Supreme Vacuum uses television advertising blitzes to generate consumer interest in its highly-touted floor cleaners. Customers are directed to a website for more information. Once on the website, customers are constantly confronted with a "video game" where they can use icon-like vacuums to suck up coupons that float on and off their browser windows. At check out, customers are able to clean the contents of their imaginary vacuum and select one of the coupons to apply against their purchase.

The best coupon is a no-money-down, four equal monthly payments coupon. "Magically", every customer will find at least one of these coupons. Virtually all customers will use this coupon in making their final purchases. As a result, Supreme carries a substantial balance in accounts receivable. It is imperative that Supreme manage credit risk, and careful attention is paid to the "accounts receivable turnover ratio" and the "days outstanding."

During 20X5, net credit sales were $6,000,000. The sales were evenly spread throughout the year.

The beginning-of-year net realizable value of accounts receivable was $2,150,000 and the end-of-year balance was $2,650,000.

(a) Calculate the "accounts receivable turnover ratio" and the "days outstanding."

(b) Evaluate the information from part (a), and determine if Supreme's customer base is in compliance with the four equal monthly payments agreement.

(c) In addition to the facts above, suppose Supreme ran a major holiday sales campaign in December of 20X5. This campaign promised no payments until 20X6! This campaign generated an additional $3,000,000 in credit sales (and resulted in an end-of-year receivable balance of $5,650,000). Can Supreme record these sales under generally accepted accounting principles, and what is the impact on the ratios (compared to the values you computed in part (a))?