Cosmopolitan Service Corporation

Receivable Recoveries Since 1967

IMPACT OF BAD DEBT WRITE-OFF ON SALES

The importance of cash flow is undeniable; the write-off of bad debts affects more than your firm’s cash flow; it also impacts sales and marketing efforts.

The table below shows the “multiplier” impact on sales from bad debt write-offs.

			Your net profit is:			
	2%	3%	4%	5%	6%	
Your write-off:	**You will need the following amount of additional sales to offset the loss:**					
$100,000	$5,000,000	$3,333,333	$2,500,000	$2,000,000	$1,666,666	
$250,000	$12,500,000	$8,333,333	$6,250,000	$5,000,000	$4,166,666	
$500,000	$25,000,000	$16,666,666	$12,500,000	$10,000,000	$8,333,333	
$750,000	$37,500,000	$25,000,000	$18,750,000	$15,000,999	$12,500,000	
$1,000,000	$50,000,000	$33,333,333	$25,000,000	$20,000,000	$16,666,666	
$1,500,000	$75,000,000	$50,000,000	$37,500,000	$30,000,000	$25,000,000	
$2,000,000	$100,000,000	$66,666,666	$50,000,000	$40,000,000	$33,333,333	

Source: Commercial Collection Agencies of America Inc.

For example, a business with a net profit of 2%, experiencing $100,000 in write-offs, would require an ***additional*** $5,000,000 in sales to offset the loss of profit on the $100,000 in write-offs.