

Chapter 10



Focus on Financial Statements Online

Refer to Leon's Furniture Limited's balance sheet and income statement on pages I-3 and I-4 in Appendix I at the end of the textbook.

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Required

Answer the following questions.

1. The balance sheet shows accounts receivable of \$31,221 (thousand) at December 31, 2002. What type of asset is accounts receivable? Explain how accounts receivable arise.
2. Refer to the income statement. Does the change in receivables appear to correspond to the change in total sales? Explain your answer.

Part 1

BCE Inc., also known as Bell Canada Enterprises Inc., is Canada's largest communications company with its head offices in Montreal, Quebec. BCE Inc. showed the following on its December 31, 2002, financial statements:

FFS 10-3



(\$ millions)	December 31, 2002	December 31, 2001
Accounts receivable (net of allowance for doubtful accounts of \$207 million and \$333 million for 2002 and 2001, respectively	\$2,343	\$4,118

Required

Answer the following.

- a. On which statement does accounts receivable appear?
- b. Allowance for doubtful accounts is what type of account?
- c. Did estimated uncollectible accounts increase or decrease as a percentage of gross accounts receivables from 2001 to 2002?

Part 2

Sierra Wireless, Inc., located in Richmond, British Columbia, is a wireless product provider. On its December 31, 2002, financial statements, it showed:

(thousands of United States dollars)	December 31, 2002	December 31, 2001
Accounts receivable (net of allowance for doubtful accounts of \$3,068 (2001 – \$5,169).....	\$13,865	\$10,504

Required

Answer the following.

- d. Did estimated uncollectible accounts increase or decrease as a percentage of gross accounts receivables from 2001 to 2002?

Part 3

- e. Based on the information provided above, which company appears to face the most risk in terms of uncollectible accounts receivable? Briefly explain your answer.

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Canadian Tire Corporation Limited, with its head office in Toronto, Ontario, operates Canadian Tire Retail, Canadian Tire Petroleum, Canadian Tire Financial Services, and Mark's Work Wearhouse. Hudson's Bay Company also has its head offices in Toronto and operates The Bay, Zellers, Home Outfitters, and Hbc.com.

Required

1. Canadian Tire's December 28, 2002, balance sheet shows two types of receivables under current assets. Identify and explain these two receivables.
2. Hudson's Bay Company's January 31, 2003, balance sheet also shows two types of receivables in the current asset section. Identify and explain these two receivables.
3. Refer to the income statements for both companies. Does the change in receivables appear to correspond to the change in total sales for Canadian Tire and Hudson's Bay? Explain your answer.