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**EVALUATING THE EFFICIENCY OF ACCOUNTING
RECORDING FOR DOUBTFUL AND BAD DEBTS**

**Case Study: Unity Co-operative Society (UNICS) Cameroon,
compared to Nordea Bank Finland.**

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ABSTRACT

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<p>Name of thesis</p> <p>EVALUATING THE EFFICIENCY OF ACCOUNTING RECORDING FOR DOUBTFUL AND BAD DEBTS. Case Study: Unity Co-operative Society (UNICS) Cameroon. Compared to Nordea Bank Finland.</p>		
<p>Supervisor</p> <p>Birgitta Niemi</p>		<p>Pages</p> <p>42 + 2</p>
<p>The purpose of this research is to make an evaluation on the efficiency of accounting for doubtful and bad debts for Unity Co-operative Society Plc. (UNICS), a micro financial institution in Cameroon.</p> <p>A purposive sampling technique was used to select two banks for the study. A face-to-face interview was conducted with the manager of Nordea Bank. The manager of UNICS made available the financial statements for 2006 to 2009, he also answered some questions over the telephone.</p> <p>Research findings showed that UNICS had failed in the period 2006 to 2009 to record properly the bad debt expenses. Also, the bad debt expense policy did not appropriately match revenue to expenses incurred, as such, revenue was not properly recognized in accordance to Generally Accepted Account Principle. (GAAP). In 2007, the Annual Report reflected liquidity assertion that was contradictory to the cash flow difficulty shown in the Cash Flow Statement. In conclusion, UNICS needs to take a more conservative approach in matching and recognizing revenue and expenses incurred, and practice proper accounting reporting in accordance with the GAAP. Also, UNICS need to minimize the bad debt expense and solve the cash flow problem by selling most of the account receivables without recourse</p> <p>Nordea Bank uses ratios calculation to enhance the quality of financial statements, hence, has been able to solve debt related problems. These ratios calculated provide information about how Nordea assesses different aspects of her performance and how effectively or ineffectively it is performing.</p>		

Key words: Account, accounting, bad debt, doubtful debt, evaluating, loan

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1 INTRODUCTION

A company or bank or financial institution may not be able to recover its balances outstanding in respect of certain receivables on the due date. The debtor becomes doubtful, as well as the debt. If the receivables finally cannot be recovered, we refer to such receivables as Irrecoverable Debts or Bad Debts. This could arise for a number of reasons such as improper follow up for recovery by the banks where borrower has expired, customer going bankrupt, trade dispute or fraud, Parties are not willing to pay, weak financing position of the borrower, acceptance of weak securities like joint property, illegal property, defective documentation, suspension of transaction in running finance accounts for three months and more, default in payment of three consecutive installments, just to name a few.

Banks issue credit to consumers for numerous reasons. Credit allows individuals to purchase large monetary items on a credit basis. Thus, instead of having to pay several thousands or millions now, they can take advantage of financing arrangements that allow them several months and even years to pay for the items. If banks did not offer such credits they would not be able to generate many sales or make more money by credit creation as this long and short-term credits provides an additional source of revenue for any bank in the form of interest charged on account.

In most banks and financial institutions in the developing countries, granting credit remains a puzzle as most borrowers may default the amortization and interest. If proper accounting and management assessment of the borrower's credit risk is kept accurate and according to standard, there will be no worries as the loss from such uncollectible will be charges to profit and loss account before the fiscal profit at the end of the trading period.

UNICS Bank Cameroon had suffered bankruptcy in the year 2009 as a greater part of its capital was out to debtors. Perhaps its accounting recording, verification before debt granting as well as her efficiency and follow up was not

the best. For any bank or company to survive, let alone prosper, there must be an interest in credit scoring results, hence they must keep efficient and proper records.

For things to work well, when an entity realizes that it is unlikely to recover its debt from a receivable, it must 'write off' the bad debt from its books. This guarantees or ensures that the entity's assets (i.e. receivables) are not stated above the amount it can reasonably expect to recover which is in line with the concept of prudence in accounting.

This paper is limited to more information from UNICS, due to the fact that the researcher is out of the country. Also the views about debt recording policy were obtained from one manager within each bank. Because identifying all participants involved in making a good accounting recording in the two banks was impractical. Again, the length and scope of the survey was limited. Therefore, the survey instrument involves a tradeoff between the information needed and the response rate.

It is necessary to find out whether UNICS failed in 2009 because of inadequate accounting and management control and recording. Therefore, evaluating the efficiency of accounting recording for this bank is necessary. This will mean verifying the way bad debt allowance is estimated and recorded hence give a recommendation.

1.1 Research Motivation

The economy of developing countries as well as that of most developed countries today is poor; to this respect we expect consumer bankruptcies to increase at an alarming rate. As seen in Malhotra and Malhotra (2003), customers and consumer credits have risen from \$10 billion in 1946 to almost \$2 trillion by 2003. Presently, it stands at nearly \$2.5 trillion as indicated by the latest statistics from the Federal Reserve Bank of America.

Generally as studies have shown debt granting is on the increase. Mustafa and Rahman (1999) discovered that consumer debt has increased faster than disposable income. From the period 1983 to 1989, the total consumer debt increased by 56 %, which in real dollars, outpaced the 78 % growth in disposable personal income. Also, in the period 1991 to 1997, revolving credit increased from \$247 billion to \$514 billion. The June, 2010 Federal Reserve Statistical Release reported revolving consumer debt at \$826.5 billion. Mustafa and Rahman (1999) concluded that, “as long as consumers are optimistic about the future course of the economy, employment trends and price environment, they will continue to spend more.” Such a situation will encourage consumers to borrow more because they await future income.

Therefore, implication will be more if we do not verify the efficiency for accounting recordings for the debts we issue out to borrowers. Thanks to the fact that any losses will be charged to the profit and loss before tax for any business that pays corporation or company tax. But because this is possible only if proper and efficient accounting is kept. UNICS bank Cameroon has suffered from debts related problems. The research findings should be able to ascertain if the bankruptcy witnessed by this bank was associated with the recording by finding out how their recordings for accounting on bad debts are done. With reference to general accepted accounting principles (GAAP) any company or bank has the right to adjust the allowance for bad debt to any number it chooses maintaining good faith, (trueness and fairness). The methods outlined by GAAP demonstrate that a company has to follow a particular methodology in estimating and recording the allowance for bad debt.

The findings should be able to tell how accounting is recorded and to make more reliable estimate of how to provide and record a provision or allowance on bad debts at the end of the fiscal year in UNICS bank Cameroon then Compare it to Nordea Bank Finland for a better result on the issue following the standards set by general accepted accounting principles (GAAP).

1.2 Research problem and Objectives

When banks and companies have debt related problems, it is the worry of every person having shares in that bank or anyone who has contributed to the bank's share capital. As UNICS Cameroon had financial crisis in 2009, the story over the media, and everywhere was based on the fact that many receivables (debts) were not received on and after their respective due dates. More loans had been granted to borrowers but the constant amortization and interest were not being paid back.

An analysis of bad debt recording can provide, indirectly, an indication of whether or not a bank's credit granting policies are proper. In Zurada & Kunene (2010) we are told about the importance of a good credit scoring model and that: "even a 1 % improvement in the accuracy of a credit scoring model can save millions of money in a large loan portfolio."

After this clear understanding one will be tempted to asked that: Did this bank fail because of inadequate accounting and management control and recording? Was this a result of fraud and embezzlement? This became a puzzle especially as the Bank had gained government subsidies in 2010 but there seems to be little improvements. In this respect, it is worthwhile evaluating the efficiency of accounting recording for this bank. This will help to study the way bad debt allowance is estimated and recorded.

Bad debt allowances that are a means of solving debt related problems could not have been recorded or could have been under casted. This study should demonstrate the accuracy of UNICS Bank in accounting recording for irrecoverable debts and explain to us whether to lower debt default rates and how to accurately record debts and determining the provision for bad debt to cancelled bad debt situations if this was the case of this bank.

The ultimate goal of this study is to make an evaluation of the role of accounting recordings and proceedings on irrecoverable debts for UNICS Cameroon. Specifically, this paper is proceeded by;

- Reviewing current literature on the treatment of debts, which becomes bad in accounting.
- Understanding how UNICS Bank of Cameroon records and treat this issue
- Assessing the influence of bad and poor recordings on the bank to have gone bankruptcy
- Finally producing an actual working technique for predicting bad debt, recording them, hence making a recommendations for the study and for future study

1.3 Hypothesis

The efficiency of accounting recording for bad debt has no effect on the performance of UNICS Bank of Cameroon.

1.4 Significance of study

This study is of primordial importance because it should explain the promptness in which analysis, classification, and recoding for accounting on bad debt can be revised. Also the ease with which the recording and classification methods, the results can be understood. This is very important to the management. This is also important as it incorporate the treatments of irrecoverable debt of a bank in a more developed society, Nordea Bank Finland. Therefore, one should be able to compare the two banks and of course choose the best way of handling bad debts situation.

2 THEORIES ON DOUBTFUL AND BAD DEBTS

Zurada and Kunene (2010) note that “accurately evaluating the credit risk posed by financial institutions loan granting decisions cannot be underestimated.” They note this is clearly demonstrated by the large credit defaults in recent years. Also, Zurada and Kunene (2010) noted that credit-recording methods are not new phenomena. They have been used for decades to group customers into two categories: good credit and bad credit. A credit worthy customer otherwise a good credit customer is likely to repay the debt whereas a bad credit customer is likely to default. A proper bad debt accounting entry for debtors can provide a good measurement for solving debts related problems

However, every interested business entity must have seen the warning sign in the year 2000, regarding debts. Mustafa and Rahman (1999) verified the implications of the rapid rate of growth in consumer debt and attributed it to aggressive and overly generous credit granting policies amongst others. He called for banks and companies to be cautioned in their way of handling debts granting. According to Mustafa and Rahman (1999) “massive inflows of foreign capital through the U.S. capital market depressed loan rates and contributed to credit expansion by making additional loan funds available at relatively lower costs.” This attracts many borrowers. Therefore, keeping a close attention to the efficiency of recording and follow up of the receivables (debts) is worthwhile.

Furthermore, Hall, M., Muljawan, D., Suprayogi, & Moorena, L. (2009). discovered that default receivables (debts) recording and verification has gained a great deal of attention. Banks are called upon to be efficient in accounting because it helps them develop the risk of default hence; banking authorities can determine the overall strength of the banking system and its ability to handle adverse debt default conditions.

The best method for analyzing and recording bad debt hence making an estimate for debts that are likely to go bad will depend not only on the data structure, the characteristics of the data but more largely on the ability of a person handling the task to classify the data, and lastly on the objectives of classification.

2.1 Definition of terms

Doubtful debts. This is a debt where circumstances have rendered its ultimate recovery uncertain. Accounting requires that doubtful debts should be recorded as an expense in the profit and loss account and to be credited to a provision to set off against ultimate default if any occur.

Bad Debts. This is a debt that is not collectible and therefore worthless to the creditor. This occurs after all attempts are made to collect on the debt. Bad debt is usually a product of the debtor going into bankruptcy or where the additional cost of pursuing the debt is more than the amount the creditor could collect. If such a situation happens, the company usually writes off the debts as an expense.

2.2 Accounting for Doubtful Debts

The records of many entities show that certain percentage of debtors will not pay their debts. To handle this problem, Wood and Sangster (2010) stated that an allowance should be created for a debt that becomes doubtful after the due date has approach. This is by forming a credit balance, which is netted off against the total receivables appearing in the balance sheet. A corresponding debit entry is recorded to account for the expense of the potential loss. Accounting entry to record the allowance for receivable is as follows:

- Debit: Allowance for Doubtful Debts (Expense)
- Credit: Allowance for Doubtful Debts (Balance Sheet)

Once this has been done, for doubtful debts, only the movement in the allowance will need to be charged to the income statement in future accounting period. So if estimated allowance for doubtful debt is same as last accounting period, no accounting entry will be required in the current period as the total receivables will be reduced by the amount of allowance which has already been created.

This example illustrates Wood and Sangster (2010). TAKU'S ENT LTD has trade receivables worth 50,000 euros as at 31 December 2011. XTC LTD, a receivable owing 10,000 euros to TAKU'S ENT at the year-end, wound up. Consequently, TAKU'S ENT LTD does not expect to recover the amount due from XTC LTD. Based on past experience, TAKU'S ENT LTD estimates that 5 % of its receivables will default. Allowance for doubtful debts on 31 December 2010 was 1500 euros.

According to Frank Wood and Alan Sangster (2009, 2010, 2011), TAKU'S ENT LTD must write off the 10,000 euros receivable from XTC LTD as bad debt. Accounting entry to record the bad debt must be as follows:

Debit – Bad Debts Expense account 10, 000 euros

Credit – XTC LTD Receivables account 10, 000 euros

TABLE 1. Illustration of the example

Date	Particulars	Folio No	Debit Euros	Credit Euros
31 Dec 2011	Doubtful Debts (expense account) XTC LTD Receivables account (-Current assets account) Debt written off from the books		10,000	10,000
31 Dec 2011	Doubtful Debts (Expense A/C) Allowance for Doubtful Debts (-Current assets A/C) Allowance for doubtful debts at 5% of Debtor XTC LTD		2000	2000

As it has been clearly seen from above TAKU'S ENT has lost its debt amounting 10,000 euros. This amount is charged to the general ledger expense account or the Profit and loss account against a credit to the borrowers account (XTC LTD). This cancels the debt but a provision of 100 % of the debt owed by XTC was supposed to be created so that the loss does not affect the business. Wood and Sangster (2009, 2010, 2011) say that if the provision estimate is under casted as the case of provision of 2000 euro $[(50,000-10,000) \times 5\%]$ in the recording above, then the business tends to lose. However considering that this allowance of 2000 euros is correct, a general allowance of 1500 euros has already been created; only 500 euros additional allowance must be charged to the income statement for the year 2011.

Here, 10,000 euros in respect of receivable from XTC LTD has been removed from the calculation of the general allowance as it has already been written off in full.

TABLE 2: Further illustration on the example above

Bad Debt Expenses			
Debit	Euros	Credit	Euros
2010 XTCLTD(Receivable)	10,000	2010 IncomeStatement	10,000
XTC LTD Receivable (cancellation)			
Debit	Euros	Credit	Euros
2010 Sales	10,000	2010 Bad Deb Expense	10,000
Allowance for Doubtful Debts			
Debit	Euros	Credit	Euros
2010 Balancec/d	2,000	2010 Balance b/d	1,500
		2011 Income Statement	500
	2,000		2,000

2.3 Accounting for Bad Debts / Irrecoverable Debts

As discussed earlier, an entity may not be able to recover its balances outstanding in respect of certain receivables, this may be as a result of customers going bankrupt, trade dispute or fraud. In accountancy we refer to such receivables as Irrecoverable Debts or Bad Debts.

Every time an entity realizes that it is unlikely to recover its debt from a receivable, it must 'write off' the bad debt from its books. This ensures that the entity's assets are not stated above the amount it can reasonably expect to recover which is in line with the concept of prudence.

Wood and Sangster (2010), requires the write off the bad debt in the books of account as follows:

Debit - Bad Debt Expense

Credit - Receivable

The credit entry (Sangster, 2009) will reduce the receivable balance to zero as no amount is expected to be recovered from the receivable. The debit entry has the effect of cancelling the impact on profit of the sales that were previously recognized in the income statement.

TAKU'S LTD sells goods to DZ LTD for 500 euros on credit. TAKU'S LTD subsequently finds out that DZ LTD is being liquidated and therefore the prospects of recovering its dues are very low. TAKU'S (Alan Sangster, 2009), should write off the receivable from DZ LTD in view of the circumstances. The double entry will be recorded as shown below:

Debit - Bad Debt Expense €500

Credit - DZ LTD (Receivable) €500

2.3.1 Accounting for Bad Debt Recovered

Sometimes, a bad debtor whose accounts were previously written off may subsequently settle its debt in full or in part. In such case, it will be necessary to cancel the effect of bad debt expense previously recognized up to the amount of the settlement.

Again in TAKU'S LTD, It sells goods to DZ LTD for 500 euros on credit. TAKU'S LTD subsequently finds out that DZ LTD is being liquidated and therefore, the prospects of recovering its dues are very low. TAKU'S LTD therefore, writes off the receivable from its books. However, the administrator in charged to oversee the liquidation of DZ LTD instructs the company to pay 300 euros to TAKU'S LTD in full settlement of its dues.

Frank Wood (2011) stated that for such an amount (for example the 300 euros) of the bad debt which has been recovered, it is necessary to cancel the effect of previously recognized bad debt expense up to this amount. The accounting entry will therefore be as follows:

Debit - cash €500

Credit Bad Debt Recovered (Income) €500

2.4 Bad Debt Allowance

There are various types of allowance/provisions and their treatment in accounting has been presented here.

2.4.1 Provision / Allowance for doubtful debts

Wood & Sangster (2011) presented that recoverability of some receivables may be doubtful although not definitely irrecoverable. Such receivables are known as doubtful debts. The concept of prudence in accounting requires that an allowance be created to recognize the potential loss arising from the possibility of incurring bad debts.

A specific allowance is created by forming a credit balance, which is deducted from the total receivables balance in the statement of financial position. This works in the same way as accumulated depreciation is deducted from the fixed asset cost account. The allowance for doubtful debts reduces the receivable balance to the amount that the entity prudently estimates to recover in the future.

According to these two scholars, allowance for doubtful debts consists of two types:

- Specific Allowance
- General Allowance

2.4.2 Specific Allowance

Specific allowance is an allowance created in respect of specific receivables, which are known to be facing serious financial problems or have a trade dispute with the entity. Wood & Sangster (2009). Such balances may be identified by examining an aged receivable analysis that details the time lapsed since the creation of a receivable. Long outstanding balances identified from such analyses could be considered for inclusion in the allowance for doubtful debts, as they may never be received.

What makes the difference between the treatment of a bad debt and a specific allowance for doubtful debt is that in the latter case, the receivable ledger of the specific debt is not removed in case the debtor actually pays whereas in the case of bad debts, the receivable ledger is reduced to nil. Specific allowance may also not be created for the entire amount of the doubtful receivable but only a portion of it. For example, if there is a 40 % chance of recovering a doubtful debt in respect of a certain receivable, a specific allowance of only 40 % may be required. On the contrary, bad debt is usually and normally recognized in full amounts.

2.4.3 General Allowance

A past history of a business may show that a portion of receivable balances is not recovered due to unforeseen circumstances. Therefore, it may be prudent as started by Wood & Sangster (2009) to create a general allowance for doubtful debts in addition to the specific allowance. The general allowance may be calculated on the basis of past experience concerning recoverability of debts.

However, creating a general provision has been on the decline after revisions in the International Financial Reporting Standards (IFRS). Specifically, International Accounting Standards (IAS) 39 prohibits creation of general provisions on the basis of past experience due to the subjectivity involved in creating such an estimate. Instead, reporting entity is required to carry out impairment review to determine the recoverability of the receivables and any associated allowance. Below is presented methods of creating the allowance.

2.5 Determinants in Estimating Allowance for Bad Debt

Most banks and company do make a valid argument to include any number of variables in a new credit rating system. Angelini, E., G. di Tollo, & A. Roli. 2008 noticed that contemporary credit scoring models are not necessarily free of mistakes. It is important to note that market risk and credit risk are not the same things. Banks have primarily focused on market risk, which involves locking in an investment at a rate that is lower than future rates. This kind of investment makes banks to capitalize on the higher investment interest rate. A market risk model, which will focus on the near-term, is forgotten. As noted by Angelini, et al. (2008), a credit risk requires a larger set of historical data. This data is supposed to come from the accounts and often the needed historical data is not present. In addition, many credit risk models do not accurately specify the variables to examine.

When West (2000) investigated this, he found out that the magnitude of credit installments, home mortgages, car loans, and credit card debt has rapidly increased over the 1980's and 1990's. Credit scoring models have gained

widespread acceptance because they improve cash flow and credit collections. Such models facilitate faster decision making regarding credit, better monitoring of existing accounts, and the prioritization of collection efforts.

Also when Gulliver (2009) examined the connection between aggressive accounting, poor accounting and poor earnings quality, he found that among signs associated with aggressive accounting, which affects accounts receivable and margins we have: revenue recognition without earnings; capitalizing period expenses; manipulation of reserves and accounting. Hence there has to be a close look of these issues by those skillful in account.

According to the generally Accepted Accounting Principles (GAAP), the allowance method for bad debt can be estimated in three different ways. The first method is an Income Statement approach where a bank or a company makes an estimate of the percentage of its credit sales, which will ultimately prove uncollectible. In the second and third methods, the balance Sheet approaches is used. Unlike the Income Statement approach, which only records an expense without consideration of the existing allowance for bad debts, the Balance Sheet approach always adjusts the amount estimated to be uncollectible based upon the amount of bad debt expense.

The uncollectible amount can be based on an aging of receivables or a forecast of the amount of overall accounts receivable, which are expected to be uncollectible. In most case there is always little or no evidence to determine the details of how each and every individual company arrives at its estimate for bad debts. What is important is that the amount should be based on GAAP and also that the amount will involve estimates and subjective judgment.

2.6 Accounting for Provision on Bad Debts

This section incorporates the importance of provision and recognizes provisions in the books of Account.

2.6.1 The importance of provision

It is important to understand the reasons for making provisions and maintaining the accounts correctly. The Generally Accepted Accounting Principles (GAAP), clearly states the need for conservatism and following the concept of matching revenues with expenses. The principle of conservatism gives us the basis for creating the provision for bad and doubtful debts. Since the debts do not become expense immediately, they are usually called doubtful debts. The provision helps companies and banks in creating a cushion for itself against bad debt expenses and future losses there from.

According to Wood & Sangster (2009), creating provisions involves additional entries in the journal. Therefore, it is necessary to understand the process and implement it correctly as any mistake may lead to differences in the balance sheet, which would require further time and efforts to be corrected. The accountant therefore, needs to follow the process step by step and balance the statements accordingly.

Calculating provision also requires due care therefore; the importance is supposed to be check and monitored by the finance department of any bank. The provision created must not be too large or too small. The provision amount is appropriated from the revenues of the business, it is imperative that the provision does not exceed to an extent, which may be considered as a drain on the resources. Also, it must not be so small that the bad debt expenses actually incurred exceed the provision. In such situations there are losses to the business despite of the provision. From this judgments, we can say that the amount of provision is as important as creating the provision itself.

2.6.2 Recognizing Provisions in the books of Account

As Wood & Sangster (2009) has recommended, any provision made is directly debited to the income statement/ profit and loss account and the provision appears in the balance sheet on liabilities side under the head of current liabilities and provisions. Also, it can be deducted from the debtors on the asset side.

If all efforts of recovering the debts have failed and reasonable time period has passed, the debt is then considered irrecoverable. As a bad debt actually occurs, an adjustment entry is made. In the income statement, the provision is reduced to the extent of bad debt expenses and corresponding entries are made in the balance sheet.

It is important to note here that the effects in profit and loss account and balance sheet should only be correctly made if the journal entries are correct. In case of actual default the provision account is debited and debtors account is credited. The effect of adjustment entry is finally shown in both the statements- P/L account and balance sheet.

3 RESEACH METHOD OR DESIGN

Here, the background to the study area (Unics bank) has been presented, that of Nordea Bank is also presented, then the reasons for choosing the study area have also been listed, data sources has been mentioned and Sampling technique statted. Finally, a description has been made as to how data is to be analyzed.

3.1 Background to study areas

Background to study area for UNICS and Nordea are as follows.

3.1.1 Unity Co-operative Society (UNICS PLC)

Unity Co-operative Society is a microfinance, situated along Commercial Avenue, Yaoundé is a private financial institution that was initiated by a group of Cameroonians of various professional backgrounds. From its humble beginning downtown Yaoundé with one sales point and two employees, the institution has, in 2000 to 2008, been able to achieve sustainable profitability until the crisis it faced in 2009. UNICS has a total enrolment of over 100 staff, all categories included.

UNICS was established on the 15th of January 2000. Licensed by the monetary authority (COBAC-Commission Bancaire d'Afrique Centrale) under license no 00319/MINEF/EC of January 15th, 2000. It has a share capital of 10 billion and with branches nationwide.

At opening, the majority shareholders were co-operatives (credit unions) and they had a key functions to encourage village communities to save and then borrow to meet their various needs. This new idea gained popularity as credit unions emerged in several villages and credit unions movement reorganized itself under an umbrella organization, the Cameroon co-operative credit union league that helped co-ordinate the affairs of the movement. Hence CAMCCUL led the movement to create its own bank; the Unity Co-operative Society, PLC with the technical assistance of the Rabo bank foundation.

Later on, in 2009 due to the dwindling resources of the bank as a result of bad loans, or bad debts a mandatory by name Julius Mbahdam was appointed to administer the bank and assigned the mission of restructuring and getting viable partners to ensure business continuity. In 2010, Oceanic Bank International PLC headquarters in Lagos acquired some shares in UNICS. This has moved her share capital from 6 to 10 billion FCFA. This together with the government subvention obtained in 2010 is expected to revive the business. As at date, the

network of the bank has twelve branches: Bamenda, Douala (Ndokoti, Akwa, Mboppi and Bonamossadi) Yaounde (Katios, Hyppodrome, Marche cental), Limbe, Kumbo, Kumba and Bafoussam.

3.1.2 Nordea Bank Plc. Finland

Facts figures & history of Nordea from www.nordea.com shows that Nordea is the largest financial services group in Northern Europe with a market capitalization of approximately EUR 28bn, total assets of EUR 709bn and a core tier 1 capital ratio of 11.8 %.

Nordea has leading positions within corporate merchant banking as well as retail banking and private banking. It is also the leading provider of life and pensions products in the Nordic countries.

With approximately 1 400 branches, call centres in all Nordic countries and a highly competitive e-bank, Nordea has the largest distribution network in the Nordic and Baltic Sea region.

Nordea has the largest customer base of any financial services group in the Nordic region with approximately 11 million customers including new European markets, of which 10.5 million are household customers in customer programme and 0.5 million are corporate customers.

Nordea's vision is to be a great European bank, acknowledged for its people, creating superior value for customers and shareholders. She began operations since December 2001. The banks forming Nordea shared the vision of being the leading financial services group in the Nordic and Baltic countries, to improve customer and employee satisfaction as well as shareholder's value.

Nordea is not only the leading bank in the Nordic region, but also a major European bank with strong fundamentals and award-winning services that continue to attract customers in all segments.

3.2 Reasons for choosing the study area

Even though many banks in Cameroon have debt related problems, the focus was on UNICS bank as case study because of the following reasons

- The researcher was more concerned finding out what kind of accounts the bank keeps, and also whether it is in accordance to the prescribe rules and regulation guarding accounting entry as suggested by the general and accepted accounting principles (GAAP) and others.
- The researcher was also motivated by the fact that financial records were to be readily available. This alone has gone a long way to give a judgment on the way accounting is recorded at UNICS bank. A four years financial statement as available, from where the researcher had a good and reliable data for the study.
- Nordea Bank Finland With approximately 1 400 branches (as oppose to UNICS bank with only 12 branches) and a well developed central system with debts situation properly dealt with and a proper accounting recording as well as reasonable debt granting policies was an added advantage as it was to be used as a control experiment.
- It is also crucial to obtain the variables, which contributed to bad debt, and to verify accounting for an allowance for bad debt account each year. The ending balance in allowance for bad debt is a product of both the bad debt expense for the year as well as accounts receivable written off during that year. So care was to be taken to see if the management of UNICS does this each year.

- Most banks frequently group bad debt expense into the broader category of General and Administrative expenses on their Income Statements. The amounts for these accounts were frequently omitted in their data. Consequently the data was incomplete. Therefore, in order to obtain bad debt expense and write-offs for those banks missing such data, verification needed to be done and this is why the researcher chose UNIC to see how it does this.

3.3 Data sources, collection and variables

Data was collected using both the secondary and primary sources.

- As primary data, a questionnaire was prepared that was answered by the management of Nordea Bank and also completed by the manager of UNICS Bank Cameroon over the telephone as well as via email.
- The secondary data was received from the accounting financial statement of UNICS Bank over a period of four years. From the statement, a close study and analysis of some variables was made
- Secondary data was also received from the books written by many academia's or researchers
- An income statement or financial statement approach was used, and here, verification of the percentage of credit sales, which will ultimately prove uncollectible, was made. Another variable used was a balance sheet approach and again an estimate of the percentage of ending receivables balance which should prove uncollectible and/or make such an estimate based on an aging of accounts schedule was made. Other variables were the macroeconomic variables.

3.4 Sampling technique

The study was based on an evaluation of the efficiency of accounting for doubtful and bad debts in UNICS bank in Cameroon. Keeping in mind that many banks in

Cameroon as well as in Africa have debt related problems; a purposive sampling technique was employed to select the bank to be used for the study based on the following criteria:

- Nearly every one knew what the bank went through and selecting this bank will mean information could be easily gotten.
- The one thing that was profound was that Nordea bank was to be used as a control to solve the intended problem and the fact that the researcher is in Europe to make this comparison was important. Therefore Nordea was included so as to compare our results at the end of our findings.

Two banks were therefore selected (Nordea and UNICS) and two respondents answered the questions. These were two influential people in the respective banks. In Nordea a face-to-face interview was conducted with SAARI PIRJO, the manager on August 6th, 2012 and in UNICS the interview was conducted by mailing a structured interview questions that was properly filled. A telephone interview was also done with Henry Toma, the manager on the 12th 13th and 15th of August 2012, while he was on holidays. Information was also made available from the financial statements.

The sampling technique employed was the simple random sampling and every shareholder or management staff had a known and equal chance of being selected for the interview. However the managers of the respective banks answered the questions. The structured interview questions were designed in consideration of the aim and objectives and were administered with all confidence and safety

3.5 Questionnaire Design and Administration

The structured interview questions were mailed to five branches of the UNICS bank, to two other banks who are shareholders including CAMCCUL who has a reasonable share in UNICS bank. In all, a total of six (6) structured interview questions forms (a combination of both the open ended and closed ended

questionnaire form) were submitted and only 3 of the 6 submitted questionnaires were responded to.

Descriptive statistics in Excel version 2010 was used in the presentation and data was represented numerically in tabular form, followed by analysis and interpretation.

4 PRESENTATIONS OF FINDINGS

Thanks to the ability to vividly collect data, summarized it in the best possible way, analyze it, interpret and to evaluation it, there is now hope to communicated the end information on the basis of accounting recording for doubtful and bad debt account. This is helpful to financial analysts or to people skill in accounting and management, particularly for UNICS Bank.

This information will be helpful for the bank's policy maker, internal auditors, and potential investors as it would allow them to arrive at preliminary estimates about the true nature of the bank with ease. Thanks to the findings, one can now categorize or compare the two banks (Nordea and UNICS) based on their

respective treatment of debtors and debtor's account. The results have been separated into two parts (Part A and part B) for UNICS and Nordea respectively.

4.1 Part 'A' (Findings From UNICS Bank Plc.)

The following weaknesses in reporting as the primary cause of UNICS financial problems in 2009 were noticed:

4.1.1 The Financial Statement Results

UNINCS had failed in the period 2006 to 2009 to recorded properly the bad debt expenses, It is a policy in the Cameroonian general tax code (GTC) in general and UNICS in particular that bad debt expense should be recorded at 30 % of sales. The management failed to have reconstructed the journal entries for bad debt expense and accounts receivable write-offs for 2006, 2007, 2008. If bad debt expense had been properly recorded at 30 % of sales, UNICS would have had a net loss of \$444,000 in 2007 and not earning of \$4,914 as was reported.

Also the bad debt expense policy did not appropriately match revenue to expenses incurred, as such, revenue was not properly recognized in accordance to Generally Accepted Accounting Principle. (GAAP)

In 2007, UNICS Annual Report reflected liquidity assertion that was contradictory to the cash flow difficulty shown in the Cash Flow Statement.

The discussion and analysis that have been presented below show particularly what was realized in UNICS financial statement

Below is a constructed journal entry for bad debt expense and accounts receivable write-offs for 2007, 2008, and 2009 along with UNICS 2007 financial statement with doubtful account expense at 30 % of sale. Figures are converted to thousands of US dollars.

TABLE 3. Financial Statement Analysis

YEAR/ELEMENT	2006	2007	2008
Allowances for doubtful accounts, BF (figures in us dollars)	5, 101	10, 896	12, 595
Bad Debt Expense	10, 843	5, 313	16, 674

A detail analysis of UNICS's financial statements shows that, the allowance for doubtful account of the previous year's Balance Sheets (used as the beginning balance), and the Provision for Doubtful Account from the Income Statements (as the ending balance), the accounts receivable write-offs for 2006, 2007, and 2008 were \$5,101, \$10,896, and \$12,595 respectively. It was discovered that UNICS's journal entries for the write-offs of these account receivables as shown above were in default. This is because one can immediately establish from these figures that, the estimated Bad Debt Expense in 2007 was greatly underestimated, resulting in the net income for that year to be overestimated.

In 2006 the provision for doubtful accounts exceeded the actual amount of account receivables write-offs with a sizable safety margin. However, in 2007, due to the change in accounting standards regarding revenue recognition by this bank, the estimated bad debt expense was decreased dramatically to an insufficient level to cover the account receivable write-offs for that year. It is clear that this amounted to approximately twice as much as the estimate.

One can deduce that because of the illegitimate decrease in expense for bad debts, UNICS's Income increased dramatically for 2007. However, the management realizing their mistake a bit too late, in 2008 they overstated their

bad debt expense for the year (16,674), bringing their income in the red for that year.

It is believed that Net Income for 2007 would have been different if the provision for doubtful accounts expense was calculated as it was in 2006. Whereas the estimated bad debt expense in 2006 was estimated as 30 percent of sales, in 2007, the percentage was lowered to 11.3 % of revenues (as seen in their calculation), due to the new revenue recognition policy that was adopted that year by the management of UNICS. If she had kept the rate at 30 % of sales as in 2006, the Income Statement for year 2007 would have been as seen below:

TABLE 4. UNICS Income Statement 2007 (in \$000)

Particulars	Amount	Amount
Sales/turnover		41,531
Other Revenues & Gains		6,090
Total sales		47,621
Less cost of goods sold	(22,827)	
Gross profit		24,794
Selling & Administrative Expenses	(9,157)	

Provision for Doubtful Accounts	(14,286)	
Earnings before Interest & Taxes		1,351
Interest Expense	(2,023)	
Income Tax Expense*	228	
Net Loss	(444)	

*Statutory tax rate was 34% in 2007

It can now be seen that instead of reporting earnings of \$4,914 for the year UNICS would have recognized a loss of \$444.

4.1.2. Result comparing GAAP and UNICS revenue recognition policy/bad debt expense policy

Its was also seen that, prior to 2007 that is precisely on 2006, UNICS Plc recognized the revenue at the time the revenue was realized. However, in 2007, UNICS Plc established the new revenue recognition policy. Under the new policy, the bank did not record into account, customers or members that had not yet made their first payment, a minor difference in the time of recognition.

As was seen in the GAAP, revenues are generally realized when products, merchandise, or other assets are exchanged for cash or claims to cash, when assets received or held are readily convertible into cash or claims to cash. Under that concept of revenue recognition principle, UNICS Plc hold the right revenue recognition policy since the contracts, customers signed, would be claims for cash. However, because UNICS Plc allowed customers to make monthly payment for

their loans, they should have followed the Generally Accepted Accounting Principle and used the installment sales or payment methods for revenue recognition rather than at the time of sale prior to 2007.

Under the installment sale methods, income recognition is deferred until the period of cash collection. Both revenues and costs of sales are recognized in the period of sale but the related gross profit is deferred to those periods in which cash is collected. Thus, instead of the sale being deferred to the future periods of anticipated collection and then related costs and expense being deferred, only the proportional gross profit is deferred, which is equivalent to deferring both sales and costs of sales.

Because the installment sales method emphasizes collection rather than sale, it could provide benefits to UNICS Plc. First, UNICS Plc would have reported sales more accurately. Second, UNICS Plc should have measured more accurate and reasonable doubtful receivables rather than estimation of bad expense. Moreover, since there was a high degree of uncertainty about collectability, UNICS Plc should have deferred revenue recognition until cash was collected.

With regards to the Generally Accepted Accounting Principles (GAAP), bad debt expense policies can be determined in three different ways:

- Estimated by a percentage of account receivables.
- By using an aging schedule of account receivables.
- As a percentage of net credit sales.

Now, the managers for UNICS Plc have estimated bad debt expense as a percentage of sales/loan issued to members. In 2005 and 2006 UNICS estimated that over 30 % of their sales/loans to members would be uncollectable. The management realized that this percentage was not acceptable and decided to hire more people to handle the collection problem. The bank also introduced a new

revenue recognition policy, deferring the point of recognition until the customer made the first payment. While taking a more conservative approach to revenue recognition, UNICS management decided to decrease the percentage of sales or turnover set aside for bad debt expense to 11.3 %.

This was a serious mistake on behalf of the bank as one could see at the end of 2008, when the write-offs of receivables exceeded the provision of doubtful accounts with as much as two times the amount. UNICS bank handled the situation unethically, manipulating their net income for the year.

4.1.3 UNICS's cash flow difficulties

In 2007, UNICS cash flow statement indicated a negative cash flow of \$435,000 due to high increase in receivables and other current assets. The increase in receivables resulted from the bank's policy concerning the customers' payments. The bank financed the purchases for most of its customer (housing, cars and others as well as loans issued to the members). The customers repaid their debts to the company using the installment plan, according to which they made monthly payments for a period averaging 30 months. As a result, the bank had no cash inflows from sales or returns though her sales were high.

Negative cash flow indicated that the bank's liquidity decreased. The bank's current ratio (indicator of the bank's liquidity) for 2007: $\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}} = \frac{32018}{12408} = 2.66$

Now it can be seen that UNICS's low liquidity is explained by the time difference between the cash inflows (the customers used the installment plan) and cash outflows (UNICS compensated suppliers for equipment purchases up-front and paid the commissions to sales representatives at the time of sales).

Here also it can be seen that the bank had liquidity problems in 2007. According to the bank's low liquidity we could predict even in 2007 that UNICS would have difficulties in repaying the bank's debts later in the future. And that really happened by the end of 2008 when the bank almost went bankrupt and it was forced to obtain a loan from three of its directors as well as appealing to the chamber of commerce for subvention that did not come until 2010

4.1.4 The qualities of UNICS's earnings.

UNICS as a high number in account receivables in order words has many debtors and therefore is supposed to recognize or record its bad debt expense carefully. In 2006, using a more conservative approach, UNICS uses a high percentage of sales in recognizing the bad debt expense estimation. Although the revenue recognition policy does not follow the Generally Accepted Accounting Principle, by recognizing revenue at the time of sale instead of the installment method, the management did a good job at matching revenue and expenses.

However, in 2007, the bank used a new revenue recognition policy where revenue were not recognized or recorded until the customers/debtor made the first payment. In response to the new policy, which to me was wrong, management reinstated the doubtful account expense to 11.3 % of revenues, thinking that the new percentage would better match revenue and expenses incurred. As a result of the reduction in bad debt expenses, the earnings for 2007 have been manipulated.

The account receivable write-offs almost doubled the recognized expense. This understated the bank's expenses, resulting in earnings to be overstated, hence high fiscal profit.

Again at the end of 2007, the bank realized its mistake, and increased its bad debt expense, from 11.3 % in the previous year, to 26.8 % of sale revenues to off set the over flowing account receivables write-offs in the year before. Because of this off set, in the 2008 earnings there was a huge loss of almost two million dollars.

4.1.5 An Examination of UNICS's 2006 and 2007 Financial Statements

TABLE 5. Calculation of the BANK's financial ratios for 2006 and 2007

Year/particulars	2006	2007
Current Liquidity	2.58	3.37
Debt management ratio	52 %	64 %
Profitability basic earnings power	17 %	15 %
Asset management DSO	322	429

Looking at the bank's financial ratios and how they changed from year 2006 to 2007, one can tell whether the problems of UNICS bank are predictable.

The current ratio increased from 2.58 in 2006 to 3.37 in 2007. On the first glance this could mean that the bank improved its liquidity. But when looking at asset management ratio Days Sales Outstanding known also as Average Collection Period, one can see that it shows a very high number (322 days) in 2006 and increased dramatically by 107, which means that it took the bank a long time to collect its debt. The increase in current ratio was due to the increase in account receivables, that is to say more credits were issued to customers, which according to the bank's average collection period was not very liquid. The main problem here is that this debt not collected was not recorded and charged to the profit and loss account.

The large number represents average collection period also known as DSO ratio. That means that it took the bank almost a year in 2007 and even more than a year in 2008 to collect some cash after the sales was made or after loans were issued to their members. A substantial increase in this number from year 2006 to year 2007 means that it was problematic for the bank to collect its debts. Discovering this as a major fact in 2008 UNICS actually tried some measures in order to fasten its debt collection, A conclusion can be drawn that by 2008 the bank's problems with debt collection were serious and the bank failed to also to charge the uncollectible to the profit & loss account.

Furthermore, the debt management ratio shows to what extent a company or a bank uses debt financing. The ratio grew 12 % for the period from 2006 to 2007, due to the increase in the bank's debts. It has also been seen that they were negative cash flows in 2006 and in 2007.

As a result, the liquidity of the bank's assets was decreasing while its debts were increasing and not been treated by account department. Such changes in the bank's debt and liquidity meant that the bank could start having trouble repaying its own debts.

Speaking about the bank's financial statements for 2006 and 2007, one cannot forget the fact that the bank changed its revenue recognition (and as a result, bad

debt recognition) policy in 2007. This way the bank could reduce the bad debts on its income statement. The real amount of bad debts remained high and was understated on the income statement.

As the bank's income statement was changed as a result of a change in its bad debts for 30 % of sales, the bank was in a totally different situation. Instead of \$4,914,000 reported in 2007 Income Statement, there would have been a \$444,000 loss.

4.2 Test of Hypothesis

The hypothesis that the efficiency of accounting recording for bad debt has no effect on the performance of UNICS Bank of Cameroon can now be seen to be incorrect.

Looking at the bank's Income Statement with the bad debts calculated as 30 % of sales, one could see net loss of \$444,000 and an increase in bad debts. These numbers, of course, make one think that the bank is having problems. The change in the financial ratios that occurred during the period from 2006 to 2007, an increase in DSO and debt management ratios proves that UNICS problems are partly if not fully predictable hence the hypothesis was wrong.

4.3 Part 'B' (findings from Nordea Bank).

Information from the Manager of Nordea bank shows that the bank issues housing loan, flexcredits, student loans, A1 car credits and more. A housing loan is to buy, build, or renovate a permanent residence, holiday home or flat purchased as an

investment. The minimum loan amount in the housing loan application is 3,500 euros. This loan is granted when the borrowers credit report is in order, secondly when after obligatory expenses you have sufficient income to repay the loan and pay the interest and lastly when you have sufficient security for the loan which is usually the house or flat you are buying.

FlexCredit, MasterCard or Visa credits are also issued to customers for small repairs and purchase of furniture, household appliances and kitchen fittings. It is usually repaid in monthly installments adjusted to the borrowers financial situation. The granted FlexiCredit amount is between 400 and 25,000 euros. Usually no security is required especially if the borrower is 18 years or older, has regular income and his credit information shows no defaults. From findings this seems to be the credit with a lot of default payments in Nordea.

There are also the student loans and the state (KELA Office) guarantees the loan. However the number of bad debts for this form of loan at Nordea is on the increase.

Findings have shown that Nordea uses ratios calculation to enhance the quality of financial statements, hence, has been able to solve debt related problems. These ratios provide information about how Nordea assesses different aspects of her performance and how effectively (or ineffectively) it is performing. The usage of ratios has assisted in comparing Nordea to UNICS Plc.

4.4 Types and importance of ratios used by Nordea

A liquidity ratio is how well a firm is able to generate cash. GAAP mandates the use of accrual-based accounting, however. Nordea uses so well the following ratios; liquidity ratio, efficiency ratio and profitability ratio

4.4.1 Liquidity Ratios

Because its current ratio which is an indicator of the bank's liquidity are always very high due to standard accounting recording and policies, Nordea has never been tempted to understate the allowance for bad debt accounts in order to appear more solvent. This is not the case with UNICS Cameroon with its poor accounting proceedings.

Nordea's ratio of Cash to Current Liabilities remains high as was told even though the figures were not shown. This ensures that net receivables are usually not overstated by understating the Allowance for Bad Debt. This is not the case of UNICS bank as the findings have shown

Usually when the DSO in Accounts Receivable begins to trend upwards, it should impact the allowance for bad debt accounts because it implies that it is taking longer to collect receivables, which increase the chance for defaults. Nordea has not demonstrated any problem in this case but UNICS does.

4.4.2 Efficiency Ratios

These ratios indicate how well the company utilizes its assets. The responses from the questions shows that the Accounts Receivable Turnover, which indicates how often the average receivables of the business issued and collected during the year, is properly monitored. Nordea has a high volume of credit to its customers. Any increase in credit granting increases the probability that some accounts will default. Even at this, it still does well to recover its debts. What UNICS still needs to understand is that this ratios calculated will help to understand that from an aging of accounts' approach, the longer it takes to collect receivables, the greater the likelihood of defaults.

4.4.3 Profitability Ratios

Nordea follows the GAAP and from the viewpoint of creditors, profitability ratios

are an indication of the health of a company and can influence whether or not they grant credit. Nordea also uses ratio of income to sales, that is, the proportion of sales euros that contributes to gross profit.

This ratio has several implications for the Allowance for Bad Debt Account. First, credit sales are recorded as credits even if the customer fails to pay the associated account. Again, the Manager said that, Nordea gross profit is netted against bad debt expense and other expenses to derive net income. Nordea goes further to include its Bad Debt expense as part of general and administrative expenses and is not included as a separate value on the income statement.

This is an important point that UNICS does not consider because, if defaults are high, actual write-offs could be 'concealed' by simply placing it in a broader category of expenses. Second, the allowance for bad debt account could simply be manipulated at the end of the year in order to derive a particular value for net income or fiscal profit.

4.5 Variables from Nordea's Financial Statements

Nordea's financial statement variables reflect the results of the operations and its decision-making. In regards to balance sheet and income statement items, variables such as net receivables, total inventory, costs of goods sold and sales, all have a direct impact on the allowance for bad debt accounts. According to the Manager of Nordea, these are considered when calculating the allowance for bad debt accounts. This is quite important and it is the desire of the researcher that UNICS could follow this also.

It also came to the understanding of the researcher that because many people in the EU and Finland are working, their ability to repay a debt is not impaired. This is opposed to UNICS because majority of its members are just managing to make ends meet. However, if 100 % of all accounts receivable were collected, it would indicate an overly strict credit policy, which even Nordea also cannot guarantee. It is just unfortunate that, a person who has

the means to repay debts today may not have the means to repay debts tomorrow due to an unexpected job loss. Clearly, this has an impact on how many members of UNICS and hence its allowance for bad debts may always not be in line with the standard accounting practice as the unforeseen is unknown.

Furthermore, Nordea has the ability to check each of its consumer credit outstanding. Therefore, the likelihood of defaults by individual customers is not too much. Usually, a large amount of consumer debts outstanding increases the likelihood that a bank may grant credits to a customer without fully realizing the total amount of debts the customer owes to different sources. UNICS has this problem as it lacks that ability to find out more about its customers' credit outstanding with other banks due to the lack of a central system like that of Finland.

CONCLUSION AND RECOMMENDATIONS

Firstly, UNICS needs to take a more conservative approach in matching and recognizing revenues and expenses incurred, and practicing proper accounting reporting in accordance with the generally accepted accounting principle. If UNICS had done so, the 2007 net loss would have been consistent.

Secondly, UNICS needs to make an effort to minimize the bad debt expense and solve the cash flow problem by selling most of the account receivables without recourse. Understanding now that the bad debt expense account is big during the 2008 year, the best thing would have been for UNICS to shift most of the bad debt expenses to another account by selling most of the account receivables without recourse. By selling most of the account receivables, not only would UNICS have minimized expense account, the cash flow problem would also have been solved. For the next accounting period, it would have been best to constitute new revenue recognition, install sales methods, to better match revenues and expense.

Thirdly, if UNICS account receivables are sold without recourse as suggested above, although it receives less profit, it could maintain the bad debt expenses to the same number of percentage of sales as the previous year 2006. When this

transaction occurs, the bank will receive cash, which would solve its cash flow problem and incur some finance charge expenses, hopefully smaller than the bad debt expenses.

The management of UNICS needs to accurately evaluate and establish a healthy balance between the credit policies that generate additional sales and the monetary loss due to defaults. Hence, management must keep a watchful eye on the balance in the Allowance for Bad Debt.

Furthermore, the management should find a mixture of credit policy and bad debt expense that maximizes net cash flow (i.e., the extra cash generated by offering items on credit should exceed both the amounts that prove uncollectible as well as the amount of corporate income tax that must be paid).

Lastly, it is worthwhile for the bank to check the employment status of its borrowers. Unemployment level is a potential indicator of consumers who have debt, but do not have income at present. Unemployment negatively impacts on accounts receivable. UNICS should also use unemployment as a factor in determining the allowance for bad debt, as people cannot repay debts if they have no income.

By looking at the change in the financial ratios that occurred during the period from 2006 to 2007 (an increase in DSO and debt management ratios) proves that UNICS problems are partly, if not fully, predictable. Therefore, the management should guard against this.

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APPENDIX 1

The following are the research questions that were drawn to guide this study

- 1) Do corporate managers believe that proper debt recording are relevant?
- 2) What are the recordings when debts are issued to borrowers
- 3) How are the recordings done on the due date if not head from the borrower
- 4) What are the recordings when the debt becomes bad
- 5) Can improper account recording of bad debts affect the bank?

APPENDIX 2

List of abbreviations

GAAP- General and accepted accounting principles

GTC- General tax code of Cameroon

UNICS- Unity Co-operative Society

DSO- Day sales outstanding

CAMCCUL- Cameroon Co-operative Credit Union limited