



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 | |

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.

Agencies certified by **Commercial Collection Agencies of America** will assist your firm with reducing write-offs of bad debts.

To find a certified agency, visit www.commercialcollectionagenciesofamerica.com

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