

Part: **Public Money and Property**
 Section: **Accounts Receivable**
 Subsection: **Control of Accounts Receivable**
 Policy: **Credit Terms**

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Credit Terms

- Objective** *The objective is to establish credit terms that are consistently applied.*
- Authority** *The Financial Administration Act, 1993, clauses 5(a) and 5(e), subsection 10(2) and section 22*
- Applicability** This policy applies to the General Revenue Fund (GRF), and special purpose funds and trust money that are administered by ministries. See [Appendix C Public Money](#).
- Treasury Board Policy**
- .01 The extension of credit is to be avoided, wherever possible, particularly if the amount is less than \$25.
 - .02 Interest is to be levied on overdue receivables only where it is authorized or required in accordance with legislation or by Treasury Board.
- Provincial Comptroller Directives**
- .03 The credit period is to be limited to 30 days from the date the goods and/or services were provided, unless approval from the Provincial Comptroller is obtained.
 - .04 Payment should be received, wherever possible, at the time goods and services are provided.
 - .05 It is appropriate to extend credit in the following cases:
 - There is an on-going (e.g., month-to-month) relationship.
 - There is a reasonable expectation to extend credit based on industry practice.
 - In trade credit situations, an analysis of past government experience has determined the debtor to be credit worthy.
 - .06 It is inappropriate to extend credit in the following cases:
 - when the dollar amount is less than \$25; and/or
 - when the purchase is a non-recurring, one-time purchase.
 - .07 The credit period should be minimized in all cases.
 - .08 Where it is impractical to issue a separate invoice for each transaction, billings can be prepared on a monthly basis. The credit period extended should take into account the time

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required between the monthly statement date and the date the goods or services were provided. For example, the requirement to provide payment within 15 days after month end would provide, on average, 30 days of credit.

A statement is a document sent to each debtor indicating the account receivable balance at the beginning of the statement period, the transactions during the statement period (including the date and amount of each amount due, payments received and credits issued) and the ending balance due.

- .09 Where interest is authorized or required to be charged, advance notice of the interest rate and the date the interest charges begin should be provided to debtors.
- .10 Billings must be made on a timely basis. Billings must clearly indicate the payment terms, including the credit period and if applicable, the rate of interest penalty on late payments.

References

- [3700 Control of Accounts Receivable](#)
- [3710 Accounts Receivable Records](#)
- [3715 Collection Activities](#)
- [3720 Collection Agency Fees](#)
- [3725 Write-off or Cancellation of Accounts Receivable](#)