
INSTRUCTIONS FOR RECORDING YEAR-END ACCOUNTS RECEIVABLE

1. A detail of your accounts receivable (including student fees) that identifies the names of the accounts and the amounts owed must be submitted at year-end. The accounts receivable from University departmental accounts (transfer vouchers) must be submitted separately.
2. If your department has a University control account for accounts receivable, the detail submitted should be reconciled to the University control account. A copy of your June 29 reconciliation must accompany the accounts receivable detail.
3. For all returned check accounts, an itemized listing of names and amounts for all returned checks on hand must also be submitted. This listing should be reconciled to the amount on your returned check control account. The returned check account should be reviewed at this time for possible write-offs in accordance with University fiscal policy (FI0305).
4. An aging of accounts receivable must accompany the detail of accounts receivable. This will be used to analyze the accounts' collectibility. The aged accounts should be aggregated by the following categories unless alternate categories have been computerized or have been approved by Audit and Consulting Services (see Number 5, below):

0-30 days old	91-180 days old
31-60 days old	181-360 days old
61-90 days old	Over 12 months old
5. Unpaid extensions for student fees should be aged by the semester.
6. Credit balances in student fees must be removed from accounts receivable and recorded on the Treasurer's Office records as accounts payable. For this reason, credit balances in student fees should be itemized on a separate listing.
7. Except for returned check accounts with balances under \$5,000, an estimated amount of uncollectible accounts should be submitted for all accounts receivable recorded on the Treasurer's Office records. (Please include the revenue accounts to be charged.) All accounts receivable that did not have an established allowance for doubtful accounts on the Treasurer's Office records for the previous fiscal year will be evaluated by the Office of Budget and Finance. If the aging of accounts receivable indicated a substantial amount of old accounts, an allowance for doubtful accounts will be established in the Treasurer's Office records and recorded as a reduction to revenue.

Using an allowance for doubtful accounts results in a better matching of the bad debt expense to the related revenues. It also reports accounts receivable at a more conservative amount for balance sheet presentation.

Instructions for Recording Year-End Accounts Receivable Cont...

7. (Continued)

There are several different methods for estimating the amount of expense to be recorded and the amount to be included in the allowance for doubtful accounts. Three acceptable methods are as follows:

- a. When an aging of accounts receivable is prepared, the individual account balances are categorized according to the length of time they have been outstanding (see Numbers 4 and 5). The department estimates that probability of accounts not being collected for each category based upon past experience. The estimated loss in each category is totaled to determine the total amount of estimated uncollectible accounts. For example, accounts 30 days old have a high probability of being collected. Therefore, perhaps one-half of one percent to one percent of the 0-30-day accounts will prove to be uncollectible. Conversely, accounts six months and older have a low probability of being collected. Therefore, perhaps 50-75 percent of those accounts are uncollectible. Each department reporting accounts receivable will have to determine the uncollectible percentages related to their particular operations.
- b. Another method of estimating the allowances for doubtful accounts is the percentage of accounts receivable method. This method estimates the balance of the allowance for doubtful accounts based upon a percentage of the total ending accounts receivable balance. This estimate is also based upon past experience.

- c. The last method for estimating the allowances for doubtful accounts is the percentage of sales method. The method assumes that a certain percentage (based upon past experience) of credit sales for the fiscal year will prove to be uncollectible. When this method is used, the department is estimating the amount of bad debt expense (revenue adjustment) rather than the allowance amount as in the previous two methods.

Once each department has aged its accounts receivable and determined the appropriate allowance for doubtful accounts, the Office of Budget and Finance will review the aging. The total balance to be recorded in the allowance for doubtful accounts at year-end should be reviewed and approved by the appropriate individual. If this is the first year to record the allowance, the total amount determined to be doubtful will be charged against the appropriate revenue. (Please indicate the revenue account to be charged.) If an allowance was established in previous years, only the difference between the allowance for doubtful accounts balance and the amount determined at year-end to be doubtful will be charged against revenues. (If the percentage of sales method is used to determine the bad debt expense, the entire amount will be charged against revenues each year.)

8. Holds on student records must remain for all unpaid student accounts even after they have been written off as uncollectible.