



Accounts Receivable Write Off

Category: Operations
Number:
Audience: All University Personnel
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Owner: Senior Financial Officer
Approved by: Board of Governors
Contact: Senior Financial Officer (ext 2405)

Introduction

In the course of conducting business, the University creates accounts receivable from various parties including students, suppliers, bands and the general public. Occasionally, the University has difficulty collecting these accounts receivable and, after exhausting all reasonable methods of obtaining payment including the use of collection agencies and legal proceedings, must write off these balances.

Definitions

“Allowance for doubtful accounts” - a provision made by the University to reflect outstanding accounts which the University believes may never be paid thus reducing the balance of accounts receivable reported in the University’s financial statements;

“Bad debt” - any accounts receivable balance outstanding for more than one year;

Policy

Any balance owing to the University and outstanding for more than one year will be treated as a bad debt and will be provided for in the allowance for doubtful accounts. If the account remains unpaid for a further year it will be written off entirely subject to the following authorization limits:

1. < \$25,000 - on approval of the Senior Financial Officer;
2. < \$50,000 - on approval of the Vice President, Finance & Administration;
3. > \$50,000 - on approval of the Board of Governors

Consequences for Noncompliance

Failure to write off uncollectible amounts would result in meaningless accounts receivable balances remaining in the financial records thereby overstating the University's financial strength. This would ultimately lead to a citation or even disclaimer from the University's auditors if the cumulative balance was material on the basis that the financial statements did not present fairly the financial position of the University.

Processes

The Senior Financial Officer will prepare the following documents annually:

1. For the Vice President, Finance & Administration - as an information item, all accounts receivable for \$25,000 or less written off in the year;
2. For the Board of Governors - as an information item, all accounts receivable between \$25,000 and \$50,000 that have been written off in the year: and
3. For the Board of Governors - as a request for approval and permission, a listing of all accounts receivable over \$50,000 that is being recommended for write-off with appropriate justification.