

COMMUNICATING IN PRACTICE

P2



BTN 9-4 As the accountant for Pure-Air Distributing, you attend a sales managers' meeting devoted to a discussion of credit policies. At the meeting, you report that bad debts expense is estimated to be \$59,000 and accounts receivable at year-end amount to \$1,750,000 less a \$43,000 allowance for doubtful accounts. Sid Omar, a sales manager, expresses confusion over why bad debts expense and the allowance for doubtful accounts are different amounts. Write a one-page memorandum to him explaining why a difference in bad debts expense and the allowance for doubtful accounts is not unusual. The company estimates bad debts expense as 2% of sales.