BUSINESS AND FINANCE DEPARTMENT
Bursar

Effective Date: 9/1/2026

ALLOWANCE FOR DOUBTFUL ACCOUNTS POLICY

Policy Number	540-01
Approval Authority	President?
Responsible Administrator	Chief Financial Officer
Responsible Office	Bursar
Policy Contact	Bursar

1.0 POLICY STATEMENT

Implicit in every receivable is a degree of uncertainty regarding its collectability. To accurately reflect revenues on the University Financial Statements, the University must acknowledge the potential that some present and future revenues may not be collectible. Consequently, it is essential to calculate and record an allowance for uncollectible receivables. This policy establishes a framework for effectively forecasting this allowance based on pertinent data.

2.0 IMPORTANCE AND REASON FOR THE POLICY

Balances on accounts receivable must include a provision for uncollectibility to estimate the amount that will be collected. Under generally accepted accounting principles, this is accomplished by establishing an allowance for uncollectible accounts receivable (an offsetting, "contra-asset" account) that creates an allowance "reserve" which nets against total accounts receivable. The net of total accounts receivable, less the allowance reserve balance, results in a more realistic valuation of accounts receivable.

3.0 DEFINITIONS

Allowance: A budgeted operating expense created by a campus/department with the expectation that some doubtful accounts exist in that department's ledger.

Doubtful Accounts: Defined as monies owed to the university with a low probability of repayment. This category may include, but is not limited to, tuition, fees, other charges, advances, etc.

Write Offs: An elimination of particular accounts receivable balances once it is determined that the amount will not be collected by the University.

4.0 PROCEDURES

A. General

The University will calculate an allowance of non-collectability for any revenues for which uncertainty exists about future collections. Examples of these include but are not limited to:

- Student Accounts Receivable
- Student Loans Receivable
- Third Party Receivable
- Parking and Fines Receivable

B. Estimation Method

An analysis of the accounts receivable aging report at year-end will be used to calculate the allowance, if any, for each fiscal year. The calculation will be based on the percentages below:

Aging Period in Days	% Not Collectible
0 to 90	5%
91 to 180	10%
181 to 360	75%
361 to 1080	100%
1081 and older	100%

With appropriate support and documentation, the Chief Financial Officer has the authority to adjust these percentages as needed for third-party payers.

C. Write-Off of Student Receivables

Student receivables that prove uncollectible after prescribed collection efforts have been exhausted are written off, with State of Tennessee approval, by a charge to the appropriate reserve for doubtful accounts.

5.0 AUTHORITY AND REFERENCES

- TSU Payment of Student Fees and Enrollment Policy
- TSU Collection of Accounts Receivable Policy

6.0 HISTORY

Policy 5.06.07.1 Allowance for Doubtful Accounts