AC2760 FINANCIAL ACCOUNTING FOR MANAGERS

Discussion Guidelines

INTRODUCTION

Class discussions are designed to engage you and encourage participation. The discussion boards are a great place to find real world applications for textbook material and learn from each other's experiences. That's why it's so important to take the discussions seriously and provide meaningful contributions to the discussion. Following are the guidelines required to earn full credit. You will see these guidelines "in action" in the discussion thread example on the next page, which has been shared with the permission of the students who created it.

DISCUSSION RESPONSE REQUIREMENTS

- Show evidence of preparation for the discussion by referencing information from the textbook and/or other credible sources.
- Make meaningful and substantive contributions to the discussions.
- Be respectful of the opinions and ideas of other learners.
- Respond to at least two classmates.

WHY DID I RECEIVE A LOWER GRADE THAN EXPECTED?

Ask yourself the following questions:

- Did I post everything I was supposed to **by the deadline** set forth by NAU?
- Is there a follow-up question posed by the instructor or another student that I did not respond to?
- Did I provide a **substantive response** to a classmate's post that showed I was truly engaged in his/her thread? A substantive response to a classmate's post is required, and may include providing a concrete example, describe a real-life experience, or helping to guide the classmate to the correct answer. (NOTE: You will **not** receive credit just for telling another student "good job," "great post, "I like that you said _and_____," or any variation of these.)
- Did I **show preparation** for the discussion by citing from the textbook or other required readings?

FINDING CREDIBLE SOURCES

- Start with a simple search. Search engines such as Google or Yahoo are a good place to start when you are first becoming informed about a topic. But stay away from crowd-sourced content like Wikipedia and Investopedia because you have no way of knowing whether it's accurate now you access it.

- But don't stop there. You'll find more credible information by looking in well-respected publications such as the *New York Times*, *Wall Street Journal, Time,* etc. Get access to these sources through the NAU Online Library's US News Stream or Major Dailies.
- Look for scholarly articles, too. You'll find them by performing a search using the NAU Online Library's Business Subject Guide.

CITING THE RESOURCES YOU USE

Provide a citation of the source used, including your textbook. Use a resource such as Citation Machine, or review the rules for APA style citation found on the NAU Online Library's APA style guide.

If you take material word-for-word from a source, you must place it in quotes and follow it with an APA style in-text citation. This "tells your reader where you found any information or ideas that are not your own" (NAU Online Library, Citation Examples).

If you fail to provide quotes and in-text citation for copied material, you will receive no credit for that material, even when a reference is listed. A reference indicates only that the accompanying text is somehow derived from or related to the cited source. A reference alone does not permit a direct quotation from that source and does not suspend the professor's expectation that the words are your own words.

Please take the time to review NAU's policy on plagiarism.

EXEMPLARY DISCUSSION BOARD WORK

Hi Class,

Uncollectible debt is something that all businesses experience. Likewise, accounting professionals need to have a plan in place to mitigate continued bad debt. The allowance method is one way that this is achieved and there are two ways to accomplish this: Percent of Sales and Aging of Accounts.

The percent of sales method computes uncollectible account expenses as a percentage of net credit sales. It is considered the Income Statement approach, because it focuses on the amount of the expense.

The Aging of Accounts method is the Balance Sheet approach, which focuses on the actual age of the accounts receivable and determines a target allowance balance from that age. Because companies give credit based on the assumption of people paying their receivables on time; the aging method makes more sense to me as opposed to taking a percent of the total sale and putting it in the Allowance for Uncollectible account. Our textbook mentions that the Allowance Method is based on the matching principle recording uncollectible accounts expense in the same period as the revenue.

To take a percentage of sales to put into the Uncollectible Expense account seems counterintuitive to the idea of giving customers credit (with accounts receivables). The mere process of reviewing credit and establishing terms with a company is intended to vet out customers that might have difficulty paying their accounts receivables. The book does make a good argument that companies use their experience, knowledge of their market, the economy and other variables to establish credit and a pool

of money for unknown (potential) bad debt. There may be some customers that might represent a greater risk and would need this allow.

The aging method assigns the Allowance for Uncollectible debts based on the age of the receivable. It keeps the account receivable on the books so that at any time it can be reversed out of the Allowance for Uncollectible Debts account and debited back into the Accounts Receivable account. The receivable does not leave continue to age and potentially accrue interest, etc.

Resource

Horngren, C. T., & Horngren, C. T. (2009). A*ccounting: A managerial emphasis*. Pearson Prentice Hall.

Classmate Response #1

Good job on this post. It was a little confusing in the textbook about when the Allowance Method was taken. It made it sound like it would be taken out the same month as the sale. I would think that this would reduce overall sales and maybe lower profit margins. It makes sense to me that accounts receivables that are the most aged would go into the Allowance account.

Yes, this method would be more accurate as it would reflect the actual debt rather than an ambiguous figure (percentage) in the percent method. What if the estimate was too high?
Then it would be taking away from profit.

Resource

Horngren, C. T., & Horngren, C. T. (2009). A*ccounting: A managerial emphasis*. Pearson Prentice Hall.

Classmate Response #2

Nice job on this post. I like the way you think and explained this. You make a good point about being able to place restrictions on back debtors and non-collections and that trying to estimate expenses before they happen can be difficult. In a business climate, there is a fine line to walk between taking risks and being too conservative and the Allowance Method allows for both. In real time, a business could use a combination of both methods and pick which customers (based on experience, market, economy etc.) should use which method. Good explanations of the Allowance Method option.

Resource

Horngren, C. T., & Horngren, C. T. (2009). A*ccounting: A managerial emphasis*. Pearson Prentice Hall.