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# Accounting for Bad Debt [1]

# In Brief

- Organizational units that can't collect debts from students and other customers need to understand how to request a write-off of those debts.
- A write-off removes the accounts receivable from accounting records and ensures that the appropriate record is made in the Finance System.

# Quick Look

# Procedural Statement - *effective date: 3/1/2018*

## Introduction/Definitions

Organizational units that provide goods and services to individuals and companies know that sometimes, customers don't pay what they owe. When that happens, departments can request approval for write-off. Required documentation includes: the dollar amount, the debtor, and the reason the debt is believed to be not collectable. Approval requirements for write-off depend on the dollar amount of the account.

## Accounts Receivable less than or equal to $20,000

Accounts receivable less than or equal to $20,000 (per company or per student) may be written off when:

1. Such accounts have been determined by Central Collections Services or other debt collection service, either internal or external, in use at the time, to be not collectible; and,
2. The campus controller, or his/her delegate, has approved the write-off.

The campus request for such approval shall include:

- The total number of the accounts to be written off; and,
- The total dollar amount of such accounts.

The campus controller/delegate will maintain a detailed listing of each account and dollar amount for audit purposes.

## Accounts Receivable greater than $20,000

Accounts receivable greater than $20,000 (per company or per student) shall only be written off when:

1. Such accounts have been determined by Central Collections Services or other debt collection service, either internal or external, in use at the time, to be not collectible;
2. The campus controller (or delegate) has approved the write-off; and,
3. The Associate Vice President & University Controller (or delegate) has further approved the write-off.

The campus request for such approval shall include:

- The number of accounts to be written off;
- For each of these accounts: the dollar amount, the debtor, and a brief explanation of why the campus believes it is not collectible; and,
- A written opinion by the campus controller, or his/her authorized delegate, that the accounts are not collectible.

Upon approval by the Associate Vice President & University Controller, the campus will notify the appropriate debt collection service, in writing, of the total amount and number of the accounts to be written off under this procedure.

The campus will maintain a detailed listing of each account and dollar amount for audit purposes.

## Revision Log

Accounting Handbook Accounting for Bad Debt procedures published dated 3/1/18.

## Questions?

Questions about these procedures should be directed to the appropriate campus controller [2], who will consult with the Associate Vice President & University Controller, as appropriate.

### Exceptions

Unless approved by the Associate Vice President & University Controller, there are no exceptions to this procedural statement. Requests for exceptions must be submitted through the appropriate campus controller's office [2].

# Questions & Feedback

For questions or feedback contact

**Groups audience:**
Controller
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