Finance Procedure - Expected Credit Losses and Bad Debts

Section 1 - Purpose

(1) This procedure supports the Finance Management Policy and describes how to identify bad debts and expected credit losses for trade receivables and explains how these items are treated in the accounts of Charles Sturt University (the University).

Section 2 - Policy

(2) See the Finance Management Policy.

Section 3 - Procedures

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.

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:

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) A debt must only be written off if a write-off recommendation is approved by the delegated authority.

(7) 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.

(8) Debts will be written-off and reported in accordance with Delegation Schedule C - Finance and reported to the Finance and Strategy Committee and the University's auditors as appropriate.

Estimated credit losses on trade receivables

(9) A provision for impairment of trade receivables is reviewed and adjusted each reporting period to reflect the change in the risk of a default occurring over the expected life of the debt in accordance with AASB 9.5.5 (Financial Instruments - Impairment).

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(10) The assessment of expected credit losses is made using a range of factors including both past due information and forward looking information where such information is obtainable without undue cost or effort.

a. The assessment factors include for non-student debtors:
    i. Communications with the debtor.
    ii. Communications internally with the relevant section of the University.
    iii. Information on the debtor that is widely available.
    iv. Age of debtor.
b. These assessment factors include for student debtors:
    i. Student's progress with studies.
    ii. Types of grades and submission of assignments.
    iii. Communications with the student.

(11) The assessment of debtors for expected credit losses occurs within the following parameters:

a. For students, all debts over $172 (the amount of the SSAF) or over 180 days are assessed individually.
b. All debts over $50K or over 120 days are assessed individually.
c. Debts not falling into category (a) or (b) are deemed to be 100% collectable.

Section 4 - Guidelines

(12) Nil.

Section 5 - Glossary

(13) Nil.

Section 6 - Document Context

Compliance drivers	N/A
Review requirements	As per the Policy Framework Policy.
Document class	Management

Status and Details

Status	Current
Effective Date	4th October 2024
Review Date	4th October 2029
Approval Authority	Chief Financial Officer
Approval Date	4th October 2024
Expiry Date	Not Applicable
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