

# Access Dimensions Setting Up a “Write-Off” Account

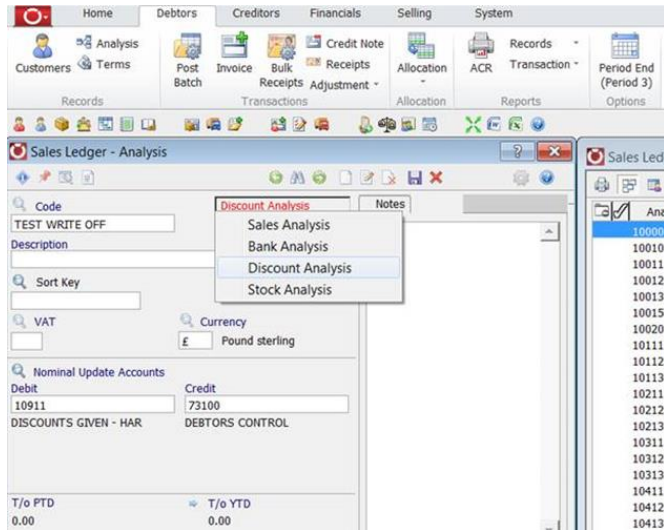


# COMMERCIAL STATEMENT

This document is subject to any terms as per [teamssoftware.com/legal](https://teamssoftware.com/legal).

To write the debt off the **Customer** account and the **Sales Ledger (Debtors) Control** account, the following process should be carried out:

1. Create a **Bad Debt** Nominal Account (typically in the **Finance Charges** section of the P & L).
2. Create a Sales Ledger Discount type **Analysis** record called **Bad Debts** (will not involve VAT), which:
  - Debits the **Bad Debts** Nominal Account and
  - Credits the **Sales Ledger (Debtors) Control** Nominal Account



3. Enter a Sales Ledger **Adjustment to Decrease Customer Balance** (Credit Adjustment) for the **Gross** Value of the debt, using the **Bad Debt Analysis** code.

The VAT element has not yet been recovered from HM Revenue and Customs and can be dealt with later - see below.

### VAT on Bad Debts

A business can claim relief from VAT on Bad Debts which are at least 6 months old, and which have been written off in the accounts. This is claimed by adding the value of VAT on Bad Debts on to the value of input tax reclaimable on the VAT return, submitted for the VAT period in which the relief becomes available. To reclaim the VAT post a **Debit VAT Journal**:

- On the **Header** window enter the **Bad Debts** Nominal Account Code as the **Contra Account**.
- On the **Detail** line:
  - Enter the **Bad Debts** Nominal Account Code
  - Leave the **Net** field as 0.00
  - Click into the **VAT** box and enter the amount of VAT to be reclaimed. The **Gross** value will then be the same as the **VAT** value

This will have the effect of reducing the **Bad Debt** Cost in the P & L Account by the amount of the VAT being reclaimed, and the VAT will be added to your input tax and included in Box 4 of the **VAT Return**. e.g. A Customer owes you £117.50. The effect of reclaiming the VAT is to remove the VAT from the **Bad Debts** account and add it onto the **VAT Control** account, as follows:

	Dr.	Cr.
<b>Bad Debts</b> Expense account	£117.50	<b>£17.50</b>
Sales (Debtors) Control account		£117.50
<b>VAT Control</b> account	<b>£17.50</b>	

When the reclaimed VAT is received, the £17.50 will be Credited to the **VAT Control** account, and Debited to the **Bank** account. This will leave the **Bad Debts** at £100.00.



TEAM Software develops market-leading solutions for companies with distributed workforces. TEAM has a focus on the cleaning and security industries helping the companies who serve these sectors manage and optimise their business; from front line service delivery to back office financial management. TEAM's technology is designed to help improve productivity, employee engagement and profitability, and at the same time help control cost, risk and compliance. For more information, visit [teamsoftware.com](https://teamsoftware.com).