

uncollectible accounts

by Uncollectible Accounts Uncollectible Accounts

Submission date: 03-Apr-2021 01:13AM (UTC-0500)

Submission ID: 1549495251

File name: uncollectible_accounts.doc (31.5K)

Word count: 237

Character count: 1173

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If your boss asked you to find the reason for a substantial increase in losses due to uncollectible accounts, what policies and procedures would you investigate? What suggestions to reduce bad debts would you recommend? Explain your answer.

Answer

A company's fundamental goal is to maximize its cash and credit by delivering products to consumers. When selling goods on loan, the following considerations should be addressed.

- 1) The desire of the client to pay.
- 2) The client's financial capability.
- 3) Economic factors that may impair the consumer's willingness to pay.
- 4) The standard collection period is equal to the amount required to satisfy the debt obligation.

To speed up payment and avoid bad debt losses, the company's director or owner may recover payment from late payers. The selection procedure should be specified in the collection strategy.

If a consumer fails to pay during the credit period, the following protocol is prescribed.

- ✓ Please send a polite reminder first.
- ✓ If the user does not respond, issue a second warning in a more forceful tone.
- ✓ If a client is unreliable, call or communicate with them.
- ✓ If the client refuses to pay, try to prosecute him for breach of contract.
- ✓ Submit a timely invoice voucher.

If the borrower does not answer after taking the above steps, his loan will be marked as a bad credit loan, and his account will be closed.

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