



Title: Bad Debt and AR Write-off Policy

Effective Date: 6/1/2023

Last Revision Date:

Cancellation:

Department/Office: Business Affairs

Bad Debt and AR Write-off Policy

PURPOSE

Louisiana Community and Technical Colleges (LCTCS) Policy #5.009 titled “Allowance/Write-Off Policy” requires each of its colleges to establish an allowance for bad-debt and write-off policy. In addition, the policy requires notification to the LCTCS President of any single account to be written-off that is greater than \$5,000.

LCTCS Policy #5.008 titled “Accounts Receivable” requires that students, individuals or entities whose obligations were previously written-off by the College to repay their debt before conducting any further business with the College to whom the debt is owed.

Generally Accepted Accounting Procedures (GAAP) require that revenues generated, and expenses incurred in generating those revenues should be reported in the same reporting year. This is identified as the matching principle. In accordance with this principle, the College will use the allowance method for recording uncollectible receivables. The direct method will only be used in extenuating circumstances.

SCOPE

Nunez Community College will utilize the allowance method to record the College’s estimated uncollectible receivable. Annually, Nunez’s Business Affairs staff will analyze their accounts receivable to determine which accounts are uncollectible. If an account is still outstanding at 2 years, a request to write-off the account is submitted to the Vice Chancellor of Finance and Operation.



Policy & Procedure No. 5.035
Nunez Community College

POLICY

The allowance method will be the primary method used for write-offs. After an account receivable balance is older than two years, it will be written off and classified as “uncollectible”. Write-offs are always recorded to related reserve for doubtful accounts and not as a reduction of revenue.

The direct write-off method will be only be used in extenuating circumstances. Extenuating circumstances have been defined as (1) accounts of deceased students or (2) students’ balances that have been discharged through bankruptcy. Since the direct method does not conform to the matching principle of GAAP, the direct write-off method should only be used for uncollectible amounts that are immaterial and outside of allowance method procedures.

The balance in allowance for doubtful accounts must be calculated annually. The amount recorded as the reserve for doubtful accounts should be documented.

An accounts receivable balance may be canceled or adjusted rather than written-off when (1) the College is not entitled to collect the funds and was never entitled to collect the funds or (2) the debtor qualifies for a waiver or refund. An accounts receivable will not be canceled to avoid the write-off procedures.

An accounts receivable amount is determined to be uncollectible when it meets one of the following criteria:

- i. All reasonable collection efforts have been exhausted.
- ii. The cost of further collection action will exceed the amount recovered.
- iii. The debt was discharged in bankruptcy.
- iv. The statue of limitations for collection of the debt has been expired.

A debt marked as “uncollectible” will not cancel the legal obligation of the debtor. The College will continue collection efforts in all cases with exception to deceased students and bankruptcy.



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	Executive Cabinet	08/09/2023		
	Chancellor	08/09/2023		

*Policy Reference: LCTCS 5.008 Accounts Receivable
LCTCS 5.009 Allowance/Write-Off*

Forms Referenced: N/A

Distribution: Distributed Electronically via College's Internet

Chancellor's Signature/Approval

Signature: 
CHANCELLOR

Date: 8/09/2023