Indiana University
Accounts Receivable Standard Operating Procedures

SUBJECT: KFS AR Customer Invoice Adjustment edocs

SOURCE: Non-Student Accounts Receivable, Financial Management Services

ORIGINAL DATE OF ISSUE: February 2014

DATE OF LAST REVISION: December 2018

AROP NO: 6.0

RATIONALE: To define the correct KFS adjusting edocs used to clear KFS AR Invoices (INV) in various scenarios.

ARSOP: According to IU policy Write-Off Accounts FIN-ACC-500, Accounts Receivable balances over 12 months old and lacking current productive activity should be written off even if the invoices are placed with a collection agency.

All invoices that will be 365 days or older at June 30 (end of fiscal year) should be written off using an Invoice Write-off (INVW) edoc at least 7 business days ahead of June 30 (end of fiscal year). Invoices deemed uncollectible prior to aging out to 365 days should be written off when collection efforts have been exhausted.

In instances where productive activity exists for invoices over 365 days old, explanations should be added to the notes section of the Invoice (INV) edoc.

Please refer to the guide below for the correct document type to use when clearing KFS AR invoices:

1. The invoice is a duplicate or is incorrect and needs to be re-issued

   - A Correction document should be used to reverse invoices that should not have been created. The Correction button will be available at the bottom of invoices in final status for the entire fiscal year in which the invoice was created. The Correction button will not be available once the invoice crosses fiscal years or if any partial payments or credit memos have been applied to the invoice.

2. There is a small balance on the invoice due to returns, price adjustments, or to remove open balances that will not be received because of the cost of doing business, i.e. bank fees deducted for wire transfer payments:

   - Use Credit Memo (CRM) edoc to clear the remaining balance of the invoice and include a reason for the credit memo. Do not use “To Write-off Invoice” as the reason because credit memos are not used to write-off bad debt. Reasons for using the CRM edoc include:
• To clear bank fees subtracted from payment
• To clear balance due to price adjustment
• Applying credit for customer satisfaction issues

3. The balance of an outstanding invoice stems from the customer not being able to pay (bankrupt, dispute, unresponsive, etc.)

• Use the Write-Off (INVW) edoc to write off the invoice as bad debt. Collection effort comments should be added to the invoice prior to it being written off, and the Invoice Write-off (INVW) edoc should include a specific reason for the write-off other than “To write-off the invoice.” Specific reasons include:
  ▪ Customer is unresponsive (see collection notes on invoice)
  ▪ Bankruptcy
  ▪ Unresolved customer dispute

Please do not use the Write-Off (INVW) edoc to clear small balances under $1 from invoices; instead a Credit Memo (CRM) should be used to clear the invoice.

Remember: writing off an invoice does not prevent you from collecting the money from the customer at a later date.

Please contact Ben Rudman at berudman@iu.edu (Accounts Receivable Manager, FMS) if you have any questions.