

# DOUBTFUL DEBTS AND BAD DEBTS PROCEDURES 2024

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Last amended:  
Signature:  
Name: Wayne Andrews

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## 1 Purpose and application

- (1) These procedures apply to:
- the process by which the University identifies, calculates, and reports on provision for doubtful debts and writes off bad debts; and
  - staff involved in calculating and reporting the provision for doubtful debts.

## 2 Commencement

- (1) These procedures commence on 8 July 2024.

## 3 Interpretation

<b>bad debt</b>	a debt that is uncollectable after the University has made all reasonable efforts to collect it.
<b>central trade debtor</b>	a debtor for which the University makes a record under the <a href="#">Trade Debtor Procedures</a> and records directly into the finance system's trade debtors sub-ledger. It does not include a trade debtor recorded in any satellite trade debtor system.
<b>collective provision</b>	a provision that the University makes to provide for the impairment of groups of debtors with similar credit risk characteristics.
<b>doubtful debt</b>	a debt for which the probability of being recovered is uncertain.
<b>FCT</b>	the Financial Control and Treasury unit in the University's Finance professional services unit.
<b>impairment</b>	the permanent lowering of an asset's value.
<b>individually assessed provision</b>	a provision the University makes to provide for debts that have a high risk of being unpaid.
<b>satellite trade debtor system</b>	a part of a system in which the University makes records of trade debtors under the <a href="#">Trade Debtor Procedures</a> , and that has balances recorded in the finance system's general ledger at regular intervals through the month.
<b>student fees</b>	amounts payable by students to the University, which are: <ul style="list-style-type: none"> <li>• subject to the <a href="#">Student Debtor Sanctions Policy</a>; and</li> <li>• recorded in the student fee sub-ledger.</li> </ul>
<b>student loan</b>	a loan provided to a student under the <a href="#">Student Loan Procedures</a> and which is recorded in the student loan sub-ledger.
<b>trade debtor</b>	a debtor for which the University makes a record under the <a href="#">Trade Debtor Procedures</a> and records in the finance system's trade debtors sub-ledger.
<b>third party</b>	has the meaning given in the <a href="#">Third Party Payment of Student Fees Policy</a> which at the date of these procedures is: <p><i>an individual or entity, other than a student, who has agreed to bear costs associated with full or partial payment of student fees and expenses for a specified unit or units of study or for a specified period of time.</i></p>

## 4 Types of provisions

- (1) The University applies Accounting Standard [AASB 9 Financial Instruments](#) (AASB9) to its impairment provisions.
- (2) There are two areas of impairment provisions under AASB 9:
  - (a) an entity does not wait until the receivable is past due before a provision is raised; and
  - (b) the amount of credit loss recognised is based on forward-looking estimates that reflect current and forecast credit conditions.

## 5 Central trade debtors

### (1) Overview

- (a) In August/September and at the end of December, Financial Control and Treasury (FCT) generates an aged debt analysis report for central trade debtors that exceed the payment due date by 90 days or more. This report provides the basis for calculating the provision for doubtful debts.
  - (i) Outstanding debtors are reviewed quarterly by FCT.
- (b) The central trade debtors aged debt analysis report is divided into the following categories:
  - (i) government organisations;
  - (ii) semi-government organisations;
  - (iii) health services and public hospitals; and
  - (iv) non-government organisations.

### (2) Calculating provisions for doubtful debts

- (a) In August/September and at the end of December, Order to Cash, FCT calculates a provision for doubtful debts and posts the variation in the general ledger.
- (b) Order to Cash, FCT creates individually assessed provisions if:
  - (i) no receipt has been recorded in the past 12 months; or
  - (ii) Order to Cash, FCT assesses that the debtor is in financial difficulties and is unable to pay their debt.
- (c) The University excludes the value of the individually assessed provisions from the value of the collective provision when it calculates the value of balances in arrears on the aged debtor analysis report.
- (d) The University calculates the central trade debtors collective provision as follows:
  - (i) **Step 1 – Review the debtors that are doubtful.**

**Note:** Debts that are outstanding for more than 90 days where the debtor has paid a portion of their debt in the last 12 months are considered doubtful because they are in arrears. In addition, a forward-looking credit loss estimate will be reflected in the evaluation of debtors' current and forecast credit conditions.
  - (ii) **Step 2 – Separate the doubtful debts into the categories specified in subclause 5(1)(b).**



- (iii) **Step 3** – For each debtor category, calculate the trade debtors' recovery rate using the formula:

current year trade debtor receipts (12 months)

divided by adjusted trade debtors.

**Note:** The value of 'adjusted trade debtors' is: the opening trade debtor balance plus trade debtor sales (12 months) minus trade debtor individually assessed provisions.

- (iv) The percentage derived from the calculation of the trade debtors' recovery rate will be applied to each category of debtors specified in subclause 5(1)(b).

(3) **Journal entries for provisions for doubtful debts**

- (a) If the provision for doubtful debts calculated under subclause 5(2) varies from the current provision stated in the general ledger, FCT processes the variation.

**Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

(4) **Writing off bad debts**

- (a) The Manager Treasury Operations, FCT will recommend a debt be written off under the [University of Sydney \(Delegations of Authority\) Rule](#) after the University follows the debt recovery action specified in the [Trade Debtor Procedures](#).

- (b) Written off bad debts are expensed against the relevant school or department.

**Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

## 6 Student tuition fees, student services and amenities fees, and student third party arrangements

(1) **Overview**

- (a) In August/September and at the end of December, Order to Cash, FCT generates an aged debt analysis report for student tuition fees, student services and amenities fees, and student third party arrangements exceeding the payment due date by more than one year. This report provides the basis for calculating the provision for doubtful debts.

- (i) Outstanding debtors are reviewed monthly by FCT.

- (b) The student fees debtors aged debt analysis report is divided into the following categories:

(i) **Domestic students**

The provision of doubtful debts for domestic students is based on fees owed by students that exceeds the payment due date by more than one semester.

(ii) **International students and student third party arrangements**

The provision of doubtful debts for international students is based on fees owed by students on extended instalment payment plans that exceed the payment due date by more than one semester.

(iii) **Student services and amenities fees**



The provision of doubtful debts for student services and amenities fees is based on uncollected fees in the year.

(2) **Calculating provisions for doubtful debts**

- (a) In August/September and at the end of December, Order to Cash, FCT calculates a provision for doubtful debts and posts the variation in the general ledger.
- (b) Order to Cash, FCT creates individually assessed provisions for:
  - (i) the value of student services and amenities fees that exceed more than one semester; and
  - (ii) any tuition fee that relates to cancelled enrolment, instalment payment plans for international students, or third party arrangements.
- (c) The University excludes the value of all individually assessed provisions when it calculates the value of balances in arrears for the collective provision.

(3) **Journal entries for provisions for doubtful debts**

- (a) The Group Controller, FCT must approve any provision for doubtful debts calculated under subclause 6(2) that varies from the current provision stated in the general ledger.

**Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

(4) **Writing off bad debts**

- (a) The Manager Treasury Operations, FCT will recommend a debt be written off under the [University of Sydney \(Delegations of Authority\) Rule](#).
- (b) Written off bad debts are expensed against the relevant school or department.

**Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

## 7 Student loans

(1) **Overview**

- (a) In August/September and at the end of December, Financial Control and Treasury (FCT) generates an aged debt analysis report for student loans exceeding the payment due date by 90 days or more. This report provides the basis for calculating the provision for doubtful debts.

(i) Outstanding student loans are reviewed monthly by FCT.

- (b) The student loans sub-ledger contains information on specified loan funds administered by the University.

**Note:** Further details can be found in Appendix A to the [Student Loan Procedures](#).

(2) **Calculating provisions for doubtful debts**

- (a) In August/September and at the end of December, Financial Control and Treasury (FCT) calculates a provision for doubtful debts and posts the variation.
- (b) The University creates individually assessed provisions for the value of all student loans which are 90 days or more in arrears.
- (c) The University excludes the value of all individually assessed provisions from the value of balances in arrears when it calculates the collective provision.



- (3) **Journal entries for provisions for doubtful debts**
- (a) The Group Controller, FCT must approve any provision for doubtful debts calculated under subclause 7(2) that varies from the current provision stated in the general ledger.
- Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.
- (4) **Writing off bad debts**
- (a) The Manager Treasury Operations, FCT will recommend a debt to be written off i under the [University of Sydney \(Delegations of Authority\) Rule](#), after the debt recovery action specified in the [Student Loan Procedures](#) has been followed.
- Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

## 8 Salary overpayments

- (1) **Overview**
- (a) Each year at the end of November, the Human Resources Service Centre provides a list of outstanding salary overpayments to Financial Control and Treasury to support the preparation of the provision for doubtful debts calculations.
- (i) Outstanding salary overpayments are reviewed monthly by the Human Resource Service Centre.
- (2) **Calculating provisions for doubtful debts**
- (a) Each year in December, Financial Control and Treasury calculates a provision for doubtful debts and posts the variation.
- (b) Each overpayment is assessed individually and a provision is raised for the outstanding amount.
- (3) **Journal entries for provisions for doubtful debts**
- Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.
- (4) **Writing off bad debts**
- (a) The Director, Human Resources Service Centre will recommend a debt be written off under the [University of Sydney \(Delegations of Authority\) Rule](#).
- Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

## 9 Scholarship overpayments

- (1) **Overview**
- (a) Each year at the end of November, the Higher Degree by Research Administration Centre (HDRAC) provides a list of outstanding scholarship overpayments to Financial Control and Treasury to support the preparation of the provision for doubtful debts calculations.
- (i) Outstanding scholarship overpayments are reviewed monthly by HDRAC.



(2) **Calculating provisions for doubtful debts**

- (a) Each year in December, Financial Control and Treasury calculates a provision for doubtful debts; and posts the variation.
- (b) Each overpayment is assessed individually and a provision is raised for the outstanding amount.

(3) **Journal entries for provisions for doubtful debts**

**Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

(4) **Writing off bad debts**

- (a) The Head, HDRAC will recommend a debt be written off under the [University of Sydney \(Delegations of Authority\) Rule](#).

**Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

## 10 **Controlled entities**

(1) **Overview**

- (a) Each year at the end of November, each controlled entity provides aged debt analysis reports to Reporting and Compliance, FCT to support the preparation of the provision for doubtful debts calculations.
  - (i) Outstanding debtors are reviewed monthly by the controlled entity.

(2) **Calculating provisions for doubtful debts**

- (a) The University assesses each controlled entity debt individually, and calculates a provision based on a history of debt recovery within the requirement of Accounting Standard AASB 9.
- (b) Each controlled entity assesses individual debt for risk of debt recovery and provides details on debts that are likely to become doubtful.
- (c) Each year in December, Financial Control and Treasury calculates provisions for controlled entity debts that are owed for more than one year.

(3) **Journal entries for provisions for doubtful debts**

- (a) The Group Controller, FCT must approve any provision for doubtful debts calculated under subclause 10(2) that varies from the current provision stated in the general ledger.

**Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

(4) **Writing off bad debts**

- (a) The Manager Reporting and Compliance, FCT will recommend a debt be written off under the [University of Sydney \(Delegations of Authority\) Rule](#).

**Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

## 11 Satellite trade debtors

### (1) Overview

- (a) Each year at the end of November, the relevant manager provides aged debt analysis reports for each satellite trade debtor system to Financial Control and Treasury to support the preparation of the provision for doubtful debts calculations.
- (i) Outstanding debtors are reviewed quarterly by the satellite centre.

**Note:** For a complete list of the University's satellite trade debtor systems, refer to [Approved finance satellite systems](#) on the staff Intranet.

### (2) Calculating provisions for doubtful debts

- (a) The University assesses each satellite trade debtors individually, and calculates a provision based on a history of debt recovery within the requirement of Accounting Standard AASB 9.
- (b) Each department assesses individual debt for risk of debt recovery and provides details on debts that are likely to become doubtful.
- (c) Each year in December, Financial Control and Treasury calculates provisions for satellite trade debtors on debts that are owed for more than one year.

### (3) Journal entries for provisions for doubtful debts

- (a) The Group Controller, FCT must approve any provision for doubtful debts calculated under with subclause 11(2) that varies from the current provision stated in the general ledger.

**Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

### (4) Writing off bad debts

- (a) The Order to Cash Manager, FCT will recommend a debt be written off under the [University of Sydney \(Delegations of Authority\) Rule](#), after the University follows the debt recovery action specified in the [Trade Debtor Procedures](#) has been followed.

**Note:** Refer to [Doubtful and Bad Debts Financial Journal Entries](#) for details on journal entries.

## 12 Debt recovery

- (1) The Order to Cash team, FCT processes the bad debt write-off entries and adjusts them against the provision account accordingly.
- (2) Where an outstanding debt is recovered, the University reflects the recovery against the provision account on a half yearly and yearly basis.
- (3) Where a written-off bad debt is recovered, the University receipts the recovery to the department responsibility centre against the classification for other sundry income.



### 13 Internal controls

- (1) Financial Control and Treasury responsibilities and accountabilities for implementing these procedures are as set out in the table below.

<b>Officers</b>	<b>Responsibilities</b>
Trade Receivables and Student Loans Team, Order to Cash	<ol style="list-style-type: none"> <li>1. Monitor aged analysis reports for student loans and trade debtors</li> <li>2. Run the debt recovery and debt management process for student loans and trade debtors</li> </ol>
Billing and Collection Specialist, Order to Cash	<ol style="list-style-type: none"> <li>1. Compile the information provided in aged analysis of student loans and trade debtors</li> <li>2. Provide feedback on selected customer for calculation purposes</li> <li>3. Calculate the provision of doubtful debts for student loans and trade debtors</li> <li>4. Justify any variation in the provision for doubtful debts</li> </ol>
Manager, Treasury Operations	<ol style="list-style-type: none"> <li>1. Prepare the calculations for the provisions for doubtful debts for student loans and central trade debtors</li> <li>2. Co-ordinate the provision of doubtful debts for the University, including provisions for satellite debtor systems</li> <li>3. Review the procedure governing the provision for doubtful debts</li> <li>4. Grant final approval of variation to the value for the provision for doubtful debts</li> </ol>

### 14 Recissions and replacements

- (1) This document replaces the *Doubtful Debts and Bad Debts Procedures 2018*, which commenced on 1 July 2019, and which are rescinded as from the date of commencement of this document.



## NOTES

### Doubtful Debts and Bad Debts Procedures 2024

Date adopted: 2 July 2024

Date commenced: 8 July 2024

Date amended:

Owner(s): Director, Financial Control and Treasury

Review date: 2 July 2029

Rescinded documents: *Doubtful Debts and Bad Debts Procedures 2018*

Related documents: *Australian Accounting Standard AASB 9*

*Chart of Accounts*

*University of Sydney (Delegations of Authority) Rule*

*Controlled Entity Policy*

*Student Debtor Sanctions Policy*

*Third Party Payment of Student Fees Policy*

*Student Loan Procedures*

*Trade Debtor Procedures*

## AMENDMENT HISTORY

**Provision**

**Amendment**

**Commencing**