

ACCOUNTING PRACTICE FOR REFLECTION OF DOUBTFUL ACCOUNTS

I. Policy

After making reasonable collection efforts, the University of Arkansas may write off for current accounting purposes and remove from its books of account, in whatever form maintained, any debt due to the University of Arkansas deemed doubtful of collection. The President of the University shall make the determination that any amounts to be treated are in fact doubtful as to ultimate collectability, or under written authorization designate other University officials responsible to the President to make such determinations.

II. General Procedures

Accounts receivable should be reported in the balance sheet at realizable cash value, i.e., gross claims less estimated doubtful accounts. Potential losses from bad debts should be recognized by adjustment of balance sheet assets. A contra account should be established to reflect adjustments for doubtful accounts.

While an allowance for doubtful accounts provides for a more realistic display of assets on the balance sheet, final decisions must be made on an individual basis. Procedures adopted for reporting doubtful accounts receivable for accounting purposes must be consistent as to the rules followed and be applied on a regular basis. Methods may be the same for all types of receivables, but exceptions as to methods may be required where unusual conditions are involved. Such reflection of doubtful accounts must not obscure or jeopardize the possibility of ultimate collection. When an account is thus reported as doubtful of collection, it should not be regarded as canceled, but should be retained in an inactive status (file) even though it is no longer a matter of general record. Collection efforts should be continued if and/or when any possibilities exist for payment.

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