IMPAIRMENT OF RECEIVABLES- SUNDRY 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 Sundry 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 fair value and are subsequently measured at amortised cost using the effective interest methods, 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.

For collective assessment, the University has used its experienced judgement in determining the level of provision for each of the categories based on the following key factors:

i) Credit risk characteristics for each category in relation to type of business/debt.
ii) Number of days of debt outstanding
iii) Historical observation of payment default for each category of assets

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

Age group (in days): **Category of debtor**	**91-180**	**181-270**	**271-365**	**>365**
Non- Government debtors	10%	40%	70%	100%
Government debtors	-	-	0%	0%

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 NS Financials – Accounts Receivable (A/R) module: Ageing Report

Billing (invoicing) operates within faculties and divisions rather than through one central office. Raising of credit notes is done centrally, with the exception of UNSW Canberra, Research Finance and the Faculty of Medicine. Finance Operations are responsible for Receipting and Accounts Receivable which operate within Finance.

Accounts Receivable categorises the sundry debtors into two; as ‘Government’ or ‘Non-Government’ in nature. The debtors’ database is regularly updated by Accounts Receivable to identify the ‘internal’ debtors or related parties, and exclude them from the scope of impaired receivables.

Accounts Receivable run an ‘Ageing report’, and forward it to Corporate Finance & Advisory Services (CFAS) after the close-off dates for the General Ledger together with the calculation of the impairment provision.

3.2 Corporate Finance and Advisory Services/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 calculation above. The impairment expense determined is recorded at a ‘Central’ level through the impairment expense account 6697 (Doubtful Debts). The impairment provision balance in account 8520 (Provision Doubtful Debt Open Balance (Sundry)) is adjusted at a ‘Central’ level.

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

3.3 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 write off is authorized in accordance with the University’s Delegation of Authority.

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

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

The impairment provision balance is checked for accuracy based on the impairment schedule, and is 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 Treatment of existing Impairment provision balances at ‘Central’ level:

The existing balance in the impairment provision accounts will not be pushed down to the business units.

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

The relevant business units will not be charged with impairment expenses on Sundry debtor balances.