

Non-Student (External) Accounts Receivable, Annual Write-off Report

FIN-ACC-I-490



About This Policy

Effective Date:

07-01-2005

Last Updated:

07-01-2005

Responsible University Office:

The Office of the Treasurer/Capital Assets

Responsible University Administrator:

Vice President and Chief Financial Officer

Policy Contact:

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[Scope](#)

[Policy Statement](#)

[Reason For Policy](#)

[Procedure](#)

[Definitions](#)

[History](#)

[Back to top](#) ↗

Scope

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[Back to top](#) ↗

Policy Statement

All University operations billing for goods or services to External Customers are required to use the Quali Financial System Accounts Receivable Module, unless the organization has an independent accounts receivable system first approved by the campus and then by The Office of the Treasurer. Accounting records and reports must be prepared on the basis of Accrual Accounting for quarter and year end. All receipts for KFS accounts receivable invoices must be deposited via the lockbox or via electronic funds transfer. Organizations with Average Annual Non-Student accounts receivable greater than \$20,000 must compute and record an Allowance for Doubtful Accounts on their balance sheet. Organizations are also responsible for writing off receivables according to policy I-500.

[Back to top](#) ↗

Reason For Policy

To comply with Generally Accepted Accounting Principles and to support Internal Controls needed to ensure proper use of University assets.

[Back to top](#) ↗

Procedure

University organizations must use KFS Accounts Receivable Module or a previously approved accounts receivable system for invoicing goods and services at the time the services or goods are provided to a third party via an extension of credit. The auxiliary voucher document can be used to record end of month accruals for transactions not processed by the end of the period. This document is located in the KFS Financial Processing Module.

[Back to top ↗](#)

Definitions

Accrual Accounting: It is the concept that requires revenues to be recorded when earned regardless of the time money is received, and expenses to be recorded when incurred regardless of the time money is paid. Accruals generally require adjusting at the end of the accounting period.

Allowance for Doubtful Accounts: Represents an estimate of receivables recorded but not expected to be collected. This amount creates a contra accounts receivable balance. When netted against the gross total of accounts receivable, the expected net realizable value of the receivables is reported.

Average Accounts Receivable: Should represent the sum of the prior Fiscal Year's twelve months Accounts Receivable balances divided by twelve.

External Customers: In addition to entities such as IBM, General Motors, etc., this includes Student Organization Accounts, the Indiana University Foundation, and Greek housing organizations.

Internal Controls: It is the system of processes and procedures established to ensure that transactions are accurately, properly and timely recorded thus providing accurate and reliable financial data and assets are safeguarded.

Non-Student Accounts Receivable: Charges billed outside of the bursar system to students, and charges billed to external parties for goods and services.

[Back to top ↗](#)

History

This policy was established on July 1, 2005.