IMPAIRMENT OF RECEIVABLES - STUDENT DEBTORS

UNSW Accounting Procedure	
Linked UNSW Policy	Trade Receivables & Impairment of Assets
Responsible Officer	Director, Corporate Finance and Advisory Services and Shared Services
Contact Officer	Senior Group Statutory Reporting Manager, Corporate Finance and Advisory Services/Finance Operations Manager
Review	Every year
Effective Date	31 December 2013

1. Objective

This procedure outlines the process to account for impairment of Student debtors determined in accordance with AIFRS, at a departmental level (i.e. Faculties, Schools & Divisions) in NS Financials.

2. Basis of Accrual

Trade receivables are recognised initially at invoice value (fair value), and are subsequently re-measured at amortised cost using the effective interest method, less any provision for impairment.

The collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of receivables is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or other financial reorganisation and default or delinquent in making payments are considered indicators that the receivable is impaired. An indicator of possible impairment is the ageing schedule of the debtor balances.

Based on the age and category of the debtors, the University currently recognises an impairment provision, at the following rates, on the existing debtor balances:

Age group (in days): / **Category of debtor**	**91-180**	**181-270**	**271-365**	**>365**
Students	10%	40%	70%	100%
Sponsors (exclude internal sponsors)	10%	40%	70%	100%

The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows. The impairment is recognised in the income statement.

Debts which are known to be uncollectible are to be written off by reducing the carrying amount directly. If the University recovers amounts that have been previously written off as uncollectable, the recovered amount is recognised in the income statement.

3. Accounting procedure

3.1 Student Financial System: Monthly reconciliation by Corporate Finance and Advisory Services

Various system query reports, including the ageing report, are run on a monthly basis to perform the student debt reconciliations after close-off dates for the General Ledger

. The reports are compiled to obtain data for the following adjustments at a Central level:

Adjustments	Impact on Student Debtors balance	Impact on Other Accounts	
	A/c 3240	Balance Sheet accounts	Income/ Expense accounts
Credit balances in student and sponsor debtors	Excluded (i.e. added back to the existing balance)	8508 - Sundry Creditors	-
Internal Sponsors	Excluded	3514 – Contra Unearned Revenue Scholarship)	6903 - Internal Expense Student Fees Accounts for Student Fees & 1403 - Internal Income Student Fees
Future dated receivables	Excluded	8829 – Unearned Revenue Student Control	
Unallocated receipts	Included (i.e. added to the existing debtors balance)		-
Future Student receivables not posted in GL	Included (i.e. added to the existing debtors balance)	8829 – Unearned Revenue Student Control	

3.2 Corporate Finance and Advisory Services (CFAS): Monthly adjustments to reflect appropriate 'Debtor' balance

CFAS records the above transactions through a manual journal to reflect the correct debtor balance in the relevant reporting period.

The adjustments tabled in 3.1 are recorded at a 'Central' level, and not charged to the business units.

3.3 Corporate Finance and Advisory Services (CFAS)/Accounts Receivable: Assessment of Impairment provision

The impairment provision is calculated based on the outstanding balance of the debt according to the age group and category, as at the reporting date with the relevant rates as detailed in Section 2.

The surplus/ deficit in the existing provision balance is adjusted by CFAS, to reflect the'should be' balance as calculated above. The impairment expense determined is recorded at a 'Central' level through the impairment expense account 6696 (Doubtful Debt/Bad Debt Write Off Student/Sponsor). The impairment provision balance in account 8524 (Provision for Doubtful Debt Open Bal Sundry) is adjusted at a 'Central' level.

At the end of year, Accounts Receivable monitors and assesses the impairment provision balances in conjunction with CFAS to ensure the adequacy of the provision rates being used.

On a case by case basis, and with regard to the size, nature and circumstances relating to the impairment, further discussions between Central Finance and Advisory Services and the relevant Faculty/Division may result in the impairment being reflected at a Faculty/Division level.

3.4 Accounts Receivable: Bad debt write off and recovery

Once Accounts Receivable confirms that a debtor balance has a very low probability of being collected, a decision to write off the debt is made and charged to impairment expenses at a 'Central' level.

The debts recovered are recognised in the Income Statement at a 'Central' level.

3.5 Corporate Finance and Advisory Services/Accounts Receivable: Monthly Reconciliation

The impairment provision balance is checked for accuracy based on the impairment schedule, driven by the impairment policy and debtors ageing reports, and any discrepancy is investigated. The provision account is reconciled at a 'Central' level.

4. Operational aspects

4.1 Charges to Business Units (i.e. Faculties, Schools & Divisions)

Subject to 3.3/3.4, the adjustments will be recorded at a 'Central' level, and the business units will not incur any charge in respect of impairment expenses on the Student debtors.