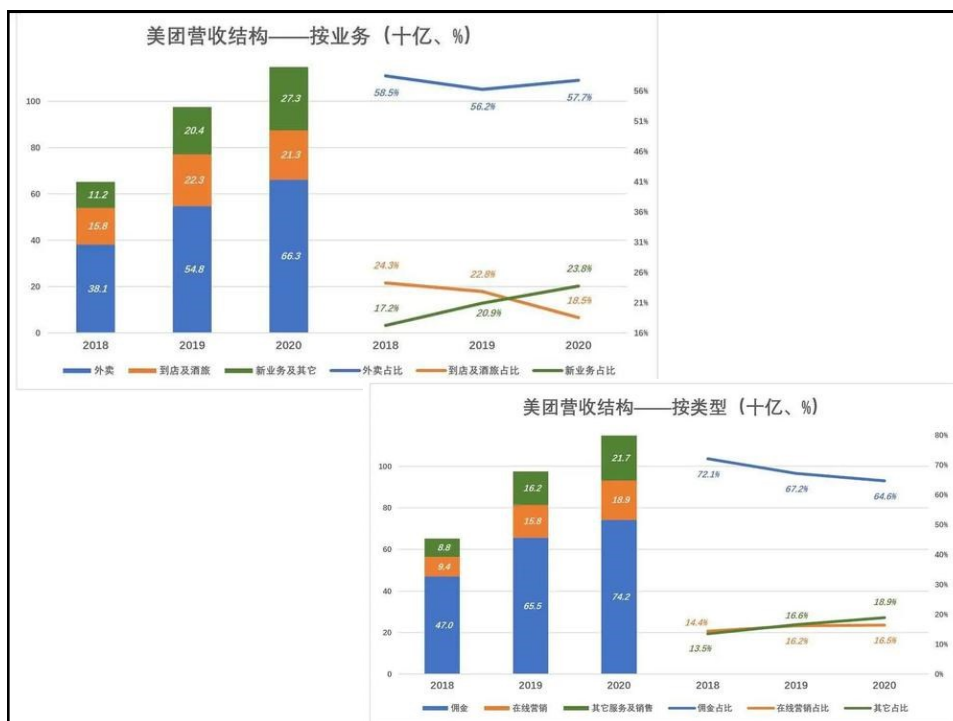
6-18

Revenue Recognition for Bundled Goods and Services: A Five Step Process捆绑销售

Assume Apple sells an iPad for \$500, (1) \$450 of which relates to the **hardware with essential software** and (2) \$50 of which relates to **future software upgrades** that would be provided over **five years**.

Step 1: Identify the contract between the company and the customer.	Bundled: iPad and related future upgrade services
Step 2: Identify the performance obligations (promised goods and services).	#1 Hardware with essential software #2 Future software upgrades
Step 3: Determine the transaction price.	\$500 total
Step 4: Allocate the transaction price to the performance obligations.	#1 Hardware with software → \$450 #2 Future software upgrades → \$50
Step 5: Recognize revenue when each performance obligation is satisfied (or over time if a service is provided over time).	#1 Hardware with software → \$450 in year 1 #2 Future software upgrades → \$50/5 = \$10 each year for 5 years

6-19



宜华生活：设“双系统”数据造假

在2016年至2019年期间，宜华生活通过虚构销售业务等方式，累计虚增收入71亿元

- 通过虚构境内销售业务、高报出口货物销售额等方式虚增营业收入，2016年、2017年、2018年、2019年年度报告分别虚增营业收入22.98、21.40、20.12和6.41亿元，分别占当期披露营业收入的40.32%、26.68%、27.18%和12.22%。

通过财务不记账、虚假记载、伪造银行单据等方式虚增货币资金

- 2019年6月30日披露的货币资金余额为27.67亿元，经查实虚增银行账户资金20.15亿元，虚增的金额分别占披露货币资金总额的72.80%、净资产的23.84%和总资产的11.68%。

通过两个完全独立的生产业务系统，宜华生活分别做出了两套数据，一套数据货值虚高，用于报关，另外一套数据则是跟境外客户对账的真实数据。

调查组找到公司出口货物真实价格的相关证据，包括报价、英文发票、装箱单等货运凭证，以及对账、催款明细等。

6-21

Measuring and Reporting Receivables 应收款项的计量和报告

Receivables may be classified in three common ways:

Accounts receivable (created by a credit sale on an open account)	or	Notes receivable (a written promise to pay principal and interest at one or more future dates)
Trade receivable (created in the normal course of business when a credit sale of merchandise or services occurs)	or	Nontrade receivables (arise from transactions other than the normal sale of merchandise or services)
Current (short-term)	or	Noncurrent (long-term)

6-22

Foreign Currency Receivables外币应收款

International Perspective

Export (international) sales are a growing part of the U.S. economy. Most export sales to businesses are on credit.

When a buyer agrees to pay in its local currency, the resulting accounts receivable is denominated in a foreign currency. This amount cannot be added to other U.S. dollar accounts receivable. Companies must convert the amount to U.S. dollars using the end-of-period exchange rate between the two currencies.按照期末汇率折算

Selected Foreign Currency Exchange Rates (in US\$)

Mexican Peso	\$0.05
Singapore Dollar	\$0.76
Euro	\$1.25

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单位：人民币万元

账龄	应收账款余额	坏账准备金额	应收账款账面价值
1 年以内	16,602.35	840.12	15,962.23
1 至 2 年	9,157.44	915.74	8,241.69
2 至 3 年	16,429.39	4,928.82	11,500.57
3 年以上	25,685.02	19,683.82	6,301.19
3 至 4 年	8,329.03	4,245.73	4,083.30
4 至 5 年	7,576.49	5,358.56	2,217.89
5 年以上	10,079.50	10,079.50	-
合计	68,374.20	26,368.50	42,005.68

6-24

Learning Objective 6-2

6-2 Estimate, report, and evaluate the effects of uncollectible accounts receivable (bad debts) on financial statements.

6-25

Accounting for Bad Debts 坏账核算

Companies keep a separate accounts receivable account for each customer (called a **subsidiary account**). The amount on the balance sheet represents the total of these individual customer accounts.

Bad debts result from credit customers who will not pay the amount they owe, regardless of collection efforts.

The **Expense Recognition Principle** requires recording of bad debt expense in the **same** accounting period in which the related sales are made.

Problem – Company may not learn which particular customers will not pay until the **next** accounting period.

Therefore, companies use the **allowance method to measure bad debt expense**(备抵法核算坏账费用). The allowance method is based on estimates of the expected amount of bad debts with two steps:

- 1) Make end-of-period adjusting entry to record bad debt expense.
- 2) Write off specific accounts determined to be uncollectible during the period.

6-26

Recording Bad Debt Expense Estimates 坏账损失估计

An **adjusting journal entry at the end of the accounting period** records the bad debt estimate.

Example: Skechers estimated bad debt expense for 2017 to be \$18,398 (in thousands) and made the following adjusting entry:

	Debit	Credit
Bad debt expense (+E, -SE)	18,398	
Allowance for doubtful accounts (+XA, -A)		18,398

Assets	=	Liabilities	+	Owner's Equity
Allowance for doubtful accounts -18,398				Bad debt expense (+E) -18,398

Contra-asset account subtracted from the asset Accounts Receivable on the balance sheet.

Bad debt expense is the expense associated with estimated uncollectible accounts receivable. It is included in the category "General and Administrative" expense on the income statement.

6-27

Writing Off Specific Uncollectible Accounts 注销不能收回的坏账

Throughout the year, when it is determined that a customer will not pay its debts (e.g., due to bankruptcy), the write-off of that individual bad debt is recorded through a journal entry.

Skechers' total write-offs for 2017 were \$8,865.

	Debit	Credit
Allowance for doubtful accounts (-XA, +A)	8,865	
Accounts receivable (-A)		8,865

Assets	Assets	=	Liabilities	+	Stockholders' Equity
Allowance for doubtful accounts	+8,865				
Accounts receivable	-8,865				

Notice that this journal entry **did not affect any income statement accounts**. It also **did not change the net book value of accounts receivable**.

6-28

Bad Debt Recoveries 坏账的收回

FINANCIAL ANALYSIS

When a company receives a payment on an account that has already been written off, the journal entry to write off the account is reversed to put the receivable back on the books and then the collection of cash is recorded.

\$\$\$

For example, if the previously written-off amount was \$677, the following two entries are made:

	Debit	Credit
Accounts receivable (+A)	677	
Allowance for doubtful accounts (+XA, -A)		677
Cash (+A)	677	
Accounts receivable (-A)		677

Note that **these entries**, like the original write-off, **do not affect total assets or net income**. Only the estimate of bad debts affects these amounts.

6-29

Summary of Journal Entries

- When credit sales are made:

Accounts Receivable	xxxx	
Sales Revenue		xxxx

- Bad debts are estimated and recognized **in the same period** as credit sales are made:

Bad Debt Expense	xxxx	
Allowance for Doubtful Accounts		xxxx

- When actually write off a bad account:

Allowance for Doubtful Accounts	xxxx	
Accounts Receivable		xxxx

- When receive payment from the previously written-off accounts:

Accounts Receivable	xxxx	
Allowance for Doubtful Accounts		xxxx
Cash	xxxx	
Accounts Receivable		xxxx

6-30

Summary of the Accounting Process (1 of 2)

Accounting for bad debts is a two-step process.

Step	Timing	Accounts Affected	Financial Statement Effects
1. Record estimated bad debts adjustment	End of period in which sales are made	Bad Debt Expense (E) ↑	Net Income ↓
		Allowance for Doubtful Accounts (XA) ↑	Assets (Accounts Receivable, Net) ↓
2. Identify and write off actual bad debts	Throughout period as bad debts become known	Accounts Receivable (A) ↓	Net Income ↓
		Allowance for Doubtful Accounts (XA) ↓	Assets (Accounts Receivable, Net) ↓
No effect			

6-31

Summary of the Accounting Process (2 of 2)

Accounts Receivable (Gross) (A)			
Beginning balance	368,491	Collections on account	4,066,685
Sales on account	4,164,160	Write-offs	8,865
Ending balance	<u>457,101</u>		

Allowance for Doubtful Accounts (XA)			
		Beginning balance	41,647
		Bad debt expense	
Write-offs	8,865	adjustment	18,398
		Ending balance	<u>51,180</u>

Accounts Receivable Dec. 31, 2017	
Accounts Receivable (Gross) (A)	\$457,101
Allowance for Doubtful Accounts (XA)	51,180
Accounts Receivable (Net) (A)	<u>\$405,921</u>

6-32

Exhibit 6.2

Reporting Accounts Receivable and Bad Debts

SKECHERS U.S.A., INC. AND SUBSIDIARIES Consolidated Balance Sheets (partial) December 31, 2017 and 2016 (amounts in thousands)		
ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	\$ 736,431	\$ 718,536
Trade accounts receivable, net of allowances of \$51,180 in 2017 and \$41,647 in 2016	405,921	326,844
Other receivables	27,083	19,191
Inventories	873,016	700,515
Prepaid expenses and other current assets	<u>62,573</u>	<u>62,680</u>
Total current assets	\$2,105,024	\$1,827,766

6-33

Exercise 6-2

At the end of the prior year, Ambiance Outdoor Outfitters reported the following information.

Accounts Receivable, Dec. 31 prior year	
Accounts Receivable (Gross) (A)	\$50,000
Allowance for Doubtful Accounts (XA)	<u>9,000</u>
Accounts Receivable (Net) (A)	<u>\$41,000</u>

During the current year, sales on account were \$300,000, collections on account were \$290,000, write-offs of bad debts were \$8,000, and the bad debt expense adjustment was \$7,500.

Required:

Show how the amounts related to Accounts Receivable and Bad Debt Expense would be reported on the income statement and balance sheet for the current year. Disregard income tax considerations.

6-34

Accounts Receivable, Dec. 31 prior year

Accounts Receivable (Gross) (A)	\$50,000
Allowance for Doubtful Accounts (XA)	<u>9,000</u>
Accounts Receivable (Net) (A)	<u>\$41,000</u>

During the current year, sales on account were \$300,000, collections on account were \$290,000, write-offs of bad debts were \$8,000, and the bad debt expense adjustment was \$7,500.

Accounts Receivable (Gross)

Beginning balance	50,000	290,000	Collections on account
Net sales	300,000	8,000	Write-offs
Ending balance	52,000		

Allowance for Doubtful Account

		9,000	Beginning balance
Write-offs	8,000	7,500	Bad debt expense
		8,500	Ending balance

Income Statement:*Operating expenses:*

Bad debt expense	<u>\$7,500</u>
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Balance Sheet:*Current assets:*

Accounts receivable	\$52,000	
Less: Allowance for doubtful accounts	<u>8,500</u>	<u>\$43,500</u>

6-35

Exhibit 6.3**Accounts Receivable Valuation Schedule (Form 10-K)**

Publicly traded companies report the amount of bad debt expense and accounts receivable written off for the period if the amounts are material.

Schedule II—Valuation and Qualifying Accounts
Years Ended December 31, 2017, 2016, 2015
(amounts in thousands)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
December 31, 2015	\$21,007	\$ 7,520	\$ 4,267	\$24,260
December 31, 2016	24,260	30,820	13,433	41,647
December 31, 2017	41,647	18,398	8,865	51,180

6-36

Exercise 6-3

During Year 1, Emerson Electronics recorded credit sales of \$40,800. Based on prior experience, it estimates a 3.5 percent bad debt rate on credit sales.

Required:

1. Prepare journal entries for each of the following transactions.
 - a. On December 31, Year 1, an account receivable for \$168 from a prior year was determined to be uncollectible and was written off.
 - b. The appropriate bad debt expense adjustment was recorded for the Year 1.
2. Complete the following tabulation, indicating the amount and effect (+ for increase, – for decrease, and NE for no effect) of each transaction.

Transaction	Net Sales	Gross Profit	Income from Operations
a.			
b.			

6-37

Requirement 1

	Debit	Credit
(a) Allowance for Doubtful Accounts (–XA, +A)	168	
Accounts Receivable (–A).....		168
To write off an actual bad debt.		
(b) Bad debt expense (+E, –SE) (\$40,800 x 0.035)	1,428	
Allowance for Doubtful Accounts (+XA, – A)		1,428
To record estimated bad debt expense.		

Requirement 2

Transaction	Net Sales	Gross Profit	Income from Operations
a.	NE	NE	NE
b.	NE	NE	(1,428)

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Estimating Bad Debt Expense 坏账费用估计

The bad debt expense amount recorded in the end-of-period adjusting entry often is estimated based on either:

- (1) A percentage of total credit sales for the period or 赊销百分比法
- (2) An aging of accounts receivable. 账龄分析法

Both methods are acceptable under GAAP and are widely used.

The percentage of **credit sales method** is **simpler** to apply, but the **aging method** is **generally more accurate**.

Many companies use the simpler method on a weekly or monthly basis and use the more accurate method on a monthly or quarterly basis to check the accuracy of the earlier estimates.

6-39

Estimating Bad Debts—Percentage of Credit Sales Method

The percentage of credit sales method bases bad debt expense on the historical percentage of credit sales that result in bad debts.

Credit sales	\$1,500,000
× Bad debt loss rate (1.0%)	× <u>0.01</u>
Bad debt expense	\$ <u>15,000</u>

This amount would be directly recorded as Bad Debt Expense (and an increase in Allowance for Doubtful Accounts) in the current year. Our beginning balance in the Allowance for Doubtful Accounts for 2018 would be the ending balance for 2017. Assuming write-offs during 2018 of \$17,420, the ending balance is computed as follows:

Allowance for Doubtful Accounts (XA)			
	2018 Beginning balance	51,180	
2018 Write-offs	17,420	2018 Bad debt expense adjustment	15,000
		2018 Ending balance	? = 48,760

Beginning balance	\$51,180
+ Bad debt expense	15,000
– Write-offs	<u>17,420</u>
Ending balance	<u>\$48,760</u>

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Exercise 6-4

Example: % of Credit Sales

During December 2018, Fast&Easy made \$3,000,000 credit sales. By the end of the month, one customer, Gary, still had not paid the firm for services provided to him in October.

Due to concern about his upcoming performance review, Chen decided not to push Gary and therefore the firm would write off \$1,000 owed by him.

The firm used ***Percentage of credit sales method*** in accounting its bad debt expenses

6-41

Example: % of Credit Sales

1. Estimate bad debt expense: Based on similar firms' experience, uncollectible accounts are 2% of credit sales.

a. Record the sales:

Dr. Accounts Receivable	3,000,000
Cr. Sales Revenue	3,000,000

b. Record the bad debt expense:

Dr. Bad Debt Expense	60,000
(3,000,000*2%)	
Cr. Allowance for Bad Debts	60,000

6-42

Example: % of Credit Sales

2. Record write-offs:

Dr. Allowance for Bad Debts 1,000
 Cr. Accounts Receivable 1,000

3. Record the recovery of a previously written off account:

On January 3, 2019, Gary suddenly remembered his unpaid bill. He sent a check \$1,000 (with an apology) to the firm. On January 3, 2019, Fast&Easy would record:

a. Dr. Accounts Receivable 1,000
 Cr. Allowance for Bad Debts 1,000
 b. Dr. Cash 1,000
 Cr. Accounts Receivable 1,000

6-43

4. T-Accounts.

Suppose Fast&Easy had a debit balance \$4,000,000 for AR and a credit beginning balance of \$50,000 for the Allowance for Bad Debts account. Posting results:

Revenue	
	3,000,000 (1a)

AR	
4,000,000	1,000 (2)
(1a) 3,000,000	1,000 (3b)
(3a) 1,000	

Allowance	
(2) 1,000	50,000
	60,000 (1b)
	1,000 (3a)

Bad debt Exp.	
(1b) 60,000	

Cash	
(3b) 1,000	

6-44

Estimating Bad Debts—Aging of Accounts Receivable

The Aging method estimates uncollectible accounts based on the age of each accounts receivable.

Aging Schedule 2018					
Aged Accounts Receivable			Estimated Percentage Uncollectible		Estimated Amount Uncollectible
Not yet due	\$230,000	×	2%	=	\$ 4,600
Up to 90 days past due	138,000	×	12%	=	16,560
Over 90 days past due	92,000	×	30%	=	27,600
Estimated ending balance in Allowance for Doubtful Accounts					48,760
Less: Balance in Allowance for Doubtful Accounts before adjustment (51,180 – 17,420)					33,760
Bad Debt Expense for the year					\$15,000

Allowance for Doubtful Accounts (XA)			
2018 Write-offs	17,420	2018 Beginning balance	51,180
		2018 Bad debt expense adjustment	?
		2018 Ending balance	48,760

= 15,000 ←
 Total estimated uncollectible accounts

6-45

Exercise 6-5

Magellan Company uses the aging approach to estimate bad debt expense. The ending balance of each account receivable is aged on the basis of three time periods as follows:

- (1) not yet due, \$15,000,
- (2) up to 180 days past due, \$4,200, and
- (3) more than 180 days past due, \$1,200.

Experience has shown that for each age group, the average loss rate on the amount of the receivables at year-end due to uncollectibility is

- (1) 3 percent, (2) 12 percent, and (3) 30 percent, respectively.

At December 31, Year 1 (the end of the current year), the Allowance for Doubtful Accounts balance is \$60 (credit) before the end-of-period adjusting entry is made.

Required:

1. Prepare the appropriate bad debt expense adjusting entry for the Year 1.
2. Show how the various accounts related to accounts receivable should be shown on the December 31, Year 1, balance sheet.

6-46

Requirement 1**Aging Schedule for Year 1**

Aged Accounts Receivable			Estimated Percentage Uncollectible		Estimated Amount Uncollectible
Not yet due	\$15,000	×	3%	=	\$ 450
Up to 180 days past due	4,200	×	12%	=	504
Over 180 days past due	1,200	×	30%	=	360
Estimated ending balance in Allowance for Doubtful Accounts					\$1,314
Less: Balance in Allowance for Doubtful Accounts					60
Bad Debt Expense for the year					<u>\$1,254</u>

December 31, Year 1, Adjusting entry:

	Debit	Credit
Bad Debt Expense (+E, -SE).....	1,254	
Allowance for Doubtful Accounts (+XA, -A).....		1,254
To adjust for estimated bad debt expense for Year 1 computed above.		

6-47

Requirement 2**Balance sheet:**

Accounts receivable (\$15,000 + \$4,200 + \$1,200)	\$20,400
Less: Allowance for doubtful accounts	<u>1,314</u>
Accounts receivable, net of allowance for doubtful accounts	\$19,086

6-48

Estimating Bad Debts—Comparison of the Two Methods

Percentage of credit sales: Directly compute the amount of **Bad Debt Expense** on the **income statement** for the period.

Aging of Accounts Receivable: Compute the **estimated ending balance** in the Allowance for Doubtful Accounts on the **balance sheet** after making the necessary adjusting entry. The **difference** between the current balance in the account and the estimated balance is recorded as the adjusting entry for Bad Debt Expense.

6-49

Actual Write-offs Compared with Estimates

If uncollectible accounts actually written off differ from the estimated amount previously recorded, a **higher or lower amount of bad debt expense is recorded in the next period** to make up for the previous period's error in estimate.

When estimates are found to be incorrect, financial statement values for prior annual accounting periods are not corrected.

6-50

Control over Accounts Receivable

Practices That Can Help Minimize Bad Debts

Require approval of customers' credit history by a person independent of the sales and collections functions.

Age accounts receivable periodically and contact customers with overdue payments.

Reward both sales and collections personnel for speedy collections so they work as a team.

6-51

三一重工（600031）

- 2012年10月19日发布公告，第三季度起将未到合同收款日的应收账款坏账准备计提比例从2%下调至1%，1年以内的应收账款坏账准备计提比例从5%降至1%，一到两年应收账款的计提比例从10%降至6%，两到三年由20%下调至15%，三到四年由50%下调至40%，而四到五年的应收账款坏账计提比例则由50%上升为70%，五年以上上升至100%。
- 正是这一会计政策微调，使得三一重工今年前三季度的净利润将增加约4.7亿元。
- 为什么？
 - 为了保住其行业龙头地位，马上被中联重科超越；
 - 中联重科通过改变计提的手段，释放了7.49亿元利润，这一额度占当期净利润的13.33%
 - 维护三一重工的股价；三一重工赴港上市计划顺利进行。

6-52

Exercise 6-6

Cold Mountain designs and markets outerwear for men, women, and children. Its products are sold through department stores and specialty and Internet retailers. In a recent annual report, it disclosed the following information concerning its allowance for doubtful accounts (in millions):

Balance at Beginning of Period	Charged to Costs and Expenses	Amounts Written Off	Balance at End of Period
\$75	\$80	(\$72)	\$83

Required:

- Record summary journal entries related to the allowance for doubtful accounts for the current year.
- If Cold Mountain had written off \$16.5 million less of accounts receivable during the period, how would receivables, net, and net income have been affected? Explain why.

6-53

2. If Cold Mountain had written off \$16.5 million less of accounts receivable, it would not affect net receivables since any decrease or increase in the asset account (Accounts Receivable) is offset by the decrease or increase in the contra-asset account (Allowance for Doubtful Accounts). It would not have any effect on the net income of the company too, because the estimated expense was recorded with an adjusting entry in the period of sale.

	Debit	Credit
Bad debt expense (+E, -SE)	80	
Allowance for doubtful accounts (+XA, -A)		80
To record estimated bad debt expense		
Allowance for doubtful accounts (-XA, +A)	72	
Accounts receivables (-A)		72
To write-off specific bad debt		

6-54

Learning Objective 6-3

6-3 Analyze and interpret the receivables turnover ratio and the effects of accounts receivable on cash flows.

6-55

Receivables Turnover Ratio 应收账款周转率

The receivables turnover ratio measures how many times average trade receivables are recorded and collected for the year.

KEY RATIO
ANALYSIS

$$\text{Receivables Turnover} = \frac{\text{Net Sales}^*}{\text{Average Net Trade Accounts Receivable}^\dagger}$$

The 2017 receivables turnover ratio for **Skechers**:

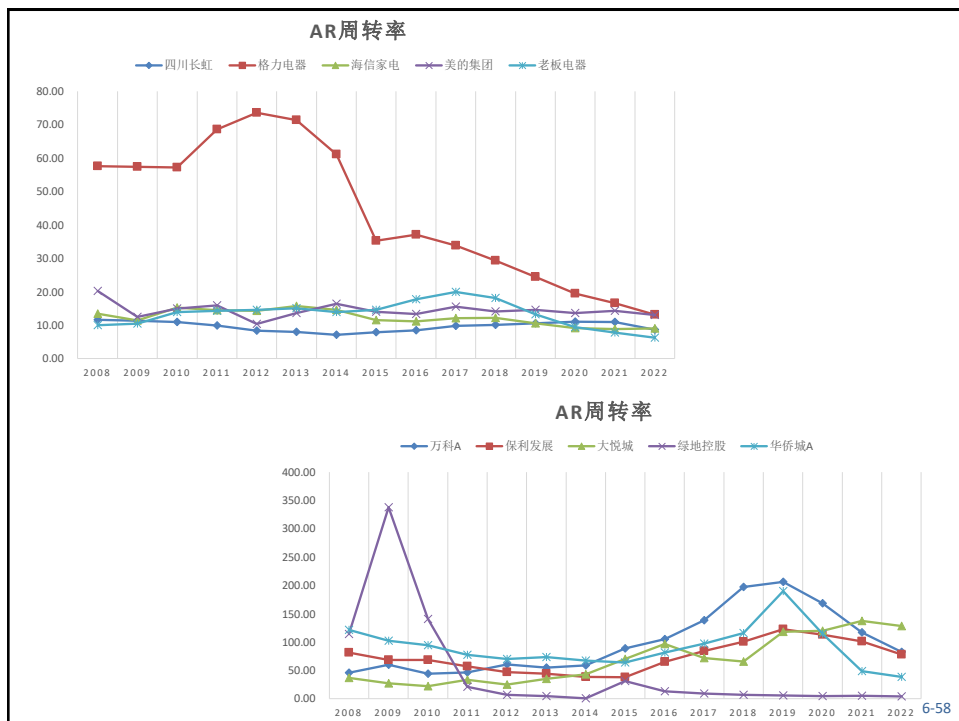
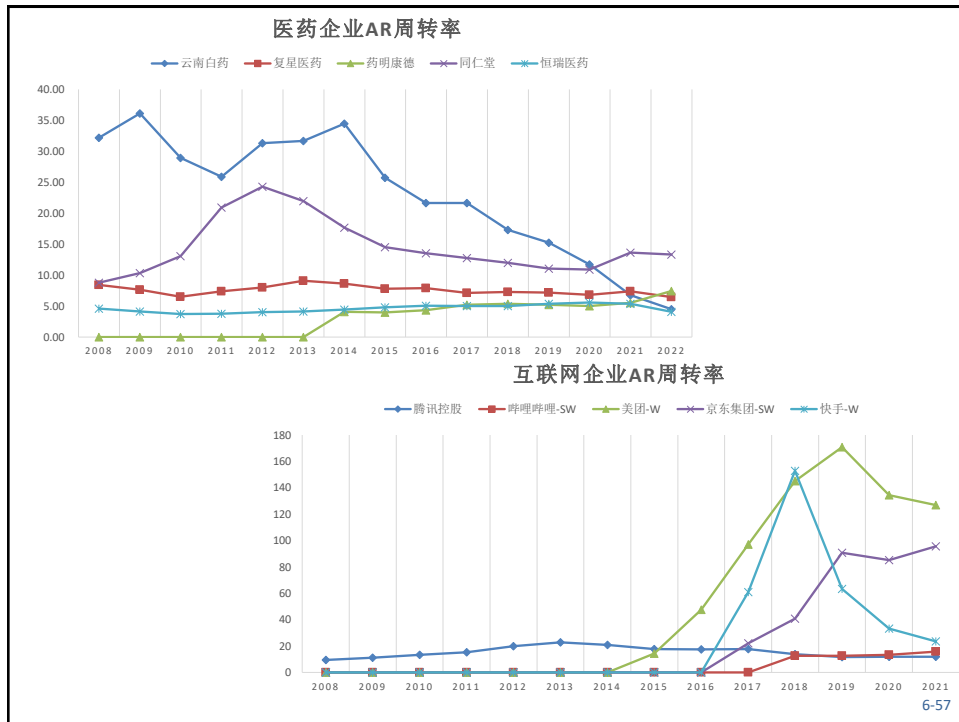
$$\frac{\$4,164,160}{(405,921 + 326,844) / 2} = 11.4$$

COMPARISONS OVER TIME Skechers U.S.A.		
2015	2016	2017
10.2	10.6	11.4

COMPARISONS WITH COMPETITORS Wolverine World Wide Crocs	
2017	2017
8.8	12.7

*Because the amount of net credit sales is normally not reported separately, most analysts use net sales in this equation. †Average Net Trade Accounts Receivable = (Beginning Net Trade Accounts Receivable + Ending Net Trade Accounts Receivable) ÷ 2.

6-56



识别通过应收账款来消化虚增的利润？

• \$\$\$

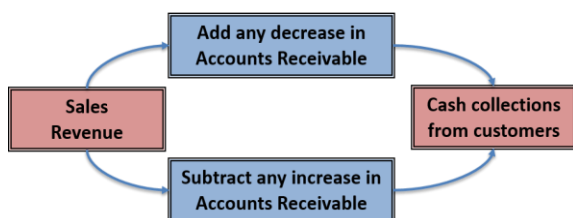
相较于过去几年，同行业、相同商业模式下

1. 应收账款增长/销售收入增长？
2. 应收账款周转天数？
3. 计提坏账准备的情况
4. 应付账款？
5. 其他应收款、预付账款？

6-59

Accounts Receivable

FOCUS ON CASH FLOWS



Effect on Cash Flows

Operating activities (indirect method)

Net income	\$ xxx
Adjusted for	
Add accounts receivable decrease	+
or	
Subtract accounts receivable increase	-

6-60

其他应收款

• \$\$\$

除资产负债表中各类应收账款等以外的其他各种应收及暂付款项。

公司治理的学术衡量指标

康美药业

- 高达88.79亿元且未计提坏账准备的其他应收账款，有56.29亿元来自关联方普宁康都，32.50亿元来自对关联方普宁康淳，占公司期末应收款项的96%
- 该资金被用来买入自家股票
- 货币资金被大股东占用，实际上本身资金缺乏，不得不大量举债，造成“高存高贷”现象

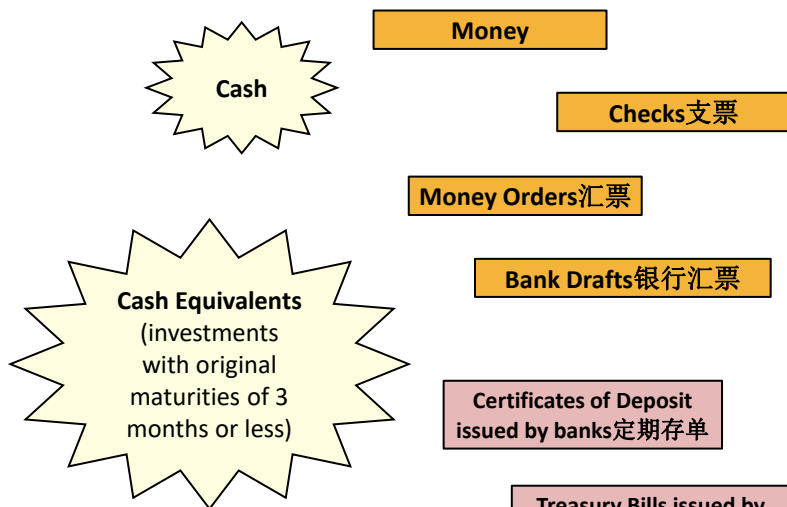
6-61

Learning Objective 6-4

6-4 Report, control, and safeguard cash.

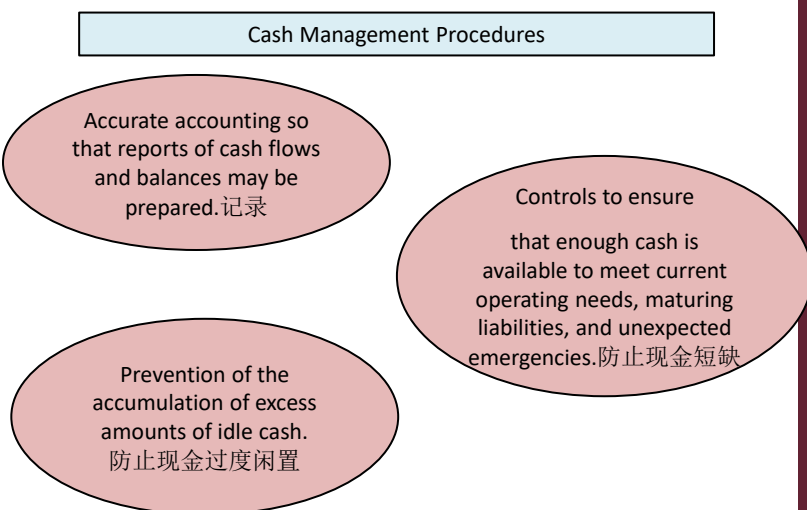
6-62

Cash and Cash Equivalents 现金与现金等价物



6-63

Cash Management 现金管理



6-64

Internal Control of Cash 现金内部控制

"Internal controls" refers to the process by which a company:

Safeguards its assets

Provides reasonable assurance regarding:

- The reliability of the company's financial reporting
- The effectiveness and efficiency of its operations
- Compliance with laws and regulations

Controls are designed to **prevent inadvertent errors** and outright **fraud**. Internal control is reviewed by the outside independent auditor.

Internal control procedures should extend to all assets (cash, receivables, investments, plant and equipment, and so on) but **cash** is the asset most vulnerable to theft and fraud.

6-65

Effective Internal Control of Cash

Separation of Duties

Separate jobs of receiving cash and disbursing cash.

Separate procedures of accounting for cash receipts and cash disbursements.

Separate the physical handling of cash and all phases of the accounting function.

Prescribed Policies and Procedures

Require that all cash receipts be deposited in a bank daily. Keep cash on hand under strict control.

Require separate approval of the purchases and the actual cash payments.

Assign responsibilities for cash payment approval and check-signing to different individuals.

Require monthly reconciliation of bank accounts with the cash accounts on the company's books.

6-66

Ethics and the Need for Internal Control

Question of Ethics

\$\$\$

All well-run companies should have strong internal control procedures

Although the vast majority of employees are trustworthy, employee theft costs businesses billions of dollars each year.

Convicted felons stole from their employers because it was easy and no one cared.

Many companies have a formal code of ethics requiring high standards of behavior.

8-67

Exhibit 6.4

Example of a Bank Statement

7TH & LAVACA
AUSTIN, TEXAS 78789
PHONE: 512/476-6611

ROW.COM, Inc.
1000 Blank Road
Austin, Texas 78703

ACCOUNT NUMBER	STATEMENT DATE
877-95861	30-Jun-19

Electronic Funds
Transfer (EFT)

Interest Earned
(INT)

Not Sufficient
Funds (NSF)

Service Charge
(SC)

Activity in Date Order				
Date	Description	Checks and Debits (14)	Deposits and Credits (5)	Balance
31-May	Balance Last Statement			7,762.40
02-Jun	Austin Energy - EFT	500.00		7,262.40
02-Jun	Deposit		3,000.00	10,262.40
03-Jun	Check 120	56.00		10,207.40
09-Jun	State Farm - EFT	100.00		10,107.40
09-Jun	Deposit		500.00	10,607.40
10-Jun	Check 122	8.20		10,599.20
11-Jun	Check 124	2,150.00		8,449.20
18-Jun	Check 125	46.80		8,402.40
18-Jun	INT		20.00	8,422.40
19-Jun	Check 127	208.00		8,214.40
24-Jun	Check 128	82.70		8,131.70
24-Jun	Deposit		230.00	8,361.70
25-Jun	NSF	18.00		8,343.70
25-Jun	Check 129	144.00		8,199.30
26-Jun	Check 132	22.52		8,176.78
26-Jun	Deposit		300.00	8,476.78
27-Jun	Check 130	96.50		8,380.28
30-Jun	Check 126	53.08		8,328.20
30-Jun	SC	6.00		8,322.20
30-Jun	This Statement	3,490.20	4,050.00	8,322.20

Code:

INT-Interest Earned
NSF-Not Sufficient Funds
SC-Service Charge
EFT-Electronic Funds Transfer

Code:
 INT-Interest Earned
 NSF-Not Sufficient Funds
 SC-Service Charge
 EFT-Electronic Funds Transfer

Electronic Funds Transfer (EFT)

Interest Earned (INT)

Not Sufficient Funds (NSF)

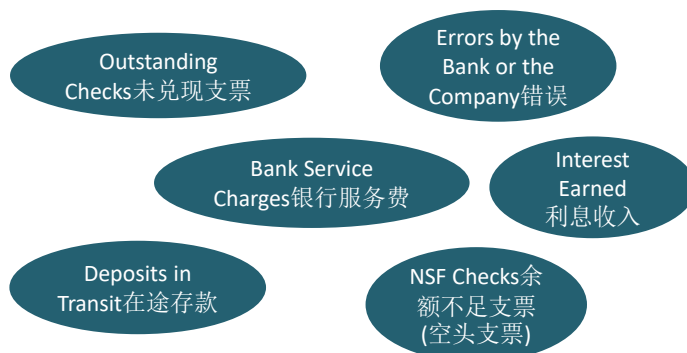
Service Charge (SC)

6-68

Need for Reconciliation

A bank reconciliation explains the differences between the ending cash balance reported on the bank statement and the ending cash balance in the company's records. Differences exist for two possible reasons:

- 1) Transactions affecting cash were recorded on the books of the company (the accounting records) or the bank statement, but not both.
- 2) Errors in recording transactions.



6-69

Bank Reconciliation 银行存款余额调节表

A bank reconciliation accomplishes two major objectives:

- 1) It checks the accuracy of the bank balance and the company cash records, which involves developing the correct cash balance to be reported on the balance sheet.
- 2) It identifies any previously unrecorded transactions or changes that are necessary to cause the company's Cash account(s) to show the correct cash balance. Any transactions or changes on the company's books side of the bank reconciliation need journal entries.

1) 将公司现金账簿与银行对帐单进行核对，确保公司资产负债表现金余额的准确性。

2) 补充相应的日记账分录，确保公司现金账簿的及时性和完整性。

6-70

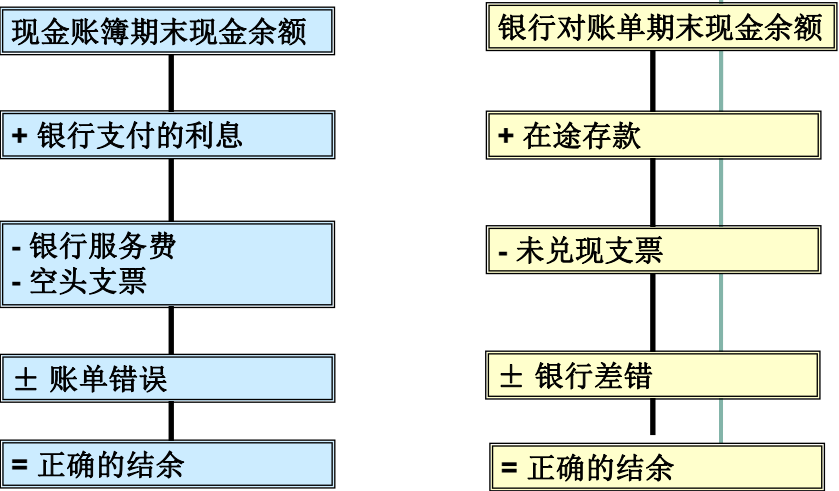
Bank Reconciliation Illustrated (1 of 3)

General Format of a Bank Reconciliation

Ending cash balance per books	\$xxx	Ending cash balance per bank statement	\$xxx
+Interest paid by bank	xx	+Deposits in transit	xx
-NSF check/Service charges	xx	-Outstanding checks	xx
±Company errors	xx	±Bank errors	xx
Ending correct cash balance	\$xxx	Ending correct cash balance	\$xxx

6-71

现金账簿与银行对账单的调节



6-72

Exhibit 6.5

Bank Reconciliation Illustrated (2 of 3)

ROW.COM, INC. Bank Reconciliation For the Month Ending June 30, 2019			
Company's Books		Bank Statement	
Ending cash balance		Ending cash balance	
per books	\$9,040.00	per bank statement	\$ 8,322.20
Additions		Additions	
Interest paid by the bank	20.00	Deposit in transit	1,800.00
Error in recording payment	9.00		
	<u>9,069.00</u>		<u>10,122.20</u>
Deductions		Deductions	
NSF check of R. Smith	18.00	Outstanding checks	1,077.20
Bank service charges	6.00		
Ending correct cash balance	<u>\$9,045.00</u>	Ending correct cash balance	<u>\$ 9,045.00</u>

6-73

Bank Reconciliation Illustrated (3 of 3)

Any transactions or changes on the company's books side of the bank reconciliation need journal entries.

Here are the journal entries necessary for Row.com:

	Debit	Credit
(a) Cash (+A)	20	
Interest income (+R, +SE)		20
To record interest by bank.		
(b) Accounts receivable (+A)	18	
Cash (-A)		18
To record NSF check.		
(c) Bank service expense (+E, -SE)	6	
Cash (-A)		6
To record service fees charged by bank.		
(d) Cash (+A)	9	
Accounts payable (+L)		9
To correct error made in recording a check payable to a creditor.		

6-74

Exercise 6-7

The February 28, Year 1 bank statement for Bayern Company and the February ledger accounts for cash are summarized here:

BANK STATEMENT			
	Checks	Deposits	Balance
Balance, February 1, Year 1			\$ 7,800
Deposits recorded during February		\$32,280	40,080
Checks cleared during February	\$32,880		7,200
NSF checks—Patty Prichard	204		6,996
Bank service charges	72		6,924
Balance, February 28, Year 1			6,924

Cash (A)					
Feb. 1	Balance	7,800	Feb.	Checks written	34,680
Feb.	Deposits	33,720			

No outstanding checks and no deposits in transit were carried over from January; however, there are deposits in transit and checks outstanding at the end of February.

6-75

Required

1. Reconcile the bank account.
2. Give any journal entries that should be made as the result of the bank reconciliation.
3. What should the balance in the Cash account be after the reconciliation entries?
4. What total amount of cash should the company report on the February 28 balance sheet?

6-76

Requirement 1

BAYERN COMPANY Bank Reconciliation For the Month Ending February 28, Year 1			
Company's Books		Bank Statement	
Ending cash balance per books*	\$6,840.00	Ending balance per bank statement	\$6,924.00
Additions		Additions	
None		Deposits in transit **	1,440.00
	6,840.00		8,364.00
Deductions		Deductions	
Bank service charges	\$ 72.00		
NSF check –Patty Prichard	204.00	Outstanding checks (\$34,680 – 32,880)	1,800.00
Ending correct cash balance	<u>\$6,564.00</u>	Ending correct cash balance	<u>\$6,564.00</u>

** $\$33,720 - 32,280 = \$1,440$. **Cash (A)**

Feb. 1	Balance	7,800	Feb.	Checks written	34,680
Feb.	Deposits	33,720			

6-77

Requirement 2

	Debit	Credit
1. Bank service charge expense (+E, –SE).....	72	
Cash (–A).....		72
To record bank service charges deducted from bank balance.		
2. Accounts Receivable (Patty Prichard) (+A).....	204	
Cash (–A).....		204
To record customer check returned due to insufficient funds.		

Requirement 3

Same as the correct balance on the reconciliation, \$6,564.

Requirement 4**Balance Sheet (February 28, Year 1)**

Current Assets

Cash..... \$6,564

6-78

康美药业

伪造合同、发货单、银行流水、伪造假的银行回单等各种业务和财务凭据来虚增货币资金，“消失的300亿”来自于虚增的银行存款项目

- 将虚增的货币资金转到存货等科目中，通过改变存货计价方式，实现少计存货的目的，同时，多记现金收入，少记现金支出，延迟相关资产确认等方式虚增货币资金
- 使用虚假银行单据虚增存款
- 通过伪造、变造大额定期存单等方式虚增货币资金

6-79

Chapter Supplement: Recording Discounts and Returns (1 of 3)

Credit card discounts and **cash discounts** must be recorded as contra-revenues that reduce reported net sales.

For example, if the credit card company is charging a 3 percent fee for its service and **Skechers'** online credit card sales are \$3,000 for January 2, Skechers will record the following:

	Debit	Credit
Cash (+A)	2,910	
Credit card discount (+XR, -R, -SE)	90	
Sales revenue (+R, +SE)		3,000

Assets	Assets	=	Liabilities	+	Stockholders' Equity	Stockholders' Equity
Cash	+2,910				Sales revenue (+R)	+3,000
					Credit card discount (+XR)	-90

6-80

Chapter Supplement: Recording Discounts and Returns (2 of 3)

If credit sales of \$1,000 are recorded with terms 2/10, n/30 record the following:

	Debit	Credit
Accounts receivable (+A)	1,000	
Sales revenue (+R, +SE)		1,000

Record the payment made within the discount period ($\$1,000 \times 0.98 = \980):

	Debit	Credit
Cash (+A)	980	
Sales discount (+XR, -R, -SE)	20	
Accounts receivable (-A)		1,000

6-81

Chapter Supplement: Recording Discounts and Returns (3 of 3)

Sales returns and allowances should always be treated as a **contra-revenue** that reduces net sales.

Assume that Dick's Sporting Goods, buys 40 pairs of shoes from Skechers for \$2,000 on account. On the date of sale, Skechers makes the following journal entry:

	Debit	Credit
Accounts receivable (+A)	2,000	
Sales revenue (+R, +SE)		2,000

Before paying for the shoes, however, Fontana's discovers that 10 pairs of shoes are not the color ordered and returns them to Skechers. On that date Skechers records:

	Debit	Credit
Sales returns and allowances (+XR, -R, -SE)	500	
Accounts receivable (-A)		500

6-82

HW6

P321 E6-3

P323 E6-10

P326 E6-21

P328 E6-26

6-83

思考？

项目	2023年1-9月	2022年1-9月	变动金额	变动
营业收入	370,075,158.22	345,293,736.94	24,781,421.28	7.18%
营业成本	270,320,384.65	240,708,860.30	29,611,524.35	12%
营业总成本	377,120,569.18	330,820,585.25	46,299,983.93	14%

项目	2023年1-9月	2022年1-9月	变动金额	变动
营业收入	370,075,158.22	345,293,736.94	24,781,421.28	7%
销售收到的现金	363,648,572.22	407,318,661.50	-43,670,089.28	-11%

项目	2023年9月30日	2022年12月31日
应收账款	163,598,628.12	133,687,101.53
项目	2022年9月30日	2021年12月31日
应收账款	118,973,822.37	147,817,537.38

6-84