

DOUBTFUL DEBTS AND BAD DEBTS PROCEDURES

Issued by: Chief Financial Officer

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Last amended: 11 January 2023

Signature:

Name: Paul Masala

1 Purpose and application

[1] These procedures apply to:

- (a) the process by which The Coaching School identifies, calculates, and reports on provisions for doubtful debts and writes off bad debts
- (b) staff involved in calculating and reporting the provision for doubtful debts.

2 Commencement

These procedures commence on 11 January 2022.

3 Interpretation

Bad debt	a debt that is uncollectable after all reasonable collection efforts have been made
Debtor	accounts receivable customer listed in the system's trade debtor's subsidiary ledger who has a balance recorded in the systems general ledger at regular intervals through the year
Doubtful debt	means a debt to which the probability of recovery is uncertain
Provision for doubtful debts	means a provision established to provide for debts that have a high risk of being unpaid
Terms of credit	The Coaching School 's standard debtor payment terms are 30 from the invoice date

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4 Types of provisions

- (1) The Coaching School applies Accounting Standard *AASB 9 Financial Instruments*, which specifies the impairment requirements to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition, whether assessed on an individual or collective basis, considering all reasonable and supportive information. The credit risk is forward-looking and no longer requires a credit event to have occurred before credit losses are recognised.
- (2) There are two areas of impairment provisions under AASB 9:
 - (a) an entity does not wait until the receivable is past due before a provision is raised
 - (b) the amount of credit loss recognised is based on forward-looking estimates that reflect current and forecast credit conditions.

5 Doubtful Debts

(1) Overview

- (a) Annually at the end of June, the Financial Control (FC) will generate an aged debt analysis report for trade debtors exceeding the payment due date by 90 days or more. This report provides the basis for calculating the provision for doubtful debts.

(2) Calculating provisions for doubtful debts

- (a) A “doubtful debt” shall be deemed to be a debt owing to The Coaching School for at least one year, and, despite legal or other actions taken, no payments have been made to The Coaching School in that period. Where the FC has reasonable doubt that the monies wholly or in part will be collected, then the FC shall report such monies owing as a “doubtful debt”.
- (b) For the purposes of determining the value of “doubtful debts” for inclusion in the Annual Accounts of The Coaching School, the practice of calculating 5% of the total of all debtors of The Coaching School shall continue.

6 Trade debtor statements

Billing will distribute trade debtor statements to each customer monthly.

7 Debt recovery

Billing is responsible for monitoring the aged debtor report.

- (a) Invoices that are unpaid for more than 30 days from the due date must be reviewed and emails sent to the customers seeking payment.
 - (i) Emails should generally be issued to customers weekly.
- (b) Invoices that remain unpaid for more than 180 days must be reviewed by Billing and referred to the relevant finance manager to:
 - (i) arrange to write off the debt; or

THE COACHING SCHOOL PTY LTD

- (ii) refer the outstanding debt to a debt collection agency for debts more than \$1,000.

Billing is responsible for processing the debt write-off or referral to a debt collection agency.

8 Bad Debts

A debt should be “written off” when all the below conditions are met:

- (a) the debt is more than two years old
- (b) no payments have been received in those two years
- (c) legal and other collection action has been exhausted
- (d) in the view of the relevant finance manager, there are no reasonable prospects monies owing will be collected.

Write-offs must be approved by the FC.

- (a) If a debt is written off, a debit must be made to the bad debts provision account and a credit to trade debtor in the general ledger.
- (b) If a debt collection agency is retained, its charges must be debited to Debt recovery expense in the general ledger cost centre

AMENDMENT HISTORY

Provision	Amendment	Commencing
4	Amendments following the accounting standard change to AASB 9 from AASB 139	1 January 2019
Various	Administrative amendments	1 July 2021