

BAD DEBTS

Qmuzik follows a policy of providing and writing off debtors in line with IFRS.

Qmuzik evaluates its debtors on an individual basis, and takes into account the following factors in determining whether an individual debtor needs to be impaired.

1. Late payments will be a consideration, but where new terms have been negotiated this needs to be evaluated. If the change was due to changed operational requirements, no impairment will be done. However if the terms were renegotiated due to the inability of the debtor to pay, then the debtor should be impaired.
2. If a debtor is placed under liquidation, the debtor should be impaired immediately, or written off depending on the chances of recovery.
3. License fees are a lesser risk because customers depend on the system, which can be switched off in the case of non-payment. Support services rendered are a higher risk, with non ERP services slightly more of a risk than ERP support.
4. Customer history is a very important consideration. Ordinary late payment is not a motivation for impairment.
5. Cash flows expected over the short term can be deducted from the impairment i.e. partial impairments can be done.
6. Any other factors that have a bearing on the recoverability must be taken into account in determining whether a debtor should be impaired