Introduction

riting off receivables is a financial process employed by businesses to manage unpaid invoices that are deemed uncollectible. This involves selecting specific invoices based on predetermined criteria and marking them as paid, effectively acknowledging the unlikelihood of recovering the outstanding amounts. As an alternative, businesses may choose to create payments to settle the invoices, providing flexibility in addressing outstanding receivables while maintaining accurate financial records. This financial maneuver helps organizations streamline their accounts and make informed decisions regarding outstanding debts.

Business process

A small manufacturing company has been facing challenges with collecting payments from a few of its long-standing clients. After careful assessment, the finance team decides to write off a set of overdue invoices that meet specific criteria, marking them as paid. This action helps the company streamline its accounts, acknowledging the likelihood of non-recovery. In an alternative approach, for select clients, the company opts to create adjusted payments, working collaboratively to settle outstanding amounts. This flexibility allows the company to balance its financial books effectively, making informed decisions on when to write off unrecoverable receivables and when to engage in negotiations for partial settlements.

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