

FINANCE

Accounts Receivable F008

POLICY

The appropriate and consistent collection and valuation of aged and delinquent accounts receivable.

PURPOSE

This policy is to establish ongoing maintenance standards for the management of the Southeast College (SC) Accounts Receivable and to ensure the treatment there of is consistent with the standards contained in the CPA Canada Public Sector Accounting (PSA) Handbook.

SCOPE

Accounts receivable

STANDARDS

Allowances for doubtful accounts will be established after they are six months old. Accounts receivable will be written off after all other means of collection have been attempted, to recognize the reduced or zero value of the accounts receivable asset.

GUIDELINES

Write offs are to occur only after all other means of collection have been attempted.

The Board shall be advised by the CEO prior to initiating court action on large debts when normal collection attempts have failed.

Once an account (receivable) has been with a collection agency for a period of 3 months and/or two years old, it should be written off, unless some progress is being made on the account.

Write offs of uncollectable accounts:

- Up to \$1,000 can be written off by the VP of Corporate Services upon consultation with the Chief Executive Officer and
- amounts over \$1,000 must be referred to the Board for approval.

Finance maintains an annual listing of accounts written off and provides the CEO and Board with an annual report of same.

PROCEDURE

Trade Accounts Receivable/Collection

Accounts Receivable subledger shall be reconciled to the General Ledger monthly.

The Aged Accounts Receivables report will be reviewed on a monthly basis to determine which accounts are in arrears:

- Current – no action taken
- 30 – 60 – mail copy of invoice
- 60 - 90 – 1st letter requesting payment
- 90 - 120 – 2nd letter requesting payment
- > 120 days – Final request for payment and indication of collection action if not paid within 30 days

Letters requesting payment:

- Campus Managers will send the first two payment request letters
- If no response has been received on the first two letters, the VP of Corporate Services will send out the final demand letter.
 - For balances which are not paid in response to “Request for Payment Letters” the VP of Corporate Services at his/her, discretion may secure the service of a collection agency.
- Accounts may be placed on hold at VP’s discretion based on risk assessment.

QUESTIONS

Vice President of Corporate Services

RESPONSIBILITIES

Vice President of Corporate Services and CEO

DEFINITIONS

Arrears: means accounts receivable which remains uncollected past the due date.

Allowance for Doubtful Accounts: is a contra-asset account that records the portion of accounts receivable which are deemed uncollectible. Allowances for Doubtful Accounts are recorded after six months and are deducted from accounts receivable on the Statement of Financial Position to arrive at net receivables.

Write-off: means to eliminate the recorded amount of an accounts receivable asset for reasons of non-payment.

REFERENCES

Executive Expectations G30
Revenue Recognition F007
Public Sector Accounting Board Standards