Writing off bad debts

ANSWER ID:9097

When you decide to write off a bad debt, you need to reflect this in AccountEdge. This page explains how to do this so that the customer's outstanding balance is removed, your expenses are correctly updated, and any GST liability related to the sale is adjusted.

Bad debts are a reversal of the original sale, where the transaction gets allocated to a bad debts expense account.

Setting up your Accounts List to record a bad debt

Creating a Bad Debts expense account is the only preparation needed for recording bad debts. Or, if you account for bad debts by posting a provision to an asset account, create a 'Provision for Bad Debts' asset account instead. Note that a Bad Debts expense account may already exist in your software.

Setting up your Accounts List

To set up your Accounts List

Applying bad debt to a customer

A bad debt is applied to a customer's account by first creating a credit note (Adjustment Note). This bad debt Adjustment Note is then applied to the outstanding invoice(s).

1. Creating the bad debt Adjustment Note
2. Applying the bad debt Adjustment Note

FAQs

How does a bad debt affect the GST?