How would you characterize a company's accounts receivable account quizlet

You've already completed the quiz before. Therefore, you cannot do it again. You must register or register to start the quiz. You have to finish the next quiz, to start this quiz: Correct Awesome! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is Dr. and Sales Cr. Accounts Receivable (option 2). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is a 2% discount will be rewarded if the payment is made within 10 days of the invoice date. Otherwise, the total amount is payable within 30 days of the invoice. (option 4). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is prepayment (option 1). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is non-recollectable accounts (option 4). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is Non-recollectable Accounts Expenses Dr. and Provision for Bad Debts Cr. (Option 2). Fortune Corporation uses the provisions method to recognize expenses for non-recollectable accounts. It provides you with the following selected information: Accounts receivable as of December 31, 2017: Required balance of $380,000 in provision for questionable accounts as of December 31, 2017: existing balance of $3,000 in provision for questionable accounts as of December 31, 2017: $2,500 Entry into the log required to recognize non-collectable account expenses as of December 31, 2017 is as follows In: Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is Non-recollectable Accounts Expenses 500 Dr. and Provision for Bad Debts 500 Cr. (Option 3). Correct Your answer is incorrect. The correct answer is (option). Incorrect Your answer is incorrect. The correct answer is counter asset account (option 4). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is Provision for Bad Debts Dr. and Accounts Receivable Cr. (option 1). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is Dr.;; Accounts receivable Cr. (option 3). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is Dr. Accounts Receivables; Provision for bad debts Cr. (option 2). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is Cash Dr.; Accounts receivable Cr. (option 1). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is a debtor creditor (option 4). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is an unconditional promise to pay a certain amount of money (option (option Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is Notes Receivable Dr.; Accounts receivable Cr. (option 2). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is net real value (option 3). The John and Stewart Company provides you with the following information: Account Receivable Balance as of December 31, 2017: balance of $70,000 in questionable account provision as of December 31, 2017 after adjustment of entry for non-recollectable account expenses: $2,000 of non-negotiable account expenses for 2017: $500 Based on information above, the achievable net worth of accounts receivable as of December 31, 2017 would be: Correct Awesome! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is $68,000 (option 3). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is $8,000 (option 3). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is to meet immediate cash needs (option 3). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is the organization that sells accounts receivable (option 2). Awesome Correct! Your answer is correct. Incorrect Your answer is incorrect. The correct answer is the organization that buys the accounts receivable (option 4). Show your love for us by sharing our content. A D V E R T I S E M E N T 19.During September, Sally's Hair Salon bought $900 of supplies from the account. In October, Sally's wants to pay $200 on this bill. Save the October transaction in Sally's accounting equation by (Check everything that applies) a.Decreasing Cash, $200 billion. Declining accounts payable, $200,000. Increased supplies, $900 million. Increased supplies, $200th. Declining accounts receivable, $200 20.Dividends of $60 in cash are paid to the company's shareholders. You would enter this transaction into the accounting equation by decreasing the account - (cash/accounts payable/accounts receivable) - and the dividend account.21.Select the account that would be reduced if Hillary's Hair Salon decided to pay cash dividends of $40 to its shareholders. 22.A Landen Consulting Company customer makes a $400 cash payment on an invoice for services provided last month. Record this transaction in Landen Consulting's accounting equation by (Check everything that applies) 23.ABC Co. performs $200 in services for a client, but is not paid immediately. Demonstrate how ABC Co. this transaction into the accounting equation by completing the following sentence. No: Enter a response for each blank.a.ABC Co. would increase accounts (payable/receivables) (payable/debtors) and increase the account (cash/income) in the accounting equation.24.How do you characterize the account receivable from a company's accounts? 25.A Landen Consulting Company customer makes a $400 cash payment on an invoice for services provided last month. Record this transaction in Landen Consulting's accounting equation by: (Check everything that applies) a.Declining accounts payable, $400 billion. Declining accounts receivable, $400,000. Increase in cash, $400 million. Revenue increase, $400 26.When a business provides a service to a credit customer, this means that: (Check everything that apply) Most businesses sell to their customers on credit. That is, they deliver goods and services immediately, send an invoice, and then are paid a few weeks later. Companies keep track of all the money their customers owe them through an account in their books called accounts receivable. Here we will take into account how accounts receivable work, how it relates to the accounts payable and how the correct management of your accounts receivable can make you pay faster. What are accounts receivable? Accounts receivable are money your customers owe you for goods or services they have purchased from you in the past. This money is usually collected after a few weeks, and is registered as an asset on your company's balance sheet. You use accounts receivable as part of accrual accounting. Where can I find accounts receivable? You can find accounts receivable under the current assets section of your balance sheet or your account table. Accounts receivable are classified as assets because they bring value to your business. (In this case, in the form of a future cash payment.) What is the difference between accounts receivable and accounts payable? Accounts receivable are an asset account, representing the money your clients owe you. Accounts payable, on the other hand, are a liability account, representing the money you owe to another company. Suppose you send your friend Keith's company, Keith's Furniture Inc., a $500 bill in exchange for a logo you designed for them. When Keith gets your bill, he will register it as an account payable on his books, because it is money that he has to pay to someone else. You will register it as a receivable account on your part, as it represents the money you will receive from someone else. Are accounts receivable counted as income? Accounts receivable are an asset account, not an income account. However, under the you record the income at the same time as you register a receivable account. For the example above, you make the following entry in your books when you charge Keith's Furniture: Account Debit Credit Accounts Receivable—Keith's Furniture Inc. $500 - Revenue - $500 (If you want to understand why we make two entries to register a transaction here, check out our guide to double-entry accounting.) entry.) remember: under cash accounting, there are no accounts receivable. Under this system, a transaction does not count as a sale until the money has reached your bank account. What is the non-recollectable account? If you do business long enough, you will end up meeting customers who pay late, or not at all. When a client does not pay and we cannot collect their debts, we call it bad debt. Companies that have been around for some time will often estimate in advance the total of their bad debts to ensure that the accounts receivable indicated on their financial statements are not unrealistically high. They will do so by implementing what is known as an allowance for non-recollectable accounts. Suppose your total sales for the year should be $120,000, and you found that in a typical year, you do not collect 5% of accounts receivable. To estimate your bad debts for the year, you could multiply total sales by 5% ($120,000 - $0.05). You would then credit the resulting amount ($6,000) to the non-recollectable account allowance and debit bad debt expenses of the same amount: Irreducible debit credit charges $6,000 - Provision for non-recolating accounts - $6,000 What happens if my clients do not pay? When it is clear that a receivable account will not be paid, we must write it off as an expense for bad debts. For example, let's say that after a few months of waiting, calling him on his cell phone and talking to his family members, it becomes clear that Keith is missing and is not going to pay the $500 bill you sent him. In this case, you would debit non-recollectable account provision for $500, to reduce it by $500. What for? Keep in mind that the non-recollectable account allowance is just an estimate of how much you don't collect from your customers. Once it becomes clear that a specific customer will not pay, there is no longer any ambiguity as to who will not pay. Once you have finished adjusting the non-recollectable accounts, you would then credit Accounts Receivable — Keith Furniture Inc. by $500, which would also reduce it by $500. Because we have decided that the invoice you sent to Keith is not collection, he no longer owes you that $500. So the resulting log entry would be: Account Debit Credit Allowance for non-recollectable accounts $500 - Keith Furniture Accounts Receivable Inc. - $500 And if they end up paying me after all? Let's say that a few more months pass and that a mysterious envelope without an address of appears in your mailbox. It's a check from Keith's Furniture Inc. for $500, he ended up paying you after all! To register this transaction, you would first debit $500 from Keith's Furniture Inc. to return the debt to your books and credit income of $500. Accounts receivable — Keith's Furniture Inc. Inc. - Revenues - $500 Finally, to register the cash payment, you would debit your cash account by $500 and credit the accounts receivable — Keith Furniture Inc. of $500 again to close it once and for all. Debit Credit Cash Account $500 - Accounts Receivable — Keith's Furniture Inc. - $500 Why are accounts receivable important? Having a lot of customers is great. But if some of them pay you late, or don't pay at all, selling them could hurt your business. Late payments from customers are one of the main reasons why companies have cash flow problems. One of the best ways to keep track of late payments and make sure they don't get out of control is to calculate the turnover ratio of accounts receivable for your business. What is the turnover ratio of accounts receivable? The turnover ratio of accounts receivable is a simple financial calculation that shows you how fast your customers pay their bills. We calculate this by dividing total net sales by average accounts receivable. Let's take the example of the financiers of a fictitious company XYZ Inc. for the year 2018. Let's say that at the beginning of 2018 (January 1), XYZ Inc. had total accounts receivable of $2,500. Let us also say that at the end of 2018 (December 31), total accounts receivable was $1,500. It also recorded total net sales of exactly $60,000 for 2018. To obtain XYZ Inc.'s average receivables for that year, we add the receivables of the start and end accounts receivable and divide them in two: $2,500 - $1,500 / 2 - $2,000 To calculate the turnover ratio of accounts receivable, we then divide net sales ($60,000) by average accounts receivable ($2,000): $60,000 / $2,000 - 30 This means that XYZ Inc. has a receivable turnover ratio of 30. The higher the ratio, the faster your customers pay you. Thirty is a very good turnover ratio of accounts receivable. By comparison, in the fourth quarter of 2018, Apple Inc. had a revenue ratio of 15.02. To calculate the average sales credit period — the average time it takes your customers to pay you — we divide 52 (the number of weeks in one year) by the ratio of turnover receivable (30): 52 weeks / 30 - 1.73 weeks This means that in 2018, it took XYZ Inc. customers an average of 1.73 weeks to pay their bills. That's not bad! What is an aging accounts receivable schedule? If you have many different customers, keep track of exactly who is behind which payments can become difficult. Some companies a timetable for aging accounts receivable to solve this problem. Here is an example of an aging accounts receivable schedule for the fictitious company XYZ Inc. Accounts receivable Aging Calendar XYZ Inc., effective July 22, Customer Name 2019 1-30 days 30-60 days 60 days Total Keith's Furniture Inc. $500 $1,000 $500 $2,000 Closing Joe's $500 $100 $100 $700 ABC Paint Supply $1,000 $200 $200 $0 $0 Learning Farms $1,000 $0 $100 $1,100 $1,000 Nina's Pizza $2,000 $50 $0 $050 Total $5,000 $1,350 $700 $7,050 A quick look at this schedule can tell us who is on track to pay in 30 days, $700 who's late, and who's really late. For example, you can immediately see that Keith's Furniture Inc. is having trouble paying its bills on time. You may want to give them a call and talk to them about getting their payments back on track. What can I do to make people pay faster? Tracking with late-paying customers can be stressful and time-consuming, but tackling the problem quickly can save you a lot of trouble in the future. Here's what you can do to encourage customers to pay you on time. Develop a clear credit policy When you are hungry for sales, it may be tempting to relax the rules you have in place to give credit to your customers (also known as your credit policy). Do not. This is a short-term solution, usually causes more problems than it solves, and can take your business down a slippery slope. Instead, develop clear guidelines for when you can and cannot give credit to your customers, and feel free to apply them, even if it means reducing a few people in the short term. Veterinary new customers, request initial deposits on large orders, and institute interest payments for late payments. When a new customer signs and sees these conditions, they will understand from the beginning that you are serious about getting paid. Give them a financial incentive One way to get people to pay you earlier is to make it useful for their time. Offering them a discount to pay their bills early — 2% off if you pay within 15 days, for example — can make you pay faster and reduce your customers' costs. Call them and schedule regular reminders Often just get on the phone with a customer and remind them a late payment may be enough to get them to pay. Sending reminders by email at regular intervals, for example, after 15, 30, 45 and 60 days - can also help refresh your customers' memory. What if they don't pay? Let's say you've done all of the above and still haven't received your money. And now? Cutting off late paying customers Many businesses will stop providing services or goods to a customer if they have bills that are more than 120, 90, or even 60 days due. Cutting a customer this way can send a signal that you are serious about getting paid, and that you will not do business with people who break Rules. Convert their receivable account to a long-term note If you have a good relationship with the late paying client, you may want to consider converting their receivable account into a long-term note. In this case, you replace the account receivable on your books with a loan that is due in more than 12 months, and you charge the customer's interest for. Hire a collection agency if you contact your client and are convinced that you have done everything you can to collect, you can hire someone else to do it for you. Before you decide whether or not to hire a collector, contact the customer and give them one last chance to make their payment. Collection agencies often take a huge reduction in the amount to be recovered — sometimes as much as 50 per cent — and are usually only worth hiring to collect large unpaid bills. Reaching some kind of agreement with the customer is almost always the least time-consuming and least expensive option. When to call something bad debt If debt collection costs begin to approach the total value of the debt itself, it may be time to start thinking about writing the debt as bad debt, that is, a debt that is no longer of value to you. Doubtful debts can also result from a client's bankruptcy and financial inability to repay debts. The IRS states that bad debts include loans to customers and suppliers, customer credit sales and business loan guarantees and that a company deducts its fine receivables, in whole or in part, from gross income when calculating its taxable income. The IRS Business Expenditure Guide provides detailed information on the types of interest claims you can write off from your taxes. Taxes.