Blackmores is Australia's leading natural health company, which produces natural nutritional supplements and uses of herbs as medicines. The company has a range of more than 250 vitamins, minerals, herbal and nutritional supplements. The entity operates in Asia, New Zeland, Australia and has been listed in Australian Securities Exchange [3].
We selected account receivables as a crucial accounting policy because it has a significant impact on company's profit and loss statement through irrecoverable debt expenses, revenue and statement of financial position through the impairment provision of trade receivables.
Loans and receivables are measured at amortised cost using the effective interest method less impairment [1]. According to the Note 13, average collection period of trade receivables is 60 days from the end of the month of the invoice. There is no information regarding the share of provision for trade receivables depending on their aging. The company made provision based on the experience [1].
We performed a SWOT analysis of accounting policy. **Strength:** 1) Blackmores measure account receivables at amortized costs, and this means that company takes into consideration the time value of the money for the long-term receivables, 2) company regularly performs a test on impairment of accounts receivables and do not admit their overstatement. Consequently, accounts receivables disclosed at their fair value, 3) entity uses 60 days collection period which is in line with the average industry figure. **Weakness:** 1) Blackmores had two customers who owned 28% of all receivables. The company is dependent on these customers and in case of their insolvency Blackmores will have cash flow problems and low rates of profitability. It is the best practice to allocate trade receivables not greater than 5% for each customer. **Threats:** 1) company used to assess impairment of receivables based on the experience. Blackmores applies a significant judgment that leads to the potential understatement of the impairment provision for account receivables. **Opportunity:** 1) accounting policy fairly represents the value of receivables and do not mislead users of the financial statements, 2) group manage credit risk thus less risk of counterparty's insolvency.
There are following areas which may require management judgment. First of all, market interest rate for discounting is uncertain and may depend on fluctuations in the economy. Secondly, the company determined the allowance for receivables by reference to past default experience. We can't rely on experience because of the volatility of the markets and a potential sharp decline in profits and cash of our debtors. We shall provide impairment based on the aging of the receivables. For instance, the overdue of debt which is more than 90 days – 100% impairment, 70 days – 50%, etc.
We analyzed the accounting policy for account receivables of Herbalife Ltd. The company operates in health and nutritional products, nutritional supplements. Common points: 1) company also performs ongoing credit evaluations and maintains an allowance for potential credit losses. We have not identified any disclosure regarding account receivables. Thus we can not compare disclosures of both companies. Different points: 1) Herbalife Ltd do not measure account receivables at amortized costs. All receivables of the company are current and there is no necessity to discount them [2].
To sum up, the accounting policy of Blackmores is in complies with international standards of financial reporting. The disclosure of the company contains information regarding the amount of receivables, their aging and impairment provision and fully discloses all necessary information for users of financial statements.

Literature

1. “Blackmores” annual report [online] © 2017. Available at: http://www.annualreports.com/HostedData/AnnualReports/PDF/ASX_BKL_2017.pdf
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