

**How would you describe the entries to record the disposition of accounts receivables?**

**What is their function?**

Since the majority of US thrives on the use of credit cards, the accounts receivables for a company may no longer be on a cash-to-cash basis. A company may need to sell these accounts to other companies who specialize in handling accounts receivables if they need cash more quickly or if it would be too costly to perform the necessary billing to collect on the account.

The entries used to record the disposition when the receivables are sold to a factor often detail the cash received plus the service charge. The company can then balance their receivables account.

When a credit card company records a credit card transaction they detail the cash plus the service charge as well, then they can balance their sales account.

Walmart is a company that I am highly interested in studying due to the fact that people either love them or hate them, or love to hate them. Walmarts net receivables for their fiscal year (ending in January 2011) was \$5089.00 which was significantly more than the previous 5 years. I don't know a lot about Walmart or their business practices as of yet, but I did read up on their credit card practices. Customers can apply for a Walmart Chase credit card in store and if they are approved they get to start using it immediately. It doesn't seem that their receivables is too terribly high, so they must sell the receivables to Chase in exchange for more liquid assets.

Response 2

The annual report that I am going to use for this course is that of AT&T and their 2010 annual report. From 2009 to 2010 the accounts receivable decreased which may have meant that they are receiving more cash payments in the 30-60 day time period which makes a lot of sense to me. My current cell phone provider is Verizon Wireless and I make cash payments on a 30 day cycle period. As more of the customers catch up on payments the amount of accounts receivable will decrease which may mean that they have less delinquent accounts. Another scenario could be that AT&T is selling their accounts simply because collecting on them is a time consuming cash which will also provide the company with cash and at the time of selling these accounts. The entry could be recorded as a debit to cash in the amount of the accounts that they are selling and a credit to accounts receivable. The overall function of this is to save additional cash in terms of collecting on these accounts and in fact turning account receivables into cash. Does anyone else agree or disagree?