Trade Receivables: Expected Credit Losses and Bad Debts Policy

Section 1 - Purpose

(1) The purpose of this policy is to describe how to identify bad debts and expected credit losses for trade receivables and to explain how these items are treated in the accounts of Charles Sturt University (the University).

Section 2 - Glossary

(2) Nil.

Section 3 - Policy

Part A - General

(3) In relation to trade receivables, the accounting treatments for estimated credit losses and bad debts will comply with the requirements of Australian Accounting Standard AASB9 Financial Instruments or its most recent successor.

Part B - Bad Debts

(4) A debtor is a person or organisation that owes money to the University or one of its controlled entities. Amounts owed by a debtor that are known to be uncollectable must be written-off.

(5) A debt will be recommended for write-off where all of the following apply:

a. all actions to recover the debt have been exhausted and unsuccessful;
b. the amounts outstanding are considered not recoverable; and
c. further action is either not cost effective or highly unlikely to succeed.

(6) The University will maintain full and accurate records of all recovery actions and communications with debtors of outstanding invoices. The University may use a debt collection agency to recover outstanding payments from debtors.

(7) Debts will be written-off and reported in accordance with Delegation Schedule 3 – Expenditure Delegations and reported to the Finance, Audit and Risk Committee, Chancellor's Foresighting Committee and the University's auditors as appropriate.

Part C - Estimated Credit Losses on Trade Receivables

(8) A provision for impairment of trade receivables is reviewed and adjusted each year where there is reasonable evidence that the University will not be able to collect all amounts due according to the original terms of the receivables.

This document may be varied, withdrawn or replaced at any time. Printed copies, or part thereof, are regarded as uncontrolled and should not be relied upon as the current version. It is the responsibility of the individual reading this document to always refer to the CSU Policy Library for the latest version.

(9) The University annually will calculate the expected credit losses on the balance of trade receivables based on reasonable evidence-based estimates of debt default. The University does not wait until the receivable is past due before a provision is raised. The amount of credit loss recognised is based on forward looking estimates that reflect current and forecast credit conditions. The University will recognise ‘lifetime expected credit losses’ from the first reporting period. These are the credit losses expected over the term of the receivable.

Section 4 - Procedures

(10) Nil.

Section 5 - Guidelines

(11) Nil.

Status and Details

Status	Historic
Effective Date	16th November 2020
Review Date	16th November 2022
Approval Authority	Chief Operating Officer
Approval Date	16th November 2020
Expiry Date	26th September 2021
Unit Head	Meg McKenchnie Chief Financial Officer
Author	Craig Richardson
Enquiries Contact	Susan Hooker Associate Director, Corporate Services Division of Finance