EX 15 EX1 Accounts Receivable – Exercises

1. Describe the two different types of factoring contracts used by companies to obtain short-term finance and the differences between them and how the accounting for each of these differs.
2. How do companies generally go about determining whether the value of their accounts receivable have been impaired? i.e. whether there is a collection risk.
3. If a company is not certain that it will collect 100% of an amount due from a customer, what accounting entries should it make?
4. If a company sells goods in a foreign currency and the balance outstanding has not been paid at the end of the year, what accounting considerations should the company make?
5. If a company makes a sale on extended credit terms of 1 year and the current interest rate is 7% per annum, what value should the company record as a sale and account receivable if the amount of the sale is €1,000?