I. SCOPE OF POLICY

Provisions and Bad Debt Write-off Policy is applied to all AUC community, the Audit teams, and Regulatory Bodies in both Egypt and United States should know this policy.

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

Treating income as a bad debt should be the final stage of the University debt collection process. To support this a detailed ‘Student Payment and Debt Procedures’ policy for the collection of income is in place and is in the process of being updated and reviewed.

To mitigate against the impact of writing off bad debts, the University makes an annual provision in the accounts (referred to as the bad debts provision).

II. DEFINITIONS

Debtor: A person or organization that owes money to the University.

Bad debt: An outstanding sum of money owed to the 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 further.

Bad debt provision: This is a provision which is made in the 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.
III. POLICY STATEMENT

Provisions and Bad Debt Write-off Policy enables AUC to maintain optimum debt management controlled and methodical management of debt items to be written off and corresponding accounting entries adjustments are processed in accordance with the US GAAP.

This document will be revised and supplemented, as required, to meet new needs and conditions. Revised pages will be sent to all holders who are responsible for keeping the manual current.

An important part of this updating process depends on the constructive comments, information, and suggestions received from you, the users.

IV. RESPONSIBILITIES

This policy must be implemented by all AUC staff.

V. POLICY STANDARDS AND PROCEDURES

Principles for the Provisions and Bad Debt Write-off Policy

The University is keen to maximize its cash collection and in the first instance the debt recovery policy will be followed. Where the income remains outstanding and no payment plan has been agreed the following procedure will be followed:

- AUC will officially contact student by email.
- AUC will activate financial hold on student record.
- Student’s transcript will remain on hold till collecting the amount due.

Calculation of the bad debt provision

A bad debt provision will be calculated at the year-end (30th June) to be posted to the financial statements based on the following calculation:

Nonacademic studies: School of Continuing Education (SCE), Engineering and Science Services (ESS), Executive Education (EE):

- Any debts less 90 days – 25%
- Any debts over 90 days – 50%
- Any debts over 180 days – 75%
- Any debts over 360 days – 100%
Academic studies (Undergraduate, Graduate, and Non-degree):

100% of All non-registered students amount due.

These threshold amounts will be reviewed regularly to ensure they reflect the natural cycle of debt management processes and are relevant to the AUC University business model.

Writing Off:

Student Accounts office write-off 100% of the amounts due for the students who have a reserved amount and their accounts not settled by the end of each fiscal year.

VI. FORMS/INSTRUCTIONS (if applicable)

There are no forms applicable to this policy.

VII. APPENDICES (if applicable)

There are no appendices applicable to this policy.

VIII. CONTACT INFORMATION

If you have any questions or concerns relative to either policy or procedures, please call

1. Ms. Amira Gaber – Acting Senior Director – Accounts Receivables, Ext: 2339
   or send an e-mail to amira_hg@aucegypt.edu

2. Mr. Mohamed El Sergany – Director - Student Accounting, Ext: 2448
   or send an e-mail to msergany@aucegypt.edu