MIDLANDS STATE UNIVERSITY

INVESTIGATION ON REVENUE RECOGNITION AND DEBTORS IMPAIRMENT:

A CASE OF TELONE (PVT) LIMITED (2010-2014)

BY

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DEDICATION

This dissertation is dedicated to my late parents. Most of all I dedicate this dissertation to my grandparents Mr and Mrs Muzite for their love and sacrifice.

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ABSTRACT

This project investigates on revenue recognition and debtors impairment at TelOne (Pvt) Limited, the period under review being 2010 to 2014. The research aims to explore on how debtors impairment can be done .The determination of revenue recognition is also investigated upon in this research. This research project highlights briefly on the background of the study, as well as the approach taken by the researcher to address the research problem. The available literature on revenue recognition and debtors impairment was used in conducting the objectives of this research. Ways and means on how debtors can be impaired and when to impair debtors was stated by different authors. Research objectives on relationship between debtors impairment and revenue and how the credit risk of TelOne (Pvt) Limited clients can affect the impairment of debtors are also discussed.

The research was done by using purposive sampling whilst gathering information by using questionnaires and interviews. Findings and responses from questionnaires and interviews conducted by the researcher on TelOne management and employees are presented and summarised in under the umbrella term Presentation and Analysis. These responses are linked to what is said on literature review. Conclusions on the research project and some recommendations on when to do debtors impairment and how revenue can be recognised correctly are stipulated in this research. This is to avoid overstating or understating of the values of debtors and revenue in the financial statements of TelOne. The contribution of this study to the existing literature is to show debtors impairment play a crucial role in the correct valuation of debtors. The underlying reason is that TelOne provide services and products to their clients being their debtors thus they should be valued correctly.

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CHAPTER 1

1.0 INTRODUCTION

This chapter aims to outline the research area of the study. Topics to be discussed are background of study, statement of problem, main research questions, research objectives, justification of the study, delimitations, limitations and definition of key terms.

1.1 BACKGROUND OF STUDY

TelOne (Pvt) Limited is a leading multimedia telecommunications company in Zimbabwe. It was incorporated in Zimbabwe in terms of The Companies Act (Chapter 24.03) and is 100 percent Government owned .It provides telecommunication services and products under three main brands namely Broadband ,Satellite and Voice.TelOne was commercialised from Post and Telecommunications Corporations (PTC) in 2000.TelOne is a sole fixed landline service provider in Zimbabwe. Telone has a wide network distribution with infrastructure around Zimbabwe (Daily News, 2010).

After Zimbabwe suffered hyperinflation in 2009 TelOne had outstanding debtors which were converted to US dollar .Debtors of Telone have misconceptions on the billing system that it inflated the bills when converting to US dollar. TelOne have had many campaigns to explain and demonstrate to its customers that there were no inflated bills (Chirauro, 2015).In this diverse economy mobile phone market continues to expand and fixed telephone business is experiencing shrinking tensions. This has caused many TelOne debtors to shift from using land lines and started using cellphones and other ways of communication (Cottel, 2010). Many debtors become reluctant to pay their debts because of the misunderstanding of the billing system. Some debtors are failing to pay because of economic financial constraints. This lead to accumulation of TelOne debtors as each debtor was credited with a monthly fixed service charge. Interest on overdue amounts are charged which is then regarded as revenue.

According to Tshwete (2011) debtors who are overdue for over 150days are considered as debtors to be impaired .This is because their collectability is questionable hence the debtors should be written off. This is to ensure that any long outstanding debt must be evaluated in order to determine the possibility of realising such income as revenue. According to Averkamp (2003) writing off debts will ensure that it is evident that a particular debt cannot be turned into revenue. It must be procedurally regarded as irrecoverable.

This huge accumulation of TelOne debtors resulted in the company introducing special strategies like debt collection to recover the money (TelOne Published Report, 2015). These collections are however going to a fund new key projects which include a Prepaid Billing System. This system will be easier for clients to use as they pay their services promptly other than paying for service they have already used (Enac1y, 2015).

TelOne Published Report (2015) indicated that TelOne has registered an operating profit since 2003 despite the revenue decline. This revenue decline is because of services that are being offered to debtors with outstanding balances. Moreover interest charges from recurring debts are also included in the revenue figure because of the accrual basis though its collectability is uncertain.

Telone failed to write off outstanding debtors of its customers and it is still charging and billing those customers without certainty of payment. According to Abel (2014) Telone however violated financial regulation of impairing outstanding debtors who are over 150days.This is supported by TelOne Published Report (2015) because there is no element of impairment loss in their Published Financial Statements.

Telone is still increasing the amounts of debtors with the monthly fixed charge .Consequently all those outstanding debtors are being shown in the financial statement of TelOne as debtors. This is further evidenced by the Telone Published Report (2015) which shows that the value of receivables has increased in June 2015 to **$158,126,378** from **$156,441,591** in December 2014.There is over one and half million dollars increase in the value of debtors of TelOne within the first six months of the year 2015 thus TelOne has greater risk of default.

1.2 Statement of Problem

According to the International Accounting Standard (IAS) IAS 18 states that revenue should be recognized when it is probable that future economic benefits will flow to the entity and the amount can be measured reliably. International Financial Reporting Statement (IFRS 9)further stipulate that all receivables with uncertainty of being paid and when the cost of an asset is less than the recoverable amount should be impaired .According to IAS18 and IFRS 9 is TelOne (Pvt) Limited correctly recognizing interest income as revenue and the amount of debtors in their Financial Statements.

1.3 RESEARCH OBJECTIVES

The aim of the research is to investigate on revenue recognition and debtors' impairment at TelOne (Pvt) Limited .This is achieved through the following objectives:

- ➢ To determine the recognition criteria of Interest Income and Debtors.
- ➢ To determine impairment of debtors.
- ➢ Relationship of debtors' impairment and revenue.
- ➢ Establish how Credit Risk affect impairment of debtors.

1.4 MAIN RESEARCH QUESTION

How is revenue recognition and debtors impairment determined at TelOne (Pvt) Limited?

1.4.1Sub Research Questions

The main research question has led to the rise of the following questions:

- ➢ What is the recognition criteria of Interest Income and Debtors?
- ➢ When are debtors considered to be impaired?
- ➢ What is the relationship between debtor's impairment and revenue?
- ➢ How does Credit Risk affect impairment of debtors?

1.5 SIGNIFICANCE OF THE STUDY

The research will be of importance and advantageous to:

1.5.1 The Researcher

The research is in partial fulfilment of Bachelor of Commerce Accounting Honors Degree at Midlands State University. The researcher obtained full knowledge of Debt Management and its effectiveness to telecommunication companies.

1.5.2 Midlands State University

The research is of significance to the students as it is going to add material for further arguments in research.

1.5.3 Telone (Pvt) Limited

If the research findings are acceptable, the research may be of benefit to Telone management and staff with knowledge on revenue recognition and when to impair debtors to avoid long overdue debts.

1.6 LIMITATIONS OF THE STUDY

1.6.1 Corporate Confidentiality

The company's management and staff was not willing to reveal company information, as the research was based on questionnaires, interviews and document reviews. However to get the information sought necessary approval was obtained and the organization under study was assured that the information was going to be used purposefully for academic study and confidentiality was maintained.

1.6.2 Time Constraints

Time was a constraint as the research was to be completed within a short period of time. The researcher had to work late hours in order to cover various aspects of the research.

1.6.3 Clearance and Authorisation

Sometimes there was need for administrative approval before interviewers participate on the interviews and questionnaires hence responses were incomplete and delayed.

1.6.4 Financial Constraints

Financial resources limitation was encountered as there were no enough funds for the researcher to travel from Gweru to Harare to obtain information. Limited travelling was enforced and some of communications were done over calls and mails.

1.7 DELIMITATION OF THE STUDY

The focus of study is on revenue recognition and debtors impairment at Telone (Pvt) Limited for the period 2010 to 2014. The research is also limited to employees and management of TelOne.

1.8 DEFINATION OF TERMS

Revenue – is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

Impairment -A reduction in the recoverable amount of an asset below its carrying amount;

Hyperinflation - This is when a country experiences very high and usually accelerating rates of inflation, rapidly eroding the real value of the local currency, and causing the population to minimize their holdings of the local money.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter analyses the related literature as acknowledged by various authors on the subject of revenue recognition and debtors impairment. Various means will be used which include extraction of journals, textbooks the use of internet in order to come up with the diverse views of experts in the field. The major objective was to gain understandings into the aspect of the research questions.

2.1 Recognition of Interest Income and Debtors

Debtors are current assets that arise from selling products or providing services to customers on credit. Debtors are also known as trade receivables. Interest income are earnings that an entity receives from a debt it owns. Consequently a payment of interest do not reduce the amount a debtor is obliged to pay.

2.1.1Recognition of Interest Income

According to Li (2015) Interest income is interest that is accrued over time through a business moneys in financial instruments. Dawson (2002) stated that interest earned on receivables should be brought into the income statement as it accrues, provided that its collectability is certain Wikinvest (2009) stipulates that interest income is recognized on the accrual basis because this is interest accrued but not yet paid. According to Li(2015) interest income recognized as cash or any equivalent basis of payment and is written off in debtors ledger when paid.

Exception of recognising interest income on accrual basis is done when the receivable is in default or acknowledged to be in doubt thus it should be recognized on cash basis. If the collection of interest is doubtful it should not be recognized this is indicated when the debtor is in default for more than 150days (Wikinvest,2009).Doubtful interest which might be identified through time frame must be omitted from the income statement. According to a survey conducted by the HKMA in 1997, a large quantity of locally operating entities suspended accrual

of interest debtors which was overdue for 3 months or more (Dawson,2002). This is regular with the approach in the US and in a number of other countries. Other entities use a more judgmental approach by suspending accrual of interest on debtors which have been classified as "doubtful" (HKMA, 2011).

Hong Kong Monetary Authority (HKMA) (2011) urged that accrued interest which had been credited earlier to the income statement whose collectability afterwards becomes doubtful should be reversed from interest income. However if there is definitive recovery of interest it must be credited to suspense account in the balance sheet thus recognising it as income (Robb and Watson, 2013).

Westpac Annual Report (2008) stated that interest income for all interest earning financial instruments is acknowledged in the income statement using the effective interest rate. Effective interest rate is the rate that accurately discounts estimated future cash overheads to net carrying amount of an asset.

2.1.2 Recognition of Debtors

According to Lubbe and Rassouw (2015) Trade receivables are financial assets and are measured at amortised cost using the effective interest rate. Accounting Standard Board (ASB) of Urgent Issues Task Force (UITF) (2005) stipulated that once a job has been completed the billable amount should be recognized as a debtor .The request for payment which will be issued under VAT services will elicit the amount as a debtor for accounting purposes

Amount of debtors is owed to the entity after of risk and rewards have been transferred from supplier to customer. The recognition of trade debtors is linked to that of revenue which is done in accordance with the International Accounting Standards 18 (IAS18).This recognition criteria stipulate that the amount to be received must be measured reliably and it must be probable that future economic benefits associated with the transaction must flow to the entity. Krueger (2012) stated that debtors are recognised at fair value which will be the invoiced amount at the time of recognition. Regular checks of debtors must be done to identify amounts that are unlikely to be recovered .These amounts are known as bad debts and must be written off if they are older than 12 months.

2.2 Impairment of debtors

According to Krueger (2002) Impairment is stated as when the carrying amount exceeds estimated recovery. The impairment of assets become effective after 2002 though it was issued in 2000 by Ministry of Finance (Edwards, 2012).Reduction and delaying of principal or interest payment results in impairment (Marz, 2015). Impairment can be identified when there is no reasonable assurance of collecting amounts due to a debtor according to the contractual(BCBS, 2000).According to Karampinis and Hevas (2013) stipulates that impairment is recognised if the recoverable value of an asset is lower than the carrying value of an asset.

A payment or charge-off must be made in the period in which the loss occurs. This impairment charge is recorded as a current period bad debt expense giving rise to an impairment loss. According IFRS News (2012) an impairment loss is calculated centered on expected cash flows that is discounted at the receivables original effective interest rate. Impairment of receivables require companies to recognise losses in advance of a credit event occurring. However IFRS 9 no longer requires a credit event (e.g. a payment being overdue) to have transpired before credit losses are recognised. (Basford and Leung, 2014).

Debtors are evaluated at each reporting date and impaired as follows:

Category debt	Percentage of debt provided as irrecoverable
Credit balances	0%
In-active accounts	100%
Hand over accounts to debt collectors	100%
Hand over accounts to power of attorneys	100%
Debt ageing more than 180 days	100%
Debt ageing less than 180 days	0%

As indicated by the diagram above all debt accounts which are inactive, handed over to debt collectors and power attorneys are considered 100% irrecoverable and must be impaired. Debts with credit balances and ageing of less than 180 days are recoverable and are not impaired (Tshwete, 2011)

UNSW Policy (2012) base their debtors on age and category .It recognises impairment provision at the following rates on the outstanding debtors at the reporting date.

Category of debtor (days)	91-180	181-270	270-360	>360
Non-Government debtors	10%	40%	70%	100%
Government debtors	-	-	0%	0%

According to Mikelittle (2014) current assets are valued at the lower of cost and net realizable value (nrv).NRV measures the recoverable amount of an asset. Recoverability of receivables is done by writing off any bad debt or doubtful debt. If receivables are valued at cost automatically then it will be lower than NRV.Thus it won't be not appropriate to allocate any impairment to the receivables.

2.3 Relationship between Debtors Impairment and Revenue

It is significant to recognise the trade debtors in the cash flow business model as it captures the cash cycle of a company. This is important since not all revenue earned in a given period is received in the same period (Warnerlid, 2015).

Trade receivables are carried at fair value which will be the invoiced amount at the time of recognition. They are then recognised at amortised amount using the effective interest rate less any provision for impairment. According to Kruger (2002) impairment is the possibility of less than full recovery is more than that of complete recovery. Uwadiae (2015) stipulates that at the end of each reporting period, an entity shall assess whether there is unprejudiced evidence of impairment of any financial assets that are measured at cost or amortised cost. An impairment loss is recognised immediately in the profit of loss if there is a probability of impairment (Financial Reporting Council, 2015).

A provision for impairment of receivables is established when there is objective evidence that an entity will not be able to collect amounts due to the receivables. The likelihood that the debtor will enter insolvency ,significant financial problems of the debtor and default or negligent in making payments are considered indicators that the receivable is impaired(UNSW Policy,2013).

According to IAS 18 Revenue is the gross inflow of economic benefits during the period arising from ordinary activities of the entity. Revenue should be stated before deductions of cost of sale. Moreover IAS 18 deals with revenue from;

➢ the sale of goods
➢ the provision of services

- Interest, royalties and dividends

As indicated by IAS18 Revenue should be recognised after the following conditions have been satisfied namely;

- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the entity
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The amount of debtors impaired reduce the value to be recognised by entity as revenue. This is because it will no longer be probable that economic benefits will flow to the entity as the debtor had been impaired due to default or long overdue outstanding debt.

According to the IFRS News (2012) when impairing accounts receivables they should be discounted at initial recognition with a consequential reduction in revenue .This is done if the discounting value is material. This is further supported by Silvia (2014) who stipulates that when a financial asset has already become credit impaired (meaning that certain default events have occurred), then an entity still recognizes lifetime expected credit losses. However interest revenue is calculated and recognized based on the gross carrying amount less loss allowance thus it will be lower than the expected interest revenue before impairment.

After the impairment of receivables had been done the impairment loss should be adjacent to revenue for those contracts without a significant financing component (Bragg,2014). Those with a significant financing component would be divided between the revenue and financing component. Impairment losses on financing receivables would be recognised as expenses

Online Investopedia (2015) further stipulates the following effects of impairment on financial statements which include the fact that past income statements are not restated because current income statement will include an impairment loss thus net income will also be lower.

2.4 Credit Risk and Impairment of debtors

According to Exposure Draft (2011) Credit Risk is defined as the risk that an entity will be unable to collect from its debtors the amount of consideration which the entity is entitled. This risk is caused by inherent risk of customers in making payments .Inherent risk of customers include those who can pay but refuse and those with habitual late payment (Bragg, 2014). Errors in recording address change by customers also lead to an increase of credit risk (Uwadiae,2015) This is because it might result in failure to deliver the billing .Consequently there will be unwanted collection attentions leading to service interruptions. Customers can change contact details and this may not be passed through to the collections system in time for targeted collections thus delaying the collection process which will prompt the increase in credit risk (Assuring Business, 2015).

Accounting Coach (2015) entails that when a supplier provides goods or services on credit, the resultant debtor will have an unsecured claim against the purchaser's assets. The seller (the supplier) becomes unsecured creditor, meaning it does not have a lien on any of the buyer's assets even on the goods that it just sold to the buyer. To minimize losses, sellers normally perform a detailed credit check on any new client before selling them on credit. They can also obtain credit reports and check furnished references of their clients (Basford and Leung, 2014).

A credit loss can occur even if there is a favorable credit check towards the debtor. (Brenton, 2010) Accounts receivables are liquid assets of the entity as they are expected to cash within one year. These receivables may overstate the financial position of the company if they are not collectable within the end of the financial period whilst the credit loss amount was not effected (Urahn,2012).

Credit risk within the entity arises from the possibility that clients or debtors may not be able to settle their obligations towards the entity as agreed (Randstad,2014) .To manage credit risk, credit checks are performed up front for new customers. For high-risk customers, credit limits are placed based on internal and/or external ratings. Credit risk however are monitored by the credit control departments of operating companies on a daily basis (Basford and Leung, 2014)

According to PWC Report (2014) if a credit risk of a financial instrument (trade receivable) is low at the reporting date management can measure impairment using the 12 month expected

credit loss. It does not have to ascertain whether the significant increase in credit risk has occurred. Low credit risk of trade receivables does not mean a lower risk of default. Thus credit risk need to be estimated without consideration of collateral.

As stipulated by Kelly (2011) credit risk of trade receivables is classified into 3 categories namely:

- ➢ Performing- having less than 90 days arrears
- ➢ Impaired – between 90 and 360 days in arrears
- ➢ Default- exceed 360 days arrears

These categories are further supported by the Financial Reporting Council (FRC) (2015) which states that an entity shall assess financial instruments for impairment either individually or grouped on a similar credit risk characteristics for example by using the number days.

According to IAS 39 in the evaluation of impairment, financial assets are grouped using similar credit risk characteristics that are indicative of the debtors' capability to pay outstanding debts due according to the contractual terms. These characteristics include, geographical location, collateral type and past-due status. After identifying similar credit risk debtors there is need to estimate loss that is expected. These estimations are historical loss experience and there is need to make adjustments to reflect current condition of debtors and remove the effect of history that do not exist currently (Cottel, 2010).

According to the Exposure Draft (2013) the IASB proposes that expected credit losses should be recognised for all financial instrument which are subject to impairment. IAS39 had "Incurred loss model" which delays the recognition of credit losses up until there is indication of credit loss default occurrence on financial instrument (trade receivables).Even the losses are experienced and probable during the financial crisis they are not recognised until the default has occurred. This model became a weakness to the accounting standards as there was a delay in the recognition of credit losses even during the financial crisis. This however prompted the IASB to introduce IFRS 9 with simplified model which recognize credit loss from initial recognition.

According to Basford and Leung (2014) IFRS 9 impairment model is based on changes in expected credit losses and involves a three stage approach which are determined as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition recognise 12 months of ECL
- Stage 2: Credit risk has increased significantly since initial recognition recognise lifetime ECL, and interest is presented on a gross basis
- Stage 3: Financial asset (trade receivables) is credit impaired

The recognition of impairment (and interest revenue) is further summarised as follows:

STAGE	1	2	3
Recognition of Impairment	12 Months expected credit loss	Life time expected credit loss	
Recognition of Interest	Effective interest on gross amount		Effective interest rate on net amount

However a 'simplified' model applies for trade receivables with maturities of less than 12 months. For other long term trade receivables (i.e. trade receivables with maturity of longer than 12 months), entities have a choice to either apply the 'full' three stage model or the 'simplified' model (Basford and Leung, 2014).

2.5 Chapter Summary

This chapter accessible to literature review. Amongst other issues, the chapter highlighted that Telecommunications have ways to impair their outstanding debtors to avoid understating of their revenue. The chapter, nevertheless, discussed strategies of how credit risk of debtors can affect impairment and the recognition of interest income and debtors. The next chapter will be in regard to research methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter focuses on the techniques and methods used in assembling and analysing data from respondents. Moreover, it gives detailed evidence on research design used in carrying out the study. This chapter further describes the population and sample size used, instruments employed. Data collection procedures, reliability and validity, data presentation analysis and ethical considerations are also highlighted in this chapter.

3.1 Research Design

According to Burns and Bush (2010) a research design is an agreed advance decisions that create up the main strategy. That consequently specify the approaches and procedures aimed at gathering and analysing the needed data. A research strategy is not just a work plan but however ensure that the evidence attained supports answers to initial questions as clearly as possible. Davis (2010) defines a research design as the arrangement of conditions for collecting and analysing data. This aims to combine relevancy of the approach.

Research design constitutes a blueprint for collection and analysis of data. It facilitates research operations making it efficient yielding maximal information with minimum expenditure (Kothari, 2004) .Attaining relevant evidence entails postulating the type of evidence needed to answer the research question. In other words, when designing research there is need to ask, given this investigation question what type of evidence is needed to answer it considerably. Research design is an approach used in collecting data (Trochim, 2006).

The researcher used descriptive research design in the research as it a unique means of data collection. Descriptive research design use both qualitative and quantitative to find solutions of research under study. It however represent a possibility for error and subjective for example when questionnaires are designed the questions are predetermined and prescriptive (Johnson, 2013).In this research data was collected using qualitative purposive strategy which will focus on

the population that is of interest and are able to answer interviews and questionnaires used in the research.

3.2 Study Population

The study population involves identifying characteristics of individuals to be included in the study population that might be age or gender (Korb, 2012).It is however a sample of individuals who are of main focus in the research. In the study, the target population was 70 respondents consisting of employees and management of TelOne (Pvt) Limited. The population selected is the one which is involved in the operations of Telone in providing services to its clients thus knows much on debtors and revenue of the company.

3.3 Sample Size and Design

3.3.1 Sample Size

Shiu and Eric (2009) stipulate that a sample size is the determined aggregate number of sample units.These sampling units are required to be demonstrative of the different target population. Sampling units must have the number of elements to be in a sample to guarantee proper presentation.

3.3.1.1 Determining sample size

Lucy (2006) stipulates that population above 200 is sampled using 10 % of the targeted population and 40% is used when the population is below 200.This research target population was of 70 respondents, hence the sample size was 28 that is (40% of 70).

Table 3.1 Sample Size

Elements	Sample Size
Management	4
Finance Department	6
Debtors Department	14
Front Office	4
Total	**24**

3.3.2 Sample Design

According to Kothari (2011) A Sample design is a certain idea for gaining a sample from a specified population which much be determined before data collection. It is a technique used by the researcher in selecting items to be used in a sample namely sample size. Shapiro (2008) stipulated that a sample design serves as the basis for selecting a survey sample. A sample design include aspects of sample frame which may be equivalent to the population, or it may be merely part of it. Burns and Bush and Burns (2010), postulates that a sampling frame is a master list of the entire population. Therefore the sample frame encompass of Telone Management, employee's and key customer (subscribers).The "best" sample design depends on survey purposes and survey resources.

3.4 Sampling Procedure

According to the Australian Bureau of Statistics (2004) samples must be sufficient enough to give a reasonable representation of the population. Samples are engaged using respondents (population) and approximations are made about the entire population based on data derived from the sample. Australian Bureau of Statistics, 2004 said they are two categories of sampling procedures namely probability sampling and non-probability sampling.

In this research the researcher used non-probability sampling which is defined by Shiu and Eric (2009) as the selection process where the probability of choosing each sampling unit is unidentified .It does not have basis for approximating the likelihood that each item in population has been involved in the sample .Non Probability sampling is used when the probability sampling is not feasible. The researcher used non-probability sampling because of the way it is administered, it is also not complicated and less time consuming (Information Brochure, 2012).

3.5 Sources of Data

Data source is merely the source of the data. It may be a file or a specific database .Resolution of a data source is to collect all of the practical information desirable to access data. Sources of data are obligatory to researchers in order to base and confirm their study and results. They are two sources used for data collection which are:

➢ Primary Data

➢ Secondary Data

3.5.1 Primary Data

Primary data is a document containing creative facts on an area of data. Harris and Brown (2010) stipulated that primary data are records which are composed originally .They are never in existence and essentially original. The Primary data was collected using survey as a mode of data collection. To conduct surveys separate sets of structured questionnaire were prepared for a targeted population Primary data also include other sources which are interviews, observations and case studies

Primary data was of great importance to the researcher as it gave a relevant, reliable and accurate information on which to base conclusions and recommendations of the topic. It mainly appreciates that circumstances change and the environment is very dynamic and uncertain. However the primary data was a limitation because there was need for funds which were used in travelling and printing expenses and it was time consuming. Questionnaires' as source of primary date was used to beseech information from employees and management of Telone in order attain targeted objectives of the research.

3.5.2 Secondary Data

According to Dawson (2002) Secondary data is any published work. It frequently define, evaluate analyse and provides interpretations of information based from primary sources of data. Secondary data is a source which contains data which is already in existence and used to correct previous problems not current ones (Bradley and Stewart, 2003).Types of secondary data include previous research, diaries, company financial reports, web information, and Government reports.

Secondary data was attained quickly and appropriately cheaper as compared to primary data collection. It acted as a standard and guide of the study in question. Secondary data helped the scholar with the literature review in obtaining great insight of the investigation topic. Secondary data was used in obtaining information regarding Telone debtors from different sources like web information and published financial reports.

3.6 Data Collection Instruments

According to Ebsco Support (2013) research instruments are measurement implements intended to obtain data on a research topic.Caroll (2012) further recognize data collection instruments as fact finding strategies and implement for data collection. They must be reliable and critically surveyed to check the extent to which they are likely to give targeted outcomes .They two main types of data collection instruments namely:

➢ The Questionnaires
➢ Interviews

3.6.1 The Questionnaires

A questionnaire is a planned procedure for data collection that contains of a series of questions, written or verbal, that a respondent responses (Malhotra ,2010).They are viewed as the core of the research thus it should be carefully constructed .Questionnaires can be adopted by researchers, private individuals, private and public organization. Respondents must read and fully understand the questions so that they can answer the questions on their own.

The researcher designed the questionnaires for management, employees and subscribers of Telone. This was done to acquire an understanding of debtors' impairment and revenue recognition of the company. Questionnaires were designed using Likert Scale .A Likert Scale is measure of response where respondents specify their extent of agreement or disagreement on a symmetric agree-disagree statements. The measures used were

Strongly Agree []   Agree []   Not Sure []   Disagree []   Strongly Disagree []

Respondents had to tick against each variable indicated above signifying their level of agreement

Questionnaires are free from bias of the researcher as the answers are only in the respondents own words .They make use of minimum costs .However questionnaires have the likelihood of uncertain responses or exclusions of replies. Nevertheless there was a limitation that questionnaires were used only when respondents are educated and co-operating.

3.6.2 Interviews

Kothari (2004) defines an interview as presentation of oral-verbal stimuli and reply in terms of oral-verbal answers. The interviews does probing of research through asking the respondents (TelOne Management) face to face .They are four types of interviews namely structured, unstructured ,non-directive and focus interviews. Structured interviews are formal and they use questionnaires based on identified questions whilst unstructured questionnaires are informal as there is no prearranged established questions to work through.

The advantages of using interviews is that they enable the disclosure of more evidence through the recording and taking down of notes from respondents. More qualitative and consistent data is revealed as requests that can be explained for an improved understanding by the respondents

3.7 Reliability and Validity

Reliability is the degree to which outcomes are constant over the period (Kothari, 2011) .An exact illustration of the whole population under research is stated to as reliability if the directed objectives can be achieved under the same methodology. .Investigation must be reliable, it also need to be valid. Validity is the idea to which a study mechanism aids to represent a purpose it was constructed for. It also conveys to the point to which the conclusions drawn from the study are correct. Validity concludes on whether the investigation correctly investigate what it purports to investigate (Shiu and Eric, 2009).

The researcher worked closely with supervisor to ensure validity of research under study. This was done by guaranteeing that all the questionnaires and documents are appropriate in addressing the investigating question and the problem under study.Reliabilty was greatly improved by using simple english. Goals and objectives are clearly stipulated to ensure improved validity.

3.8 Data Presentation and Analysis

3.8.1 Data Presentation

Data collected from the respondents was gathered, presented and investigated through descriptive narration, graphs, tables and pie charts. Qualitative data collected from respondents

was obtainable through descriptive analysis. Moreover quantitative data was gathered, presented and analysed on pie charts, tables and graphs.

3.8.2 Data Analysis

Data analysis is defined by Kothari (2011) as the procedure of inspecting the data collected by the investigator through the submission of reasonable and arithmetical procedures. It involves an effort to build an enlightenment while collecting and analyzing data. In this research the researcher collected and analysed date building an account of revenue recognition and debtors impairment at TelOne Pvt Limited.

3.9 Ethical Considerations

Saunders, Lewis and Thornhill (2012), entails that ethics of study include integrity, knowledgeable permission, privacy, security against torture and harm. Any approach or practise adopted in a research study should be avoided if there is a probability that it can cause harm to any person that is parties   who are involved or not involved in the research (Churchill, 2005).

Ethical considerations were practical as the respondents were told not write any personal information on the questionaires.This was to ensure confidentiality and secrecy. Moreover respondents were informed that the data to be collected was for academic purposes only. Consequently information gathered and collected was treated as confidential as possible and intimate as well.

3.10 Summary

In this chapter, the researcher explained the research methodology that was used in carrying out this study. The researcher presented details concerning the research design and research instruments. The research target population, sample size, design and the sampling procedures were highlighted in this chapter. Data sources, data collection instruments and data collection procedure were also embarked upon as well. The following chapter is going to be on data presentation analysis and discussion of findings.

CHAPTER 4

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents data collected during the research on the investigation of revenue recognition and debtors' impairment at TelOne. The chapter primary motive was to present, analyse and interpret data on questionnaires and interviews findings .The crucial goal was to establish the revenue recognition and debtors impairment at TelOne.

4.1 Questionnaire response rate

The researcher distributed 24 questionnaires and only 22 were responded to and returned. The questionnaires had a favorable response rate of 91.67%. This is shown by the questionnaire distribution and responses in Table **4.1** shown below.

Table 4.1 Questionnaire Distribution and responses

	Issued Questionnaires	Responded Questionnaires	Response Rate
Finance Department	6	5	83.33%
Debtors Department	14	14	100%
Front Office	4	3	75%
Total	**24**	**22**	**91.67%**

4.2 Recognition of Debtors

The research sought to establish the recognition of debtors by TelOne through asking respondents sub questions which include their credit and collection processes in regard to debtors and the evaluation of debtors' credit worthiness.
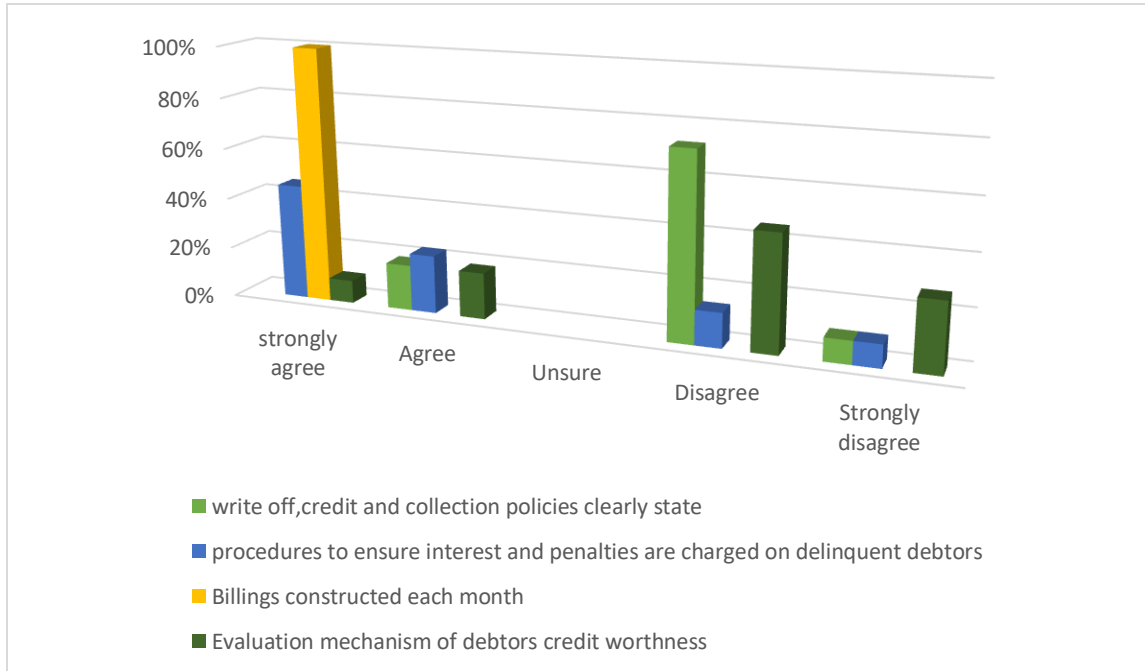

Figure 4.1 showing operations of TelOne in regard to debtors

Write off, credit and collection policies are clearly stated

Write off, credit and collection policies contribute in knowing the credit to cash process of the company thus must be clearly stated. From the responses given by the respondents it is clear that write offs, credit and collection procedures are not clearly stated and communicated .This is because 72% of the respondents disagreed to these policies been stipulated supported by a further 9% who fall under the strongly disagree range. Only 19% of the respondents supported this component.

Procedures to ensure interest and penalties on delinquent debtors

Interest and penalties are administrative costs used for handling and processing delinquent debts so must be done correctly. A combination of 77.26% (45.45% strongly agree and 31.81% agree) of the respondents agreed that they are procedures at TelOne to ensure that interest and penalties are charged to delinquent debtors. The researcher concluded that these procedures are practised at TelOne though 22.82% of respondents disagreed.

Billings are constructed and properly accounted for monthly

Question about the billing system was asked to determine if TelOne send bills to their customers reminding them of their outstanding debts .100% of the respondents strongly agreed that TelOne billings are constructed and properly accounted for each month. This also shows that all penalties and interests of debtors are charged monthly.

Evaluation mechanism for credit worthiness

Most companies use the metric of credit worthiness to determine if it is worthy to provide goods and services to a client. Credit worthiness is the history of trustworthy and expectations of continued performance of a debtor's ability to pay and should be evaluated on ongoing basis to avoid providing services to delinquent customers. The researcher analysed the responses from different respondents which shows that a combination of strongly disagree to disagree range outweighs that of strongly agree to agree range with 12 %.The researcher later concluded from the findings that TelOne does not have an evaluation mechanism to assess their credit worthness.Thus TelOne might provide goods and services to those debtors who do not pay increasing their outstanding debt.

4.3 Impairment of Debtors

The research sought to establish the impairment of debtors at TelOne with the aim of valuing debtors correctly .This was due to the accumulation of long overdue debts from TelOne clients. The responses gathered are presented as follows.
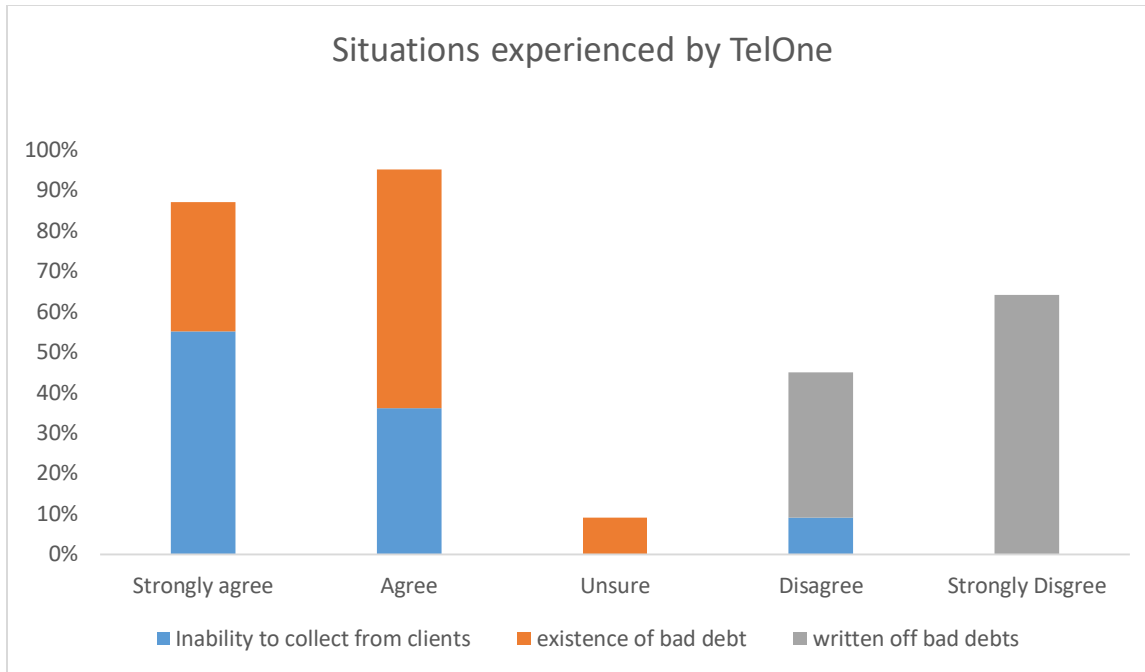
Situations experienced by TelOne

(Chart: stacked bar chart with categories: Strongly agree, Agree, Unsure, Disagree, Strongly Disgree. Legend: Inability to collect from clients, existence of bad debt, written off bad debts)

Figure 4.2 showing situations experienced by TelOne in regard to their debtors

Inability to collect from clients in time

Debtors are liquid assets of the entity so should be collected within the end of financial period. This question was asked to determine if debtors are liquid assets of TelOne. The respondents were asked if the company have experienced the inability to collect from clients in time thus determine the liquidity of debtors of TelOne. On this variable an influential and significant portion of 91% is in strongly agree (54,54%) and agree range (36.36%) that TelOne indeed experienced the inability to collect debts from their clients. Nine percent was obtained from the disagree range

Existence of bad debts

The researcher asked about the existence of bad debt in order to assess if TelOne had past failed to recover amounts outstanding in respect of certain receivables. Results from this component shows that from all the 22 respondents only 7 of them strongly agreed to the existence of bad debts which gives rise to 31.81%. A significant portion of 59% existed with 13respondents who agree to the existence of bad debts. Only 2 respondents with influence of 9% were not sure that bad debts existed at the company.

Written off Bad debts

Correct valuation of debtors is done through the writing off of bad debts to avoid over valuing debtors of a company. Employees were asked about bad debts being written off at TelOne and a combined value of 100% was obtained from strongly disagreed (63.64%) and disagreed (36.36%) range. This indicates that with the existence of bad debt and failure to collect debts from customers in time TelOne is failing to write off bad debt.

As indicated in **fig4.2** 54.54% of the respondents indicated that the company experienced the inability to collect from debtors .59% of the respondents agreed that there is existence of bad debt at TelOne however further 63.64% of the respondents strongly disagree that bad debts are written off at TelOne. Failure to collect from clients in time and existence of bad debt without debts being written off lead to the accumulation of TelOne debtors from 2010 to 2014.

4.4 Provision for doubtful debt

Provision for doubtful debt must be done when the recovery is not certain but not impossible (Kothari, 2011).Provision for doubtful debts help for correct valuation of debtors in financial statements of the entity. TelOne is experiencing difficulties in collecting their outstanding debts thus should make a provision for its debtors. TelOne employees were asked if they account for provision for bad debts to their debtors and the following responses were obtained.
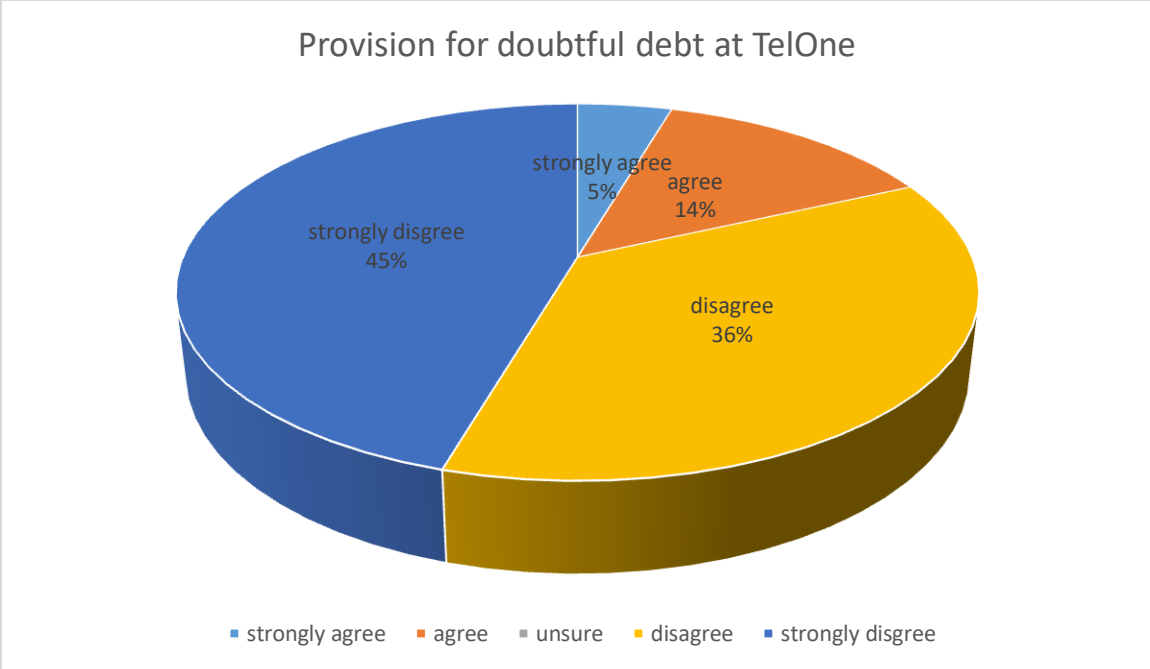
Figure4.3 showing results of provision for doubtful debts done at TelOne

According to the research results obtained from company employees, a portion of 19% strongly agreed (5%) and agreed (14%) that TelOne do a provision of its doubtful debt. However 45% strongly disagreed to this whilst the 36% of respondents also disagree to the existence of provision of bad debts at TelOne.

4.5 Relationship of debtors' impairment and revenue

The aim of this question was to ascertain if impairing of debtors have any relation to the revenue to be realised by the company. Sub questions this main question are how debtors affect and contribute to revenue
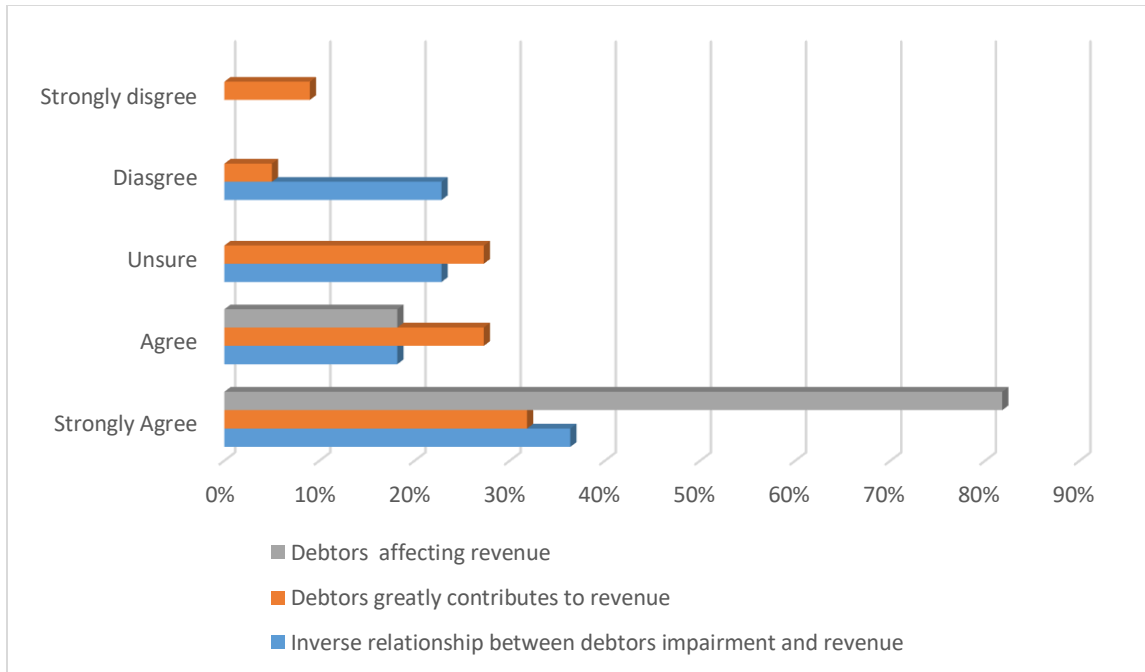
Figure 4.4 showing how TelOne debtors and revenue are related

Debtors affecting revenue

Through this question the researcher sought to know if debtors affect the revenue of TelOne. From the responses obtained it shows that employees strongly agree (81.81%) and agree (18.18%) that debtors have a huge significant contribution towards TelOne revenue. This is however evidenced by the TelOne Published Report (2015) indicating that as a company they are failing to collect amounts from its debtors causing their revenue to decline though they are operating profitably.

Debtors' contribution to revenue

The purpose of this question was establish the significance of debtors in contributing to revenue as they are clients provided with goods and services by TelOne.32% and 27% both strongly agreed and agreed that debtors contribute to the revenue of TelOne .However a range of 36.36% from the respondents disagreed ,this was because TelOne has other sources of revenue.

Relationship between debtors Impairment and revenue

The aim of this research question was to establish the relationship of debtors impairment and revenue .After questionnaires were answered by respondents and analysed by the researcher a range of 77.13% strongly agreed and agreed that they is a relationship between debtors impairment and revenue .Only (5respondents-22.82%) were unsure of this relationship. However the researcher concluded that there is a positive relationship between debtors' impairment and revenue. This is because as TelOne debtors have a significant contribution to revenue so if they are impaired revenue will consequently reduce as well.

4.6 How credit risk affect debtors' impairment

The research sought to establish how liquidity crisis, corruption, reluctant and other factors contribute to credit risk and affect TelOne debtors in making their payments. The fig5.4 shows responses gathered from respondents.
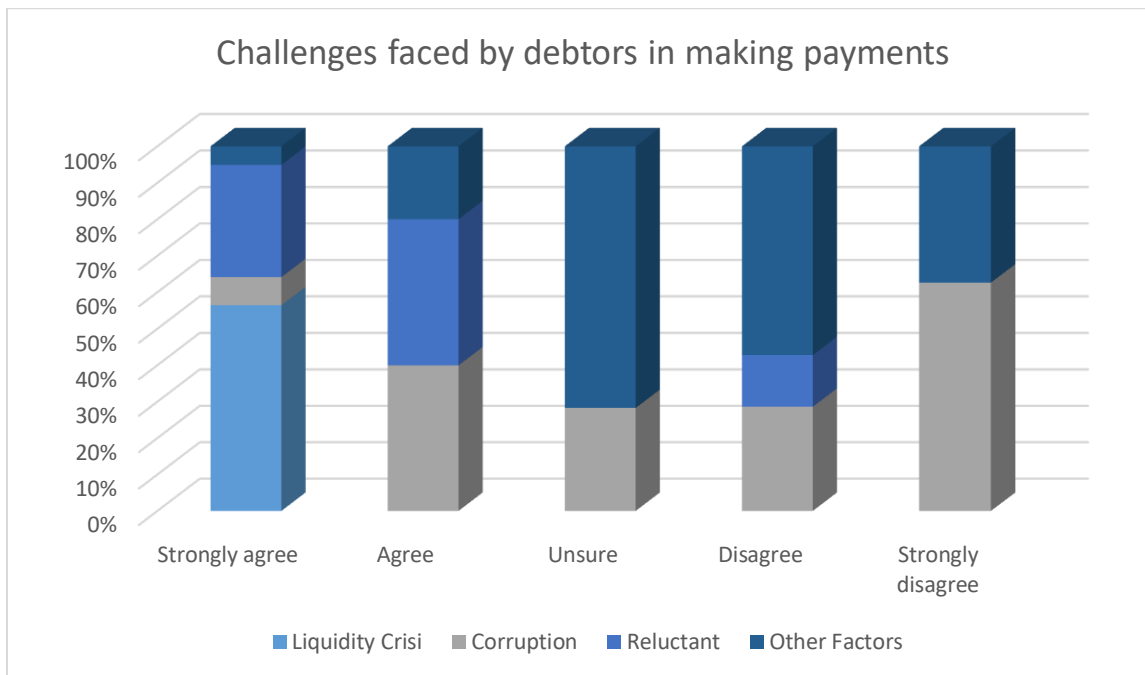

Figure 4.5 showing challenges faced by debtors in making payments increasing credit risk and payment default

Liquidity Crisis

From the responses on Fig4.3 100% of respondents strongly agreed that liquidity crisis has great influence in challenges faced by TelOne debtors in making payments. This is duly caused by the closure of many companies and industries

Corruption

Three participants (13.6%) strongly agreed and 8participants (36.36%) agreed that corruption is contributing to the inability of TelOne customers to make payments .Range of 41% strongly disagreed to the fact that corruption is influencing debtors not to make payments .However only 9% of the respondents is not sure of corruption influencing debtors .After analysing the responses average of TelOne debtors are failing to make payments because of corruption as they might have a state of mind that the bills were inflated and that they are not necessary because there were outstanding for too long.

Reluctant

Reluctant which is the unwillingness of TelOne debtor to make payments has over 90% strongly agree(54.54%) to agree (36.36%) contributing to the reason why debtors are failing to make their payments. Nine percent of the response disagree. Nevertheless due to other modes of communication which are being used debtors are now reluctant to make payments of their outstanding debts at TelOne.

Other Factors

From Fig4.3 a major portion of 49.96% in aggregation strongly disagreed and disagreed to the fact that there are other factors which are challenging debtors to make their payments .Only 9% (Strongly agreed) and (18.2%) agreed that other factors are a challenge to debtors in making payments. However an insignificant percentage of 22.9 was not sure of other factors challenging the debtors. The researcher concluded that other factors like debt being outstanding for too long, change of location and use of other forms of communication influences some debtors in making payments in regard to the outstanding debt

All these challenges analysed above are contributing to the increase of credit risk and default of TelOne debtors. This will however lead to long overdue debts from 2010 to 2014.

4.7 Interview Findings

There was a 100% response rate from the management interviews done at TelOne (Pvt) Limited by the researcher .Findings from the interviews are further discussed by the researcher below.

Concept of Impairment at TelOne

After asking the interviewers about the concept of Impairment at their company they responded that they have done the write off concept once by crediting each outstanding debtor with a certain amount but not completely erase the debt. All interests and penalties are still charged to those outstanding debts.

Debtors of TelOne (Pvt) Limited

Debtors are a liquid asset of most companies and must be recognised if their payments are probable. After the researcher interviewed TelOne management and obtained information from company debtors records.
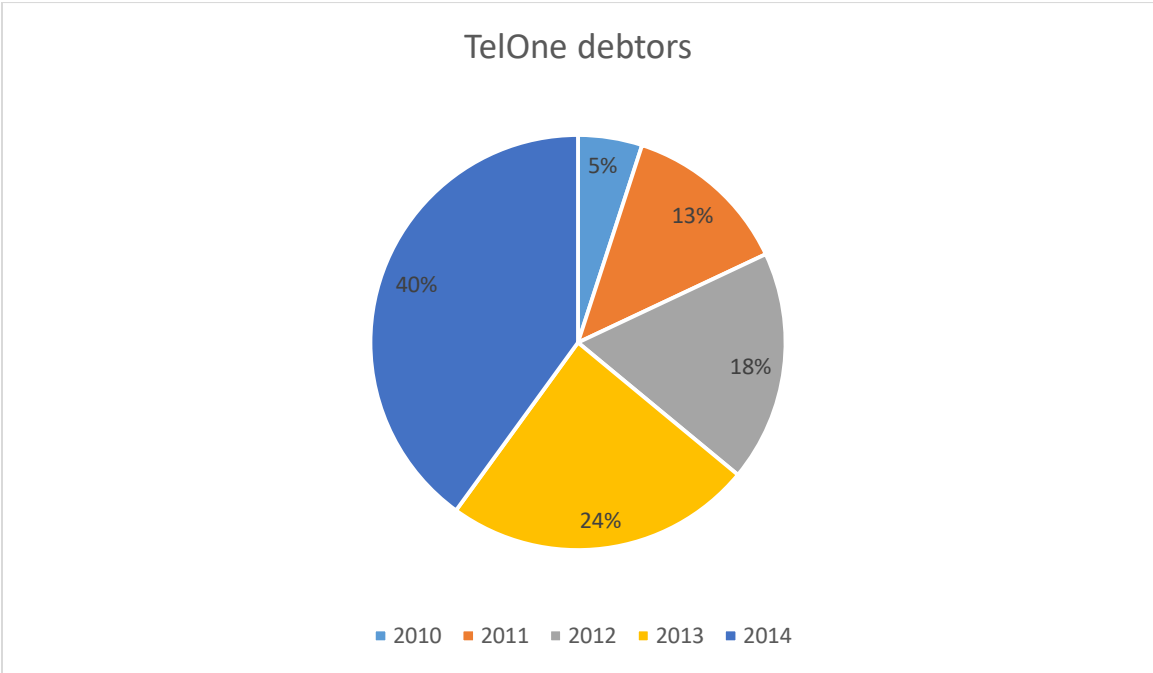

Figure4.6 showing TelOne debtors from 2010 -2014

Fig 4.6.1 above shows that TelOne had 5% of debtors in 2010. These debtors increased to 13% in 2011, 18% in 2012, 24% in 2013 and 40% in 2014.The results shown above is evident that TelOne debtors are accumulating each year. This accumulation is caused by interest charges and penalties. From the interviews the management stipulated that this accumulation of debts without payments is because some landline of these debtors have been cut off long time ago but there is still charge of interest and penalties towards the debtors account.Moreover some debtors are complaining that their land lines have been terminated but they are still receiving the billings of TelOne each month.

How debtors' accumulation affect Operations of TelOne

Respondents responded that this accumulation of debtors prompted the company to introduce special strategies to recover monies from their debtors. TelOne is going to use prepared billing system to avoid increasing the value of debtors as the services will be paid for before being used.

Revenue recognition of the company

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity. Interviewers said the company obtains revenue from Wi-Fi broadband¸satelite and voice services .TelOne recognise its revenue according to the IAS18 as stated by all the management respondents during their interviews.

Credit Risk of the Company

TelOne (Pvt) limited provides goods and services to its customers at post –paid thus it is obliged to the issue of credit risk. One of the respondents' state that the company does not only focus on the level of credit risk but also the effectiveness and efficiency of the business is considered. There is no use of credit or debt data in identifying potential debtors at the point of sale consequently credit risks might be increase.

TelOne have introduced innovative management processes and operating procedures aimed at reducing the level of credit risk of the entity. From TelOne published report (2015) online payments platforms are now in place and there are now providing prepaid services with the target to reduce the credit risk of the company.

Credit Risk and debtors

After all the interviews had been done the researcher concluded that TelOne has high and increasing credit risk from its debtors. This risk is greatly caused by errors in recording addresses of customers therefor many billings are not delivered to the respective owners. Debtors' debts become outstanding for too long due to this risk .Conclusively an increased credit risk gives rise to increase in the impairment of debtors as they will be outstanding for a long period.

4.7 Chapter Summary

This chapter focused on data presentation, analysis, interpretations and discussions. It has discussed the results by interpreting them and outlining the main results of the study. This chapter was instrumental in answering the research objectives and research questions. The next chapter looks at the summary, major findings, recommendations and conclusions of the study.

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CHAPTER 5

SUMMARY, MAJOR FINDINGS, RECOMMENDATIONS and conclusions

5.0 Introduction

This chapter concludes the research. It presents the overall summary of the study. An overview of conclusions pertaining to the research objectives, literature reviewed, research methodology and major findings are also presented in this chapter. This chapter winds up by providing recommendations and suggestions for further study.

5.1 Chapter Summaries

Chapter 1- This chapter highlighted particular effects of multi-currency system has had on debtors of TelOne (Pvt) Limited. The chapter presented on how outstanding debtors of TelOne are accumulating because of interest charges and penalties from 2010 to 2014 whilst the probability of payment is uncertain. The research wants to determine how TelOne should account for outstanding debtors with suspicions of payments and revenue recognition of the interest income.

Chapter 2-This chapter reviewed the available literature on revenue recognition and debtors impairment. It focuses on ways and means on how debtors can be impaired and when to impair debtors as stated by different authors. Research objectives on relationship between debtors impairment and revenue and how the credit risk of TelOne (Pvt) Limited clients can affect the impairment of debtors are also discussed.

Chapter 3-This chapter stipulated on the details of research methodology. The researcher made use of questionnaires and interviews to gather data whilst using purposive sampling. Study population used in the research was TelOne management and employees' .Data collection procedures and sources of data used in this research are also highlighted in this chapter.

Chapter 4- This chapter highlighted on data presentation, analysis and discussion of findings and responses from questionnaires and interviews conducted by the researcher on TelOne management and employees. Finding were in relation to each objective of the study. The primary goal was to investigate on determination of debtors impairment and revenue recognition at TelOne (Pvt) Limited

Chapter 5-This chapter concludes the whole research project. The chapter gives a summary of the whole research from chapter one to five. Major findings from targeted population done through questionnaires and interviews are related to what is said by literature review from different authors. Finally this chapter makes conclusion on whether the objectives of the research have being attained through information gathered and what is stipulated by different authors in literature review.

5.2 Summary of findings

The research findings helped in meeting the set objectives. An investigation revenue recognition and debtors impairment at TelOne (Pvt) limited was done through the use of questionnaires and interviews. It revealed the following results:

➢ According to Krueger (2012) debtors are recognised at fair value and regular checks are done to identify amounts that are unlikely to be recovered so that they can be written off. According to the research findings obtained, respondents from TelOne stipulate that write off, credit and collection policies are not stated. Though many respondents agreed that billings are constructed monthly effecting all interest and penalties charged on delinquent debtors.

➢ From the questionnaires a significant portion of 91% agreed that TelOne experienced the inability to collect debt from its customers. TelOne does not have a process of writing off bad debts though bad debts have existed at the company, only 9% of respondents was not sure of the existence of bad debts.

➢ Respondents agreed that TelOne debtors affect revenue and also contribute to revenue. Revenue is declining as the company is failing to collect outstanding debts. Consequently there is a relationship between debtors' impairment and revenue so TelOne is failing to

do impairment of debtors as revenue will be affected negatively. This is evidenced by TelOne Published report (2015) which states that TelOne is operating profitably whilst experiencing a decline in revenue

➢ The research findings from company employees revealed that challenges like liquidity crisis and reluctant are faced by debtors in making payments increasing the credit risk leading to payment default. As indicated by responses from interviews increase in credit risk also increase the outstanding debts of TelOne debtors.

➢ Finally the results showed that TelOne has not stated policies of write off and collection to their employees thus they are failing to collect outstanding debts. Interest receivable and penalties was charged to delinquents clients without being written off that why TelOne have been experiencing a huge accumulation of debtors from 2010 to 2014.

5.3 Recommendations

➢ TelOne as sole provider of fixed landlines in Zimbabwe provides goods and services on post –paid. TelOne provide service to different kinds of customers so policies which include write off , credit and collection policies must be clearly stated .This is to improve TelOne relations with its customers and avoid any complains. Interest charged on delinquent customers should cease to be accounted for when the probability of payment is uncertain. All debtors should be frequently reviewed in order to identify those debtors who are outstanding for too long, bad and who might need to be impaired

➢ Follow ups and other ways of collecting amount outstanding to the debtor must be done and if it is evident that the amount cannot recovered that debtor must be written off and impared.Number of days can be used to determine impairment that is debt outstanding for more than 150 days is considered impaired.

➢ Debtors' impairment must be exercised by TelOne to avoid overstating of revenue and assets of TelOne. Actual value owed by the debtor which is expected to flow to the entity must be realised after impairment has been effected. This is to avoid overstating revenue and economic benefits which must flow to the entity.

➢ Customer credit inspection must be done at TelOne to avoid providing service to high risk customers. Credit limits must be stated when providing goods and services to clients to avoid providing services to high risk customers. High risk customers will fail to pay

their debts leading to huge accumulation of debts .Effectiveness and efficiency in operation will improve at TelOne when credit risk is low.

➢ Finally TelOne should have policies on how to deal with outstanding debts which have failed to be collected. Interest and penalties should cease to be accounted for in order to have the correct valuation of revenue and debtors at TelOne

5.4 Conclusions

From the aforementioned research findings the following conclusions were made:

Recognition of debtors is linked to that of revenue which is in accordance with IAS18.Both interest income and debtors should be recognised when the amount associated with a transaction can be measured reliably and it must be probable that the economic benefits associated with the transaction will flow to the entity. The costs incurred or to be incurred in respect of the transaction can be measured reliably. Interest income cease to be accrued when the debtor is in default.

As indicated from the research finding TelOne does not impair or write off outstanding debts since 2010 to 2014. However in literature review Tshwete (2011) reviewed that debtors outstanding for more than 150 days must be impaired. This is because the collectability of these receivables is uncertain. However there must be an objective evidence that the company failed to collect the outstanding amounts from the debtors. Conclusively debtors' impairment must be exercised at TelOne to confirm that the debtors disclosed in the financial statements are stated at amounts that are deemed to be collectable.

Objective of the relationship of debtors' impairment and revenue was met as respondents agreed that debtors affect revenue of TelOne and also debtors' impairment will greatly do. This is supported by IFRS News (2010) stating that impairing of accounts receivables should be discounted initial recognition with a consequential reduction in revenue. Amounts of receivables collected after impairment are less than the one expected, impairment loss is treated as an expense in the statement of profit or loss and other comprehensive income. Conclusively if debtors impairment is done to TelOne interest income and revenue would reduce as well.

TelOne was experiencing high credit risk from 210 to 2014 as debtors were facing challenges like liquidity crisis in making their payments as responded from questionnaires done by TelOne employees. This is evidenced by Randstad (2014) in literature review when credit risk was define as the risk which occurs when the debtor fail to settle the obligation towards the entity as agreed. Increase in the credit risk of TelOne customers also lead to the increase in value of outstanding debtors. Debts which are outstanding for a long period must be impaired thus credit risk affect the impairment of debtors positively. Credit risk of customers should be reduced as low as possible through different collection tactics and also controlling the debt. If credit risk increase there will be a high probability of impairing outstanding debts.

5.5   Suggestions for Further Research

The researcher recommends further research to be conducted on challenges faced by other companies with competitors around Zimbabwe in doing debtors' impairment of their outstanding debtors. This was because of the fact that this study focused on a sample of participants in TelOne which is a sole provider of landlines in Zimbabwe and the situation might be different in other companies. A more encompassing study by a research institute would be desirable

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17 September 2015

Dear Sir/ Madam

RE: APPLICATION TO CARRY OUT A RESEARCH AT YOUR ORGANISATION

I am a final year student at Midlands State University studying Bachelor of Commerce Accounting Honours Degree. The final year involves undertaking a study research. My topic is: **Revenue Recognition and Debtors Impairment.**

To make the research a success, l kindly ask you to assist by responding to questions in this questionnaire. This exercise is purely for academic purposes and your views and responses will be treated with utmost confidentiality and will NOT in any way be used independently or in direct reference to you at individual level. If you have any queries please do not hesitate to contact me on *0775 607 898* or e-mail me at nyashamuzite@gmail.com

Your co-operation is highly appreciated.

Yours faithfully

Nyasha Muzite.

APPENDIX 2

Questionnaire for TelOne Zimbabwe Employees

My name is Nyasha Muzite .I am a student at Midlands State University studying BCom Accounting Honors degree. I am carrying out an academic research on: **Investigation on Revenue Recognition and Debtors Impairment of TelOne** .I kindly ask for your participation in completing the following questions. The information gather is primarily for academic purposes, confidentiality clauses are honored.There is no need to provide your name and contact details. If there are any questions you may want to ask me regarding the study feel free to contact me on *0775 607 898.*Your cooperation is greatly appreciated.

Instructions for completion

Tick in the appropriate box provided below

1	2	3	4	5
Strongly Agree	**Agree**	**Unsure**	**Disagree**	**Strongly Disagree**

Operations of TelOne in regard to their debtors

	1	2	3	4	5
Are write offs, credit and collection policies and procedures clearly stated and systematically communicated					
Billings are constructed and properly accounted for each month					
Do procedures exist to ensure that the interest and penalties are charged on delinquent accounts of debtors					
Do you have evaluation mechanism of debtors credit worthiness					

Impairment of debtors: Have your company experience the following situations before?

	1	2	3	4	5
Inability to collect from your clients in time					
Existence of bad debts					
High level of provision for doubtful debts					
Written off bad debts					

What challenges are faced by outstanding debtors in making payments which increases the credit risk?

	1	2	3	4	5
Liquidity crisis in the economy					
Corruption					
Reluctant					
Do you have evaluation mechanism to assess debtors credit worthiness					

Debtors Impairment and Revenue

	1	2	3	4	5
Is there a relationship between debtors and revenue					
Does debtors have much contribution to Telone revenue					
To what extent does debtors payments affect company revenue					

APPENDIX 3

Interview guide for TelOne (Pvt) Limited Management

My name is Nyasha Muzite .I am a student at Midlands State University studying BCom Accounting Honors degree. I am carrying out an academic research on: **Revenue Recognition and Debtors Impairment of TelOne** .I kindly ask for your contribution in completing the following questions.

1) What do you understand by the term Impairment ?

2) What can you say about debtors of TelOne?

3) How does the accumulation of debtors affect operations of TelOne?

4) What is the revenue recognition of the company?

5) Explain the credit risk of TelOne?

6) Is there a link between credit risk and debtors ?If so explain?