ACC 211 - Discussion (BTN 7-3)

[Name of the Writer]

[Name of the Institution]

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1. The estimate for doubtful accounts is used for the bad debts, and these account receivables are not converting into cash due to some fraud or other reasons. The estimate for doubtful accounts is recorded in the income statement where a certain amount of estimated doubtful account is subtracted from the profit. Similarly, it reduces the assets of the company in the balance sheet.
2. The decision for fixing the estimate of doubtful accounts is the responsibility of the manager. It could be varied according to the decision of the manager. For personal benefits, if the manager is altering its value to show a maximum profit to the owner and claim a higher bonus, it is against the ethics.
3. It could be controlled by the check and balance of the owner, and to hire the internal auditor to investigate any fraudulent activities in the accounts and financial reports. The company can also get the services of an external audit firm to check the financial statements.

**Reply to a classmate:**

Hi Simran,

I agree with your analysis, and the manager should focus on reducing the uncollected amount and reduce the chances of bad debts, rather than using unethical means to maximize his earnings. Moreover, in finance, every entry and estimation had logic and calculated through proper formulas. For estimating the doubtful accounts, there is an appropriate formula used by financial experts. A strict check and balance can reduce the chances of such fraudulent activities. For the owner of the company, the basic knowledge of financial statements is essential. Estimation of doubtful accounts should not be used for personal benefits of the manager. Manager should maximize company’s profit by real facts and figures, which will befinit both company and the manager.