

49.2 An exercise on factors affecting the provision for doubtful debts

List the factors or evidence you would consider in deciding whether to create or change a firm's general provision for doubtful debts

Response

Factors to be considered in deciding whether to create or change a firm's general provision for doubtful debts would include:

- trends in demand for *customers'* products or services
- intensity of competition in customers' markets
- movement of prices for other customer inputs
- past experience in the business
- the general economic outlook
- movement of interest rates in the economy at large