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1.0 INTRODUCTION

As part of the management of its financial resources, Kabale University should ensure that most effective cash collection procedures are in place and that income generated is correctly reported. Income to the University, reported through the Statement of Comprehensive Income and Other Incomes shall be calculated to reflect the income generating activity for the period regardless of whether or not the cash has been received by the University. Kabale University Management shall emphasize fees collection and any other outstanding balances from customers to zero.

Despite the best efforts to collect the outstanding income, it is deemed to be irrecoverable if it is referred to as a bad debt and would normally be written off to the Statement of Comprehensive Income and Other Incomes as a reduction in income for accounting purposes. Treating income as a bad debt will be the final stage of the Kabale University debt collection process for the current financial period. To mitigate against the impact of writing off Bad Debts, Kabale University shall make an annual provision in the accounts (referred to as the bad debt provision). By the nature of Kabale University operations, Debt management policy is of great importance as there are cases of student drop outs hence student debtors and other customers that may not clear outstanding bills at the end of an accounting period. This document, therefore, establishes policy guidelines that should be followed by Kabale University in Debt Management.

2.0 DEFINITION OF TERMS

Debtor	A person or organization that owes money to Kabale University.
Bad debt	An outstanding sum of money owed to Kabale University or its subsidiaries which have not been paid despite repeated efforts to collect the debt (deemed irrecoverable) or it is uneconomic to pursue the debt any further.
Bad debt provision	This is a provision which is made in Kabale University accounts against outstanding income which may not be collectable. It ensures that future periods' results will not be adversely impacted if debts need to be written off.

Write-off	This is a procedure used in accounting when a debtor (or other asset) is determined to be uncollectable and is therefore considered to be a loss in the current accounting period.
Recovery of a Bad debt	Recovery of Bad debt is a process where a debt that was previously written off and has turned to be recoverable.
Accounting period	A period of 12 months from July 1 to June 30 in accordance to the GOU Fiscal year.

3.0 BACKGROUND

Kabale University is a Public University, established by Statutory Instrument 2015 No 36 of 16th July 2015 under *The Universities and other Tertiary Institutions Act 2001 (amended 2003, 2006)*. The public status was operationalized on 1st July 2016, with formal Government funding. Prior to this, Kabale University attained Charter status - Certificate No ULCH.008 - dated 29th September, 2014.

According to the International Public Sector Accounting Standard (IPSAS) 29: Financial Instruments: Recognition and Measurement, a reporting entity is required to carry out an impairment review to determine the recoverability of receivables.

4.0 PURPOSE STATEMENT

The purpose of this document is to establish a policy for the calculation of the bad debt provision and writing off any bad debts.

5.0 APPLICABILITY AND SCOPE

5.1 This policy applies to all Kabale University staff involved in the raising of income and debt collection activities.

5.2 The scope of this policy covers Kabale University income across all income generation centres (tuition fees, commercial/enterprise income, accommodation and other miscellaneous income).

6.0 RESPONSIBILITIES

6.1 Leadership of this policy lies with the Kabale University Management

6.2 The Accounting Officer shall be responsible for the management and administration of the policy. The policy will be reviewed on an annual basis to ensure that it reflects current accounting practices and is reflective of the financial risks around income collection, faced by Kabale University.

6.3 All members of Kabale University staff involved in the raising of revenue are responsible for ensuring that the information contained is correct to reduce the risk of queries and subsequent late payments. Kabale University members of staff are also required to provide relevant information and documentation for any debt collection process.

6.4 All enquiries relating to this policy shall be directed to the Deputy Vice Chancellor – Finance and Administration.

7.0 KEY ACTION POINTS OF THE POLICY

Kabale University will maximize its cash collections and for this reason, the debt recovery policy shall be adhered to in accordance with the following policy guidelines;

7.1 Kabale University shall aim at 100% debt collection and collection charges shall always be passed onto the debtor.

7.2 Outstanding Debts that are 6 months old and over Ugx 1,500,000 shall; (a) be pursued by an external debt collection agent (b) may be referred for litigation.

7.5 Interest may be chargeable on outstanding debt where deemed necessary.

7.5 Kabale University can reinstate debts and attempt to collect them if new information is availed.

8.0 KABALE UNIVERSITY BAD DEBT PROVISION

Kabale University shall provide for Bad debts at a rate of 5% of total receivables at the beginning of each accounting period. Kabale University management by approval of the University Council shall review on a regular basis the 5% threshold to ensure that they reflect the natural cycle of debt management processes.

In order to enable the Accounting Officer effectively monitor Kabale University debtor levels, a debtors report will be produced at the end of every Semester. This will identify movements of debtor balances and contain narrative commentary of key risks, issues and updates on debt collection activities.

During the financial year once it is established that debts are likely to be irrecoverable or uneconomic to pursue further, the debt will be recommended for write-off.

A final year-end report shall be prepared for University Management for submission to the Finance Committee of Council detailing all debts to be written off during the year and any outstanding items requiring approval for that financial year.

9.0 ACCOUNTING TREATMENT

Allowances for bad debts could take the form of Specific Allowance or General Allowance at Kabale University. Whereas the specific allowances are in respect of specific receivables which are known to be facing serious financial problems, the General Allowance are highly based on Kabale University past history where management will show that a portion of receivable balances are not likely to be recovered. Kabale University shall, therefore, create an allowance/provision for doubtful debts under the following accounting treatment.

9.1. Adjust the receivables for bad debts

Debit (Dr)		Bad debts expense
	Credit (Cr)	Receivable

9.2. Provide for Allowance/Provision for bad debts

When Kabale University management is convinced that there is a likelihood of a percentage of the total receivable (after deducting the known bad debt) not being recovered, an allowance of that estimated percentage shall be made.

9.3. Adjust the Provision for bad debts against the prior year opening balance

Debit (Dr)		Allowance for Doubtful Debts (Expense)
	Credit (Cr)	Allowance for Doubtful Debts (Balance Sheet)

Once an allowance for doubtful debts has been created, only the movement in the allowance shall be charged to the Statement of Comprehensive Income and Other Incomes for the next accounting period. So if the estimated allowance for doubtful debt is same as the previous accounting period, no accounting entry shall be required in the current accounting period as the total receivables shall have been reduced by the amount of allowance which had already been created. In case of recovery of a bad debt, the Finance Department shall re-instate the debtor and recognize cash received as an income and then clear off the debtor.