

DEPARTMENT ACC	OEC-ACC-WO-P-02	ISSUE DATE 2016-04-01	REVISION # 0.0
	DEBTORS WRITE-OFF POLICY		PAGES 1 of 4

PURPOSE/INTRODUCTION

OEC Records Management Company Private Limited (herein referred as OEC) is raising bills for various services on their clients. Some bills remain unpaid or not paid fully in spite of regular follow-up. The reason for such bills remains outstanding may be one of the following:

- a. The services provided by OEC are not accepted by the client.
- b. The rates mentioned in the bill are not accepted by the client.
- c. The data relating to storage and services are not provided to the client.
- d. The data relating to storage and services are not matching with that of records maintained by the client.
- e. Financial problems of the client.
- f. Client is not traceable.

The policy aims to ensure that debtors are disclosed in the annual financial statements at the amounts deemed to be collectable and uncollectable debt is written off within the guidelines of this policy. By adopting this policy clear guidelines are set on the treatment of debtors and write-off of debtors.

OBJECTIVES

The objectives of this policy are to:

- a. Ensure any long outstanding debt is evaluated in order to determine the possibility of realizing such income.
- b. Ensure that where it is evident that a particular debt cannot be turned into a recovery such debt be procedurally regarded as irrecoverable.
- c. Ensure that the OEC makes enough provision for bad debts in the Accounts.
- d. Ensure that outstanding monies which have been outstanding for a long time after all attempts have been made in terms of recovering them should then be written off.
- e. Ensure the identification of bad debts during the course of the financial year.
- f. Provide guidelines on the writing off of bad debts at least three months before the end of the financial year.

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g. Ensure the proper delegation of powers to write off bad debts up to a certain amount.

REFERENCE

N.A.

RESPONSIBILITY

As mentioned in the below process.

PROCESS

1. IDENTIFICATION OF IRRECOVERABLE DEBTS

Debt is identified to be irrecoverable after the whole credit control and debt collection process has been followed and no payments were received towards the outstanding account.

Once the debt is regarded as irrecoverable during the course of the year it must be provided for in the books of account as "Provision for Doubtful Debts".

All debt outstanding for more than 120 days are considered indicators to determine that debtors are impaired. Impairment of debtors (provision for doubtful debt) is recognized as an expense in the statement of financial performance. When an under recovery occurs during the financial year an additional contribution for impairment is made at year end. In the assessment for impairment the following methodologies:

a. Consumer debtors : Debtors are evaluated at each reporting date and impaired as follows:

Debt outstanding in excess of 365 days 100%

Debt outstanding in excess of 301 to 365 days 75%

Debt outstanding in excess of 211 to 300 days 50%

Debt outstanding in excess of 120 to 210 days 25%

b. Sundry debtors are assessed individually for impairment when necessary to ensure that no evidence exists that these debtors are irrecoverable.

c. The report should be submitted to The Board stating the party wise position in this account in the following format :

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Details of Provision				
SR.NO	Name of Customer	Bill No/Date	Outstanding Rs.	Status/Remarks

Follow-up of recovery should be continued even after the amounts provided as doubtful debts.

2. WRITING OFF OF IRRECOVERABLE DEBTS

Where debts are classified as "Provision for Doubtful Debts", the process of writing off will be treated as follows:

- The Debts will qualify for write off after a period of two financial years in which it is classified as "Doubtful Debt"
- The Debt may be written off even before the above period, if it is confirmed that amount is not recoverable.
- The levels of approvals will be as follows :

First level Approval : VP - Sales & Credit Control

Second Level Approval : CEO/COO

Third Approval: Board of Directors

Multiple approval is required only if the amount is exceeding Rs. 15,000/- per customer.

In case the value of write-off is less than Rs. 15,000/- the following procedure should be followed:

- For write-off amount up to but not exceeding Rs 500/- per invoice, the delegated authority rests with the Collection Team Leader – There would be a cumulative ceiling of Rs. 5,000/- per month under this clause.
- For write-off amount greater than Rs. 500/- per invoice and not exceeding Rs 5,000 per invoice, the delegated authority rests with the Collection Head – There would be a cumulative ceiling of Rs. 15,000/- per month under this clause.

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- c. For write-off amount greater than Rs 5,000 per invoice and not exceeding Rs 15,000 per invoice, the delegated authority rests with the Chief Operating Officer – There would be a cumulative ceiling of Rs. 1,00,000/- per month under this clause.
- d. Collection Team Leader to present a summary report of such write offs clause wise to every board meeting.
- e. The Accounts must prepare a report and presented to the Board containing the following:

Date	Client Name	Invoice No.	Date	Write off Amount	Reason for Write off	Recommended by	Approved by
					Attach		
					detailed emails)		

It should be confirmed by the Recovery in-charge that “all available avenues to recover debt have been exhausted; and that further actions would be fruitless and not cost”

The confirmation received from the customer and/or the communication for recovery efforts should be submitted to the Accountant.

After the approval of the Board, the amount will be written off in the books of accounts.

3. RECOVERY OF IRRECOVERABLE DEBTS

Should there be a payment in respect of the account which has already been written off, such monies must be accounted as recovery of Bad debts as Income.

ENCLOSURES

NA

FORMATS / EXHIBITS

NA