

# University of Missouri System

## Accounting Policies and Procedures



**Policy Number:** APM-10.05.01

**Policy Name:** Allowance and Write-off of Miscellaneous Accounts Receivable

---

### General Policy and Procedure Overview:

Generally Accepted Accounting Principles (GAAP) requires a reasonable estimate of receivable amounts that will not be collected, and to periodically evaluate and write-off any receivables determined to be uncollectible. This policy provides guidance for calculating and accounting for the uncollectible portion of auxiliary and service operation miscellaneous accounts receivables, the write-off of uncollectible balances, and the subsequent collection of these balances.

### Definition of Key Terms:

Miscellaneous Accounts Receivable: Amounts due to service operations and auxiliaries for services provided. These operations include Bookstores, Housing, Dental Clinic, Research Reactor, Television Station, Research Animal Diagnostic Investigative Lab, Assessment Resource Center, Vet Med Teaching Hospital, and Hospital (non-patient accounts receivable), 3<sup>rd</sup> party tuition payments, overseas travel advances, and other miscellaneous items.

Aging Report: A list of accounts receivable categorized by date ranges from the time the customer incurs the account balance. Categories commonly used are for outstanding balances : over 30, 60, 90, 120, and 180 days. For purposes of calculating the allowance for receivables, this aging is determined by the date the revenue was due.

Allowance for Doubtful Accounts: A reasonable estimate based on historical collections or other rationale used to record an estimate of the amount of miscellaneous accounts receivable that will become uncollectible. This amount is reflected as a contra-asset on the Statement of Net Assets.

Write-off of Uncollectible Miscellaneous Accounts Receivable Balances: After a thorough collection process by the University, it may be determined that an existing miscellaneous accounts receivable balance will not be paid in a reasonable time. The balance is removed as an asset from the financial statements.

### Detail Policy and Procedure:

The process of calculating the estimate for uncollectible balances requires a rational estimate in accordance with GAAP. The estimate is based on the aging of receivables and experience with the customer base. Receivable categories with balances less than \$5,000 are considered immaterial and not subject to this process.

A receivables aging report provides an indication of the probability of collecting an outstanding balance. Based on historical collections experience for each aging category (for example over 30 days), a conservative estimate should be made of the uncollectible amounts within each category. The estimate of the total amount expected to be uncollectible should be reviewed and adjusted on a timely basis

Other criteria that have substantial influence on the collectability of receivables can be used to estimate the allowance. These variables will differ depending on the type of services provided by an auxiliary or service operation.

The estimate of uncollectible balances is recorded as an expense with the offset being to allowance for bad debts. As individual accounts are found to be uncollectible, the account receivable is credited with the offset to the allowance for bad debts. This entry must be prepared by an individual other than the person who is responsible for daily collection efforts and reviewed and approved by management. This process supports adequate segregation of duties.

Subsequent recovery of a previously charged off account is to re-establish the receivable, debiting the receivable, and crediting or increasing the allowance for bad debts.

## **Responsibility:**

### Individual Unit:

- Monitor aging of miscellaneous accounts receivables
- Write-off miscellaneous accounts receivables when necessary.
- Reverse write-offs for amounts subsequently collected
- Operations not using the University-wide Accounts Receivable and Billing system supply Campus Accounting Office with documentation of calculation of allowance for uncollectible accounts.

### Campus Accounting Office:

- Review documentation of year-end calculation of allowance for uncollectible accounts for operations that utilize accounts receivable/billing systems other than the University-wide Accounts Receivable and Billing system for reasonableness.

*Effective Date: July 1, 2007*

*Revised Date: June 6, 2011*

## **Questions and Comments?**

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.