

Bad Debt

Accounts receivable recorded in a prior fiscal year for sales and services rendered are considered to be bad debt at June 30 of the current fiscal year. This does not include money owed between departments. Transactions between departments should have been paid for immediately with an On-Campus Expenditure entry (JOCE) or by using an On-Campus Credit Card number (OCC) at the time of service.

In order for the annual financial report to be accurate, the standard practice at Utah State University is to write off bad debt at the end of every fiscal year. All accounts receivables are considered to be bad debt when the balance outstanding is more than one year old. The reason for the write off is to remove the accounts receivable from the general ledger.** The Controller's Office will contact each department in June to request a detailed list of all bad debt.

A bad debt template will be given to each department to complete by itemizing bad debt by transaction. Do not lump one customer's invoices together as one total, instead, each invoice should be listed separately. The list of bad debt transactions needs to be returned to the Controller's Office within a week of receiving the request.

The Controller's Office accountant will review the lists of bad debt and compare them to last fiscal year's list of accounts receivable. Only items that were recorded as accounts receivable in the prior year can be written off. If the list contains items that were never recorded as accounts receivable, then there is no bad debt to be recorded.

***The department should continue to pursue collections on any amounts owing even after the bad debt has been written off the general ledger.*

Example for reference:

A customer purchased ad space in The Statesman newspaper in January of 2019. There is an amount owing at June 30, 2019, which would have been recorded in Banner as accounts receivable on June 30, 2019. The entry to record the accounts receivable would have been:

Debit Accts Receivable	(123xxx)
Credit Revenue	(5xxxxx)

If the balance is still owing at June 30, 2020, the accounts receivable is now considered bad debt and needs to be written off the general ledger. The entry to record the bad debt write off would be:

Debit Bad Debt Expense	(7xxxxx)
Credit Accts Receivable	(123xxx)

If the customer had made a partial payment during FY20, then the write off amount would only be the remaining balance owing.

****See the Accounts Receivable information sheet for further explanation about accounts receivables.*