**Weekly Schedule**

This week is an exam week. Please pay close attention to the schedule, there are a few differences this week. Remember all assignments are due by 10:00 pm.

1) Read Lecture and Chapter 6

2) Case Problem: Lion and Tiger’s

3) DB (Discussion Board) **Due:**

4) Hwk Assign #3 **Due:**

5) Exam #1 **Due: Sun**

The test will be taken through in two parts**,** general information, and the exam will be posted in the current week’s folder on Friday at 6:00 am. Do not wait until the last minute to take the exam; if you have problems I will be unable to help you. **You must start the exam no later than 8:30 on Sunday night.**

**Lecture**

Read Chapter 6

Do not worry about Horizontal or Vertical Analysis

Chapter 6 focuses on A/R (Accounts Receivable); hopefully you will remember the basics so we can continue with the more complex. Remember A/R is the amount owed by customers who received goods or services account. Review the first part of the chapter and let me know if you have questions.

There is some information in the lecture that is not covered in the chapter. Please read it carefully.

**Uncollectible Accounts**: The main topic in this chapter is bad debt or uncollectible receivables. The problem with granting A/R is not all of the A/R on the balance sheet will be collected. If we wait to record the accounts when they are not collectable we violate the matching principle. This is referred to as the Direct Write Off Method. The Allowance Method is required by GAAP (unless the amount is immaterial) and requires companies to estimate the amount of bad debt they have each reporting period. The Allowance Method has two approaches to calculating the amount but the general entries will be the same. Please see the examples below and let me know if you have any questions.

*The direct write off*

Under this method you only make an entry when a specific account is uncollectible.

Bad Debt Expense xx

A/R, Tom xx

*The allowance method*

There are two ways of applying or calculating the allowance method.

1) Based on % of Sales

Sales x % = Bad Debt Expense

2) Based on % of A/R

A/R x % = Desired Ending ADA (Allowance for Doubtful Accounts)

Adjusting entry to record at the end of the reporting period

Bad Debt Expense xx

ADA xx

Entry when a specific account is uncollectible

ADA xx

A/R, Smith xx

**Notes Receivable:** The textbook wraps up the chapter discussing Notes Receivable. This should also be a review of ACCT&201- Interest rates are always stated on an annual basis so you must convert the rate to the appropriate time period.

1,000 Face Value 10% interest 6 month note

Face Value x rate x time = interest amount

1,000 x 10% x 6/12 = 50

**The next topics are not discussed in your textbook but are important concepts to be aware of in business.**

**Store Credit Cards** (Target, Nordstroms, Home Depot etc) are the modern version of in store credit except the user pay interest. These are recorded just like A/R expect for the interest component.

**Factoring** is another word for selling your A/R. By selling you A/R someone else takes the risk of not collecting and charges you a fee for that. Medical offices, Students Loans, and Loans in general often sell or factor their A/R. National credit cards (Visa, Mastercard, American Express, Discover) are a form of factoring. The store sells the merchandise and gets paid now (minus the fee) and the credit card company has to wait to be paid.

A journal entry when you sell you AR:

Cash xx

Factoring Fee xx

A/R xx

When a store sells something and accepts a national credit card they could record it as A/R from the Visa Company but that would involve extra steps. With computers and electronic transfers the store gets paid so fast that they theses sales are recorded as cash sales. The journal entry would record the Sale, Cash, and Fee.

Cash xx

Credit Card Processing Fee xx

Sales xx

**Homework and Discussion Forum**

1) Case Study: Lions and Tigers (separate page)

2) **DB 2**

*You only have ONE graded discussion this week so it is worth the total 10 points.*

You must have a MINIMUM of three posts. I expect a mix or original posts and response post. Make sure you have read the discussion forum policies.

**Topic**: Receivables - Discuss the reading, case problem, homework, or other relevant topics. I have posted some starters for you.

3) **Assign #3** – CengageNow

*You only have ONE graded assignment this week so it is worth the total 40 points.*

*Homework policies:* *The homework problems in CengageNow can be completed as many times as it takes to get a 100%. Please read the instructions carefully as there is important information regarding the assignment.*

*Students in prior quarters have found their understanding and grades have increased when they did the problems on paper and then inputted the answers. It is really easy to use the homework system as a crutch. If the assignments are static (the numbers do not change) you can complete them with pencil and paper and then post the answers.*

**Exam 1**

**Exam Facts:**

**Exam 1 Description:**

This exam will continue questions from Chapters Internal Control (Ch5) and Chapter 6.

**Exam Facts:**

*The exam is a two part exam.*

*Due Sunday by 10PM*

*Don’t wait until the last minute to take the exam.*

**Part I: CengageNow**

Multiple Choice

75 minutes