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Accounts Receivable Aging

Lab Insight: To evaluate the collectability of accounts receivable, companies analyze how long the receivables have been outstanding. Why? The longer the receivables go unpaid, the less likely they will ever be collected. Aging receivables helps the company's accountant determine the appropriate bad debts expense to record, and thus, improves the estimate for the allowance for doubtful accounts valuation.

In this lab, we use pivot tables to group accounts receivable into 30-day buckets so accountants can quickly focus on the oldest accounts outstanding.

Required:

1. Age the receivables in six 30-day buckets including 1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-150 days, and 151-180 days.
2. Provide a detailed list of the receivables from the 61-90 day bucket.

Ask the Question: How can we age receivables using Excel pivot tables?

Master the Data:

Open Excel File: Accounts Receivable Aging.xlsx

Note that this data lists 200 receivables that are all past their due date. [Data Dictionary:](#)

Customer: Name of the customer

Invoice Amount: Amount of invoice amount that remains unpaid. The amount of the receivable owed to the company.

Due Date: Date the invoice was due

Part 1:

Perform the Analysis:

The use of pivot tables in Excel allows for an easy way to age the receivables and put them into their appropriate aged buckets.

Step 1:

Create a new column by typing **Days Past Due** in cell D1.

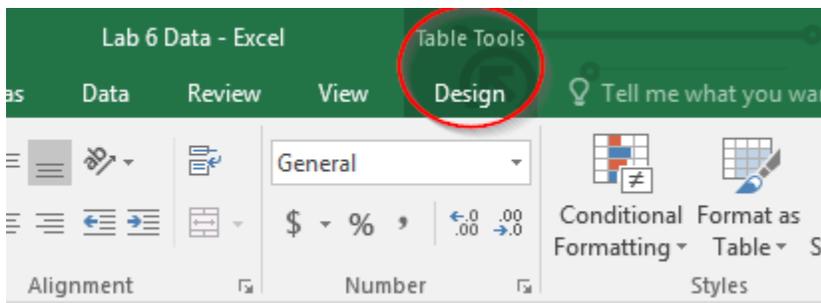
Begin by calculating the days past due by taking today's date (assume today's date is 12/31/2021) and subtracting the invoice due date as follows:

	A	B	C	D	E	F	G
1	Customer	InvoiceAmount	Due Date	Days Past Due		Today's Date	12/31/2021
2	Home Depot	377.6	12/2/2021	=G\$1-C2			
3	Porsche	1259.97	9/28/2021				
4	Burberry	1476.09	8/14/2021				

When entering the equation for “Days past Due”, **select** <F4> (or input with dollar signs so it appears as ‘G\$1’) to make the reference to today’s date an absolute reference. (Note: Column D must be formatted as a number.)

Step 2:

To get started on a pivot table, we go to the Table Tools Design menu: (you must have the cursor inside the table to see the Table Tools)



and **select** “Summarize with Pivot Table.”

	A	B	C	D
1	Customer	InvoiceAmount	Due Date	Days Past Due
2	Home Depot	377.6	12/2/2021	29
3	Porsche	1259.97	9/28/2021	94
4	Burberry	1476.09	8/14/2021	139
5	AT&T	331.8	11/24/2021	37
6	Porsche	1122.46	9/5/2021	117
7	Porsche	838.18	10/3/2021	89
8	Beko	387.23	9/6/2021	116

Select "Table1" for the Table/Range and select "OK".

Step 3:

We are trying to sort and summarize the accounts receivable by the number of days past due. To do so, Drag [Days Past Due] from **FIELD NAME** into the **Rows**, and [Invoice Amount] into Σ Values fields in the pivot table. The Σ Values may default to either sum or count of Invoice Amount". Use Value Field Settings to change summarization to sum.

Columns:

Rows: [Days Past Due]

Σ Values: [Invoice Amount]

Inputs into Pivot Table

Name the new sheet, Aging of AR. The pivot table fields should look this way:

The screenshot displays an Excel spreadsheet with a PivotTable and the PivotTable Fields task pane. The PivotTable is structured as follows:

Row Labels	Sum of InvoiceAmount
9	1447.32
11	1442.24
13	1037.44
15	2643.29
16	1058.65
17	2440.39
18	1855.97
19	2427.88
20	1162.88
23	2217.92
25	1958.82
28	1504.32
29	2761.32
31	308.63
32	2183.01
33	1461.73
34	3537.92
35	696.98
36	1117.61
37	648.85
38	336.31
39	1753.35
40	1062.48

The PivotTable Fields task pane on the right shows the following configuration:

- Choose fields to add to report:
 - Customer
 - InvoiceAmount
 - Due Date
 - Days Past Due
- MORE TABLES...
- Drag fields between areas below:
 - FILTERS:** (Empty)
 - COLUMNS:** (Empty)
 - ROWS:** Days Past Due
 - VALUES:** Sum of Invoic...
- Defer Layout Update
- UPDATE

Step 4:

To put the sum of the invoices into Accounts Receivable buckets, including 1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-150 days, and 151-180 days, **right-click** on any row of the row labels inside the pivot table and **select** Group and **specify** starting at 1, ending at 180, by groups of 30 as follows.

The screenshot shows an Excel spreadsheet with a 'Grouping' dialog box open. The spreadsheet data is as follows:

Row	Invoice Amount	Sum of Invoice Amount
4	9	1,447.32
5	11	1,442.24
6	13	1,037.44
7	15	2,643.29
8	16	1,058.65

The 'Grouping' dialog box is open with the following settings:

- Auto: Starting at: 1
- Auto: Ending at: 180
- By: 30

Buttons: OK, Cancel

The screenshot shows an Excel spreadsheet with a PivotTable. The PivotTable data is as follows:

Row Labels	Sum of Invoice Amount
1-30	23,958.44
31-60	35,641.82
61-90	37,723.45
91-120	27,312.04
121-150	34,499.08
151-180	10,009.51
Grand Total	169,144.34

The 'PivotTable Fields' task pane is open on the right with the following configuration:

- Choose fields to add to report: InvoiceAmount (checked), Customer, Due Date
- Drag fields between areas below:
 - FILTERS: (empty)
 - COLUMNS: (empty)
 - ROWS: Days Past ...
 - VALUES: Sum of Inv...
- Defer Layout Update: UPDATE

Step 5:

Next, format the pivot table.

Double click the “Row Labels” title and **Replace** “Row Labels” with “Days Late”. Also **Replace** “Sum of Invoice Amount” by **double clicking** on that Cell and **inserting** “Total Amount Due”.

Optional step: You could also format the numbers as Currency by highlighting the numbers, and **right clicking** and **selecting** “Number Format,” “Currency” with 2 decimal places, so it looks like this:

Days Late	Total Amount Due
1-30	\$23,958.44
31-60	\$35,641.82
61-90	\$37,723.45
91-120	\$27,312.04
121-150	\$34,499.08
151-180	\$10,009.51
Grand Total	\$169,144.34

Step 5:

To see exactly which invoices are due in the 61-90 day time period, **double-click** on the \$37,723.45 total amount due in the pivot table. The detailed listing of the individual invoices that are 61-90 days late will open in a new sheet, which you should name “61-90 day detail”.

Customer	InvoiceAmount	Due Date	Days Past Due
Pizza Hut	1036.24	10/21/21	71
eBay	652.11	10/19/21	73
Mercedes-ben	912.97	10/19/21	73
Siemens AG	847.28	10/9/21	83
Nissan Motor	700.7	10/25/21	67
Porsche	838.18	10/3/21	89
L'Oreal	528.29	10/19/21	73
Jack Daniel's	1365.88	10/20/21	72
United Parcel	685.1	10/31/21	61
Microsoft	631.99	10/3/21	89
Kellogg Comp.	1444.58	10/6/21	86
Intel Corporat	349.12	10/24/21	68
Avon	1282.1	10/13/21	79
KFC	412.91	10/12/21	80
Coca-Cola	259.61	10/8/21	84
Citigroup	994.35	10/30/21	62
Xerox	230.98	10/16/21	76
Starbucks	419.86	10/8/21	84
Xerox	1096.4	10/23/21	69
Citigroup	740.98	10/29/21	63
United Parcel	1135.33	10/26/21	66
BMW	592.69	10/18/21	74
Burberry	949	10/25/21	67
KFC	1093.72	10/8/21	84
Porsche	684.5	10/22/21	70
Shell Oil Comp	1101.52	10/23/21	69
Intel Corporat	546.41	10/20/21	72
Canon	411.27	10/23/21	69
PepsiCo	1234.88	10/5/21	87
Mercedes-ben	707.28	10/3/21	89
Avon	717.65	10/12/21	80
IBM	710.44	10/16/21	76
VISA	723.94	10/10/21	82
Kellogg Comp.	868.49	10/20/21	72
SAP	824.93	10/16/21	76
The Walt Disn	1020.57	10/9/21	83
Credit Suisse	731.9	10/4/21	88
Toyota Motor	1264.21	10/6/21	86
Beko	262.04	10/10/21	82
Corona	1054.12	10/24/21	68
Nintendo	1139.62	10/12/21	80
MasterCard	810.28	10/20/21	72
Microsoft	325.08	10/29/21	63
Smirnoff	1011.41	10/30/21	62
Jack Daniel's	1117.75	10/5/21	87
Oracle Corpor	406.57	10/3/21	89
Amazon.com	848.22	10/10/21	82

Share the Story:

Now that you have aged the receivables, the company is better able to estimate their allowance for doubtful accounts (the contra receivable accounts that reduces gross accounts receivable into net accounts receivable). As a rule, as accounts receivable age, they are less likely to be collected.