

## Handling Bad Debts

1. Go to the *Chart of Accounts (Ctrl + A)* and create a new expense account called 'Bad Debts' (with no opening balance).
2. Go to the *Customer drop-down list* and select *Receive Payments*.
3. Choose the *Customer/Job* that is the source of the bad debt (the item to be written off).
4. Click the *Outstanding Invoice Amount* line item at the bottom of the window. If the *Automatically Apply Payments* box is selected in the *Company* tab of the *Sales and Customers* Preferences, click on the *Unapply Payment* box on the *Receive Payments* screen.
5. Click the *Discount and Credits* button at the bottom of the window.
6. Enter the amount of the bad debt (the amount to be written off) in the discount tab of this screen.
7. Enter the *Bad Debts* expense account for the *Discount Account*.
8. Click *Done*.
9. Click *Save* and *Close*.

To see a report showing the monthly, quarterly or annual bad debts, go to the *Chart of Accounts (Ctrl + A)* and double click the *Bad Debts* expense account. This will generate a QuickReport in which you can change the date range. The above method of writing off bad debts works well when sales tax is not involved.