

Tutorial:

REMOVING A BAD DEBT BALANCE FROM ACCOUNTS RECEIVABLE

How to assign a reserve to outstanding customer invoices and create a bad debt receipt.

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Customers with uncollectable debt

When a customer's accounts receivable has been identified as uncollectable and all other methods of debt collection have been exhausted, the debt can be written off by removing the amount from the accounts receivable.

The debt will need to be logged as a journal entry and a reserve needs to be assigned to each invoice that has an overdue payment.

Writing off the final debt requires the creation of a debit to Allowance for Doubtful Accounts and a credit to Accounts Receivable.

Customer Receipt Maintenance [S1056]

Customer Receipt Header

Customer: VVC VOLVO TRUCKS NORTH AMERICA Credit Terms: Net60

Our Receipt Ref	Customer Rec. Ref	Bank	Receipt Date	Account
		TD	04/07/2016	731229
Writing off bad debt	Writing off bad debt	TD	03/01/2017	731229

**Receipt Value: \$0.00
Amt Applied: \$0.00
Amt Remaining: \$0.00
Currency: CDN
Bank GL Acct: 1001

CR Filename: **Effective Date: 03/01/2017
Comments: **Pay Method: EFT Finalize

Customer Receipt Detail

Type	Invoice	GL Code	Open Bal	Amt Cleared	Disc Taken	Amt Paid	Lock
I	MEM740	1201	\$1,214.00	\$890.00	\$0.00	\$890.00	No
N		1204	\$0.00	-\$890.00	\$0.00	-\$890.00	No

Supp.Doc File: Invoice Filename: MEM740.pdf Show Open Invoices

Comments: F1 for Help Browse Edit Add Delete OK Cancel Print Exit

Task 1: Assigning the reserve to a customer invoice

Open the **Assign Reserve to Customer Invoice [S2524]** screen.

1. Use the filters to find the invoice that has been unpaid well beyond the payment terms.

You can search for a specific invoice, if you know the number, or you can filter using **Past Due Days**.

2. Click on the invoice with the unpaid debt and select **Yes** in the **Select** field.
3. In the **Set Reserve % to** field enter the percentage of bad debt you expect to be uncollectable.
4. Click the **Update** button.

Assign Reserve to Customer Invoice [S2524]

Update Multiple Reserve Percentages

Customer: <ALL> 1 Select All Records

Past Due Days: 30 Ignore Past Due Criteria: No

Select All

Deselect All

Search:

Invoice Num	Invoice Date	Discount Date	Due Date	Invoice Total	Open Bal	Reserve %	Reserve Amt	Select
IN10546	12/06/2016	12/06/2016	01/05/2017	\$2,665.68	\$2,665.68	0.0	\$0.00	No
IN10623	12/13/2016	12/13/2016	01/12/2017	\$2,341.89	\$2,341.89	0.0	\$0.00	No
IN10626	12/15/2016	12/15/2016	01/14/2017	\$86,323.28	\$310.94	0.0	\$0.00	No
IN2581	07/08/2013	07/08/2013	09/06/2013	\$0.00	\$0.00	0.0	\$0.00	No
IN2583	07/08/2013	07/08/2013	09/06/2013	\$0.00	\$0.00	0.0	\$0.00	No
IN6774	03/31/2015	03/31/2015	04/30/2015	\$0.00	\$0.00	0.0	\$0.00	No
IN9793	07/12/2016	07/12/2016	09/25/2016	\$373.14	\$373.14	0.0	\$0.00	No
IN9977	08/23/2016	08/23/2016	11/06/2016	\$1,382.82	\$1,073.58	0.0	\$0.00	No
MEM351	03/26/2013	04/25/2013	04/25/2013	\$0.00	\$0.00	0.0	\$0.00	No
MEM371	05/10/2013	05/10/2013	06/09/2013	\$0.00	\$0.00	0.0	\$0.00	No
MEM740	05/11/2016	05/11/2016	07/10/2016	\$1,214.00	\$1,214.00	0.0	\$0.00	No
MEM844	11/22/2016	11/22/2016	01/21/2017	\$1,500.00	\$1,500.00	0.0	\$0.00	Yes 2

Invoice Filename: MEM844.pdf

Set Reserve % to: 75.0 3 Update 4

Update Individual Reserve %

**Customer: <ALL> Invoice Date: mm/dd/yyyy Invoice Total: Reserve %:

Invoice Num: Discount Date: mm/dd/yyyy Open Balance: Reserve Amt:

Due Date: mm/dd/yyyy Reserve Cmmt:

F1 for Help Browse Edit Add Delete OK Cancel Print Exit

(Optional) Applying a dollar value reserve instead of a percentage

If you have an individual invoice and you know there is a pricing discrepancy you can assign an actual dollar value instead of a percentage value for the reserve.

1. Select the **Update Individual Reserve %** frame.
2. Select the **Invoice Number** from the drop down menu.
3. Click the **Edit** button in the bottom menu.
4. Enter the dollar value in the **Reserve Amt** field.
5. Select the invoice with the unpaid debt and select **Yes** in the **Select** field.
6. Click **OK** to finalize. (*The Reserve % field will calculate the percentage value based on the dollar value.*)

Assign Reserve to Customer Invoice [S2524]

Update Multiple Reserve Percentages

Customer: <ALL> Select All Records

Past Due Days: 30 Ignore Past Due Criteria: No

Select All

Deselect All

Search:

Invoice Num	Invoice Date	Discount Date	Due Date	Invoice Total	Open Bal	Reserve %	Reserve Amt	Select
IN10546	12/06/2016	12/06/2016	01/05/2017	\$2,665.68	\$2,665.68	0.0	\$0.00	No
IN10623	12/13/2016	12/13/2016	01/12/2017	\$2,341.89	\$2,341.89	0.0	\$0.00	No
IN10626	12/15/2016	12/15/2016	01/14/2017	\$86,323.28	\$310.94	0.0	\$0.00	No
IN2581	07/08/2013	07/08/2013	09/06/2013	\$0.00	\$0.00	0.0	\$0.00	No
IN2583	07/08/2013	07/08/2013	09/06/2013	\$0.00	\$0.00	0.0	\$0.00	No
IN6774	03/31/2015	03/31/2015	04/30/2015	\$0.00	\$0.00	0.0	\$0.00	No
IN9793	07/12/2016	07/12/2016	09/25/2016	\$373.14	\$373.14	0.0	\$0.00	No
IN9977	08/23/2016	08/23/2016	11/06/2016	\$1,382.82	\$1,073.58	0.0	\$0.00	No
MEM351	03/26/2013	04/25/2013	04/25/2013	\$0.00	\$0.00	0.0	\$0.00	No
MEM371	05/10/2013	05/10/2013	06/09/2013	\$0.00	\$0.00	0.0	\$0.00	No
MEM740	05/11/2016	05/11/2016	07/10/2016	\$1,214.00	\$1,214.00	73.3	\$890.00	Yes
MEM844	11/22/2016	11/22/2016	01/21/2017	\$1,500.00	\$1,500.00	75.0	\$1,125.00	No

Invoice Filename: MEM740.pdf Set Reserve % to: 0.0 Update

1 Update Individual Reserve %

**Customer: <ALL> Invoice Date: 05/11/2016 Invoice Total: \$1,214.00 Reserve %: 73.3

Invoice Num: MEM740 Invoice Date: 05/11/2016 Open Balance: \$1,214.00 Reserve Amt: 890

Discount Date: 05/11/2016 Due Date: 07/10/2016 Reserve Cmmt:

2 3 4 5 6

For Help Browse Edit Add Delete OK Cancel Print Exit

CREATING THE JOURNAL ENTRY

Task 2: Generating the bad debt report

Before a journal entry is created run the **A/R Reserve Review – Reserve Calculation – Customer Invoice [R4637]** report. This will list all the bad debt invoices and provide a total amount.

1. Open the **A/R Reserve Review – Reserve Calculation – Customer Invoice [R4637]** report.
2. Click the **Criteria** button to open the panel.
3. Use the filter to compile the invoices with the applied reserve percentage.
4. Click the **Generate** button.

REPORT: R4637 - A/R Reserve Review - Reserve Calculation - Customer Invoice -

Criteria

1. Past Due Days: 30
2. Ignore Past Due Criteria: NO
3. Customer: <ALL>

Feb 28, 2017 Tue 3:33 PM R4637 - A/R Reserve Review - Reserve Calculation - Customer Invoice Page 1

Criteria: 1. Past Due Days: 30 2. Ignore Past Due Criteria: NO 3. Customer: <ALL>

Customer	Invoice Date	Discount Date	Due Date	Past Due	Invoice Number	Invoice Amount	Open Amount	Open Base Amount	Reserve %	Reserve Amt	Reserve Comment
VTC	11/22/2016	11/22/2016	01/21/2017	38	MEM944	\$1,500.00	\$1,500.00	\$1,500.00	75.0	\$1,125.00	
VVC	05/11/2016	05/11/2016	07/10/2016	233	MEM740	\$1,214.00	\$1,214.00	\$1,214.00	73.3	\$890.00	bad debt
Total >>						\$2,714.00	\$2,714.00	\$2,714.00		\$2,015.00	

Control Document: NA RQA - Release Quality Assurance Report ID: R4637

Fx for Help Fullscreen Criteria Filters Reload Generate Save E-Mail Export Restore Exit

Task 3: Creating the journal entry

The allocation of the debt reserve needs to be logged in the accounting journal using the specific GL code for an **Allowance for Doubtful Accounts**.

It should be noted that adding the journal entry does not write off the debt from your books since the invoice balance is still showing on A/R.

Open the **Journal Entry [S1519]** screen.

1. Click **Add** in the bottom menu.
2. Type in a **Comment** “*Setting up a bad debt allowance*”.
3. Click **OK**.

Enter Journal Entry [S1519]

Journal Entry Header

**Journal Entry: A0004827
Trans Type: JE Journal Entry JE Backup File:

**Effective Date: 02/22/2017 Reversing Entry: No Entry Balance (Base \$): -\$2,015.00
**Reversing Date: 02/23/2017 Base Currency: CDN

Comments: Setting up bad debt allowance **2**

Journal Entry Detail

Auto	GL Code	Account Description	Amount	Currency	Base Amount	Project	Cost Center	Comment
7663	1204	Allowance for Doubtful Ac	-\$2,015.00	CDN	-\$2,015.00			

F1 for Help

1 **3**

Task 4: Adding journal entry details

4. Click the **Journal Entry Detail** frame.
5. Click **Add** in the bottom menu.
6. Select the **GL Code** for “*Allowance for Doubtful Account*” from the drop down menu.
7. Enter the negative amount of debt. This amount should match the total from the **AR Reserve Review – Reserve Calculation – Customer Invoice [R4637]** report.
8. Click **OK**.

The screenshot shows the 'Enter Journal Entry' window with the following details:

- Journal Entry Header:**
 - Journal Entry: A0004827
 - Trans Type: JE
 - Journal Entry
 - JE Backup File:
 - Effective Date: 02/22/2017
 - Reversing Entry: No
 - Entry Balance (Base \$):
 - Reversing Date: 02/23/2017
 - Base Currency: CDN
 - Comments: Setting up bad debt allowance
 - Post Journal Entry button
- Journal Entry Detail Table:**

Auto	GL Code	Account Description	Amount	Currency	Base Amount	Project	Cost Center	Comment
	1204		-2,015.00	CDN				
- Bottom Menu:** Browse, Edit, Add, Delete, OK, Cancel, Print, Exit

Numbered callouts in the image:

- 4: Points to the 'Journal Entry Detail' frame header.
- 5: Points to the 'Add' button in the bottom menu.
- 6: Points to the 'GL Code' dropdown menu in the table.
- 7: Points to the 'Amount' field in the table.
- 8: Points to the 'OK' button in the bottom menu.

Task 4: Adding journal entry details

9. Add another line item for the bad debt amount, click **Add** in the bottom menu
10. Select the **GL Code** for “*Bad Debt*” from the drop down menu.
11. Enter the **Amount**.
12. Click **OK**.

Auto	GL Code	Account Description	Amount	Currency	Base Amount	Project	Cost Center	Comment
7664	1204	Allowance for Doubtful Ac	-\$2,015.00	CDN	-\$2,015.00			
	7625		\$2,015.00	CDN				

CREATING THE BAD DEBT RECEIPT

Task 5: Creating the receipt

Open the **Customer Receipt Maintenance [S1056]** screen.

1. Select the **Customer** that the bad debt invoices belong to.
2. Click **Add** in the bottom menu.
3. In the **Our Receipt Ref** field type in a description referring to writing off the bad debt.
4. Enter a **Comment** stating why this action was taken.
5. Click **OK**.
6. Click on the **Customer Receipt Detail** frame.
7. In **Browse** mode click on the **Show Open Invoices** button.

The screenshot shows the 'Customer Receipt Maintenance [S1056]' window. The 'Customer Receipt Header' section includes a 'Customer' field with 'VVC' and 'VOLVO TRUCKS NORTH AMERICA' (callout 1). A table lists receipt details with 'Writing off bad debt' selected (callout 3). Fields for 'CR Filename', 'Comments' (callout 4), 'Effective Date', and 'Pay Method' are visible. The 'Customer Receipt Detail' section (callout 6) has a table with columns for Type, Invoice, GL Code, Open Bal, Amt Cleared, Disc Taken, Amt Paid, and Lock. At the bottom, the 'Show Open Invoices' button is highlighted (callout 7). The bottom menu bar contains buttons for Browse, Edit, Add, Delete, OK (callout 5), Cancel, Print, and Exit (callout 2).

Our Receipt Ref	Customer Rec. Ref	Bank	Receipt Date	Account	**Receipt Value:
		TD	04/07/2016	731229	\$0.00
Writing off bad debt		TD	03/01/2017	731229	

Type	Invoice	GL Code	Open Bal	Amt Cleared	Disc Taken	Amt Paid	Lock

Task 6: Selecting the invoice to apply the receipt

8. Select the invoice by clicking the **Select** field.
9. Click the **Add to Receipt** button.

Select Open Customer Invoices [S1570]

Select Invoices

Customer (Inv To): VVC VOLVO TRUCKS NORTH AMERICA

Customer (Ship To): <ALL> Select All Records

Invoices From: 01/01/2000 To: 02/22/2017

Invoice Type: <ALL> Select All Records

Invoice Number: <ALL> Select All Records

Total Selected: \$1,214.00

Invoice	Invoice Date	Invoice Type	Invoice Total	Open Balance	Matched	Select
MEM740	05/11/2016	M	\$1,214.00	\$1,214.00		<input checked="" type="checkbox"/>
MEM860	12/23/2016	M	\$70,000.00	\$70,000.00		<input type="checkbox"/>
MEM861	12/23/2016	M	\$98,750.00	\$98,750.00		<input type="checkbox"/>
MEM865	12/23/2016	M	\$90,000.00	\$90,000.00		<input type="checkbox"/>
MEM866	12/23/2016	M	\$145,000.00	\$145,000.00		<input type="checkbox"/>
MEM880	01/20/2017	M	\$30,795.00	\$30,795.00		<input type="checkbox"/>
MEM881	01/20/2017	M	\$31,515.00	\$31,515.00		<input type="checkbox"/>
MEM891	02/15/2017	M	\$28,715.00	\$28,715.00		<input type="checkbox"/>
MEM892	02/15/2017	M	\$28,715.00	\$28,715.00		<input type="checkbox"/>
MEM893	02/15/2017	M	-\$28,715.00	-\$28,715.00		<input type="checkbox"/>
MEM895	02/16/2017	M	-\$84,437.00	-\$84,437.00		<input type="checkbox"/>
MEM896	02/16/2017	M	\$110,877.00	\$110,877.00		<input type="checkbox"/>

Discount Date: 05/11/2016 Invoice Filename: MEM740.pdf Receipt Number: Writing off bad debt

Due Date: 07/10/2016

F1 for Help

Task 7: Entering the amount cleared

Now that the reserve is no longer needed it can be clear it off the company books. If you take it off the total receivables you need to take it off the allowances as well.

10. Click on the **Customer Receipt Detail** frame.
11. Click **Edit** in the bottom menu.
12. Enter the amount that you allocated as a reserve in the **Amount Cleared** field.
13. Click **OK**.

Run the **A/R Reserve Review – Reserve Calculation – Customer Invoice [R4637]** report again if needed to see the amount that was allocated.

Customer Receipt Maintenance [S1056]

Customer Receipt Header

Customer: VVC VOLVO TRUCKS NORTH AMERICA Credit Terms: Net60

Our Receipt Ref	Customer Rec. Ref	Bank	Receipt Date	Account
Writing off bad debt	Writing off bad debt	TD	03/01/2017	731229
		TD	04/07/2016	731229

**Receipt Value: \$0.00
Amt Applied: \$1,214.00
Amt Remaining: -\$1,214.00
Currency: CDN
Bank GL Acct: 1001

CR Filename: **Effective Date: 03/01/2017
Comments: **Pay Method: EFT

Customer Receipt Detail

Type	Invoice	GL Code	Open Bal	Amt Cleared	Disc Taken	Amt Paid	Lock
I	MEM740	1201	\$1,214.00	89¢	\$0.00	\$1,214.00	No

Supp.Doc File: Invoice Filename: MEM740.pdf

Comments: Show Open Invoices

Buttons: Browse Edit Add Delete OK Cancel Print Exit

Task 8: Removing the allowance

14. Click **Add** in the bottom menu.
15. Select **N** for the **Non A/R Receipt**.
4. Select the **GL Code** for “*Allowance for Doubtful Account*” from the drop down menu.
14. Enter the negative amount in the **Amount Cleared** field.
15. Click **OK**.

Customer Receipt Maintenance [S1056]

Customer Receipt Header

Customer: VVC VOLVO TRUCKS NORTH AMERICA Credit Terms: Net60

Our Receipt Ref	Customer Rec. Ref	Bank	Receipt Date	Account	**Receipt Value:
Writing off bad debt	Writing off bad debt	TD	03/01/2017	731229	\$0.00
		TD	04/07/2016	731229	Amt Applied: \$890.00
					Amt Remaining: -\$890.00
					Currency: CDN

CR Filename: **Effective Date: 03/01/2017

Comments: **Pay Method: EFT Finalize

Bank GL Acct: 1001

Customer Receipt Detail

Type	Invoice	GL Code	Open Bal	Amt Cleared	Disc Taken	Amt Paid	Lock
I	MEM740	1201	\$1,214.00	\$890.00	\$0.00	\$890.00	No
N		1204		-890	0.00		No

Project: Supp.Doc File:

Cost Center: Invoice Filename:

Comments: Show Open Invoices

F1 for Help Browse Edit Add Delete OK Cancel Print Exit

Task 9: Finalizing the receipt

19. Click on the **Customer Receipt Header** frame.
20. Click the **Finalize** button.

19

Customer Receipt Maintenance [S1056]

Customer Receipt Header

Customer: **VVC** VOLVO TRUCKS NORTH AMERICA Credit Terms: Net60

Our Receipt Ref	Customer Rec. Ref	Bank	Receipt Date	Account	
		TD	04/07/2016	731229	▲
Writing off bad debt	Writing off bad debt	TD	03/01/2017	731229	▼

**Receipt Value: \$0.00
Amt Applied: \$0.00
Amt Remaining: \$0.00
Currency: CDN
Bank GL Acct: 1001

CR Filename: **Effective Date: 03/01/2017
Comments: **Pay Method: EFT

20 Finalize

Customer Receipt Detail

Type	Invoice	GL Code	Open Bal	Amt Cleared	Disc Taken	Amt Paid	Lock
I	MEM740	1201	\$1,214.00	\$890.00	\$0.00	\$890.00	No
N		1204	\$0.00	-\$890.00	\$0.00	-\$890.00	No

Supp.Doc File:
Invoice Filename: MEM740.pdf

Comments: Show Open Invoices

F1 for Help Browse Edit Add Delete OK Cancel Print Exit