

Accounting for Receivables

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Learning Objectives?

- Define receivables
- Identify the different types of receivables
- Accounting issues related to recognition of A/R and N/R
- Accounting issues related to valuation of A/R and N/R
- Accounting issues related to disposition of A/R and N/R
- Presentation

Taxonomy

- Trade – Non Trade
- Current – Non Current

Trade Receivables

- Receivable from Goods Sold and Services Rendered as a part of normal business operations
- Accounts Receivable, Notes Receivable, Checks Receivable

Non Trade Ones

- Advances to officers and employees
- Advances to subsidiaries
- Deposits to cover potential damages or losses
- Deposits as a guarantee of performance or payment
- Dividends and Interest Receivable
- Claims

Recognition of Accounts Receivable

- Trade Discounts
- Cash Discounts / Sales Discounts
- Recognition or Non-recognition of Interest Element

Valuation or Assessment of Accounts Receivable and Notes Receivable

- Collectible Account Receivables
- Uncollectible Account Receivables: Direct Write-Off Method
- Doubtful Account Receivables: Allowance Method

Methods for Valuation and Notes Receivable

- Specific Identification
- Aging
- Percentage
- Percentage-of-sales / Income Statement Approach
- Percentage-of-Accounts Receivable / Balance Sheet Approach

Recognition of Notes Receivable

- Note issued at face value
- Note not issued at face value
- Stated interest rate
- Effective interest rate

Sales of Receivables: Factoring

- Without recourse – risk transfer approach
- With recourse – financial components approach