



1.0 PURPOSE

This policy provides guidelines related to establishing, analyzing, and recording customer accounts receivable that may not be collected (also known as an *allowance for doubtful accounts* or *bad debt*). Accounts receivable is covered in a separate *Accounts Receivable* policy.

2.0 POLICY

An allowance for doubtful accounts will be recorded for all third party accounts receivable aged greater than 120 days from the invoice date and other customer accounts receivable where collection is unlikely, regardless of the age.

2.1 Objectives

Transactions recorded in the general ledger must be properly measured based on the underlying event in accordance with U.S. GAAP. All transactions occurring during the reporting period and current balances must be completely reflected in the trial balance. Only assets and liabilities for which Brink's has the rights of ownership or responsibility for should be recorded in the trial balance. Transactions should be recorded only when they exist as supported by an underlying event. All amounts should be classified and disclosed to allow for accurate presentation of financial information. Management should ensure that all transactions and adjustments are appropriately authorized for recording to the trial balance.

3.0 PROCEDURE

3.1 Background

An *allowance for doubtful accounts* or potential "*bad debt*" is recorded for the portion of *Trade Accounts Receivables (A/R)* that may not be collected from third party customers. When netted with *Accounts Receivable*, it adjusts the Balance Sheet to the estimated realizable value.

3.2 Accounting for Bad Debt

A detailed subsidiary ledger by customer capable of aging *A/R* must be maintained. The total amount of all uncollected third party customer accounts aged greater than 120 days beyond the invoice date should be recorded to the allowance for doubtful accounts reflected on the Balance Sheet. A related entry is recorded as an expense to the Income Statement. The invoice amount remains in *Accounts Receivable*; however, an entry is made to the contra-account, *Bad Debt Allowance*, for amounts aged greater than 120 days.



In some instances, customer accounts receivable may need to be recorded to the allowance for doubtful accounts even if the customer invoice has not aged beyond 120 days. For instance, if a customer files for bankruptcy or, based on facts and circumstances it is probable the customer will not pay amounts due to Brink's, the customer's accounts receivable balance should be included in the allowance for doubtful accounts regardless of the age of the invoices or balance.

Note that the allowance for doubtful accounts should **exclude** any credit balances that are aged greater than 120 days that may be included in the AR subsidiary ledger. For example, the AR subsidiary ledger may include a total AR balance of \$100 that is aged greater than 120 days. However, \$120 of this balance is comprised of debit balances in customer accounts and \$20 represent credit balances either aged in customer accounts or unapplied. The total amount recorded to the allowance for doubtful accounts should be the full \$120, which excludes the credit balance impact.

3.3 Write-off of Bad Debt

If a customer account is determined to be uncollectible despite previous collection attempts, the uncollectible amount may need to be written-off to the allowance for doubtful accounts. Write-offs of customer accounts must be approved by an appropriate level of management as outlined below. Additional guidance is provided in the *Accounts Receivable* policy.

| | Country CFO/CEO | Regional CFO/CEO | VP Finance | President | BCO Functional Representation | BCO CFO | BCO CEO |
|------------------------------------|-----------------|------------------|------------|------------|-------------------------------|--------------|-----------------------|
| Write-off of customer invoices (2) | (1) | \$ 250,000 | \$ 500,000 | \$ 500,000 | NR | \$ 1,000,000 | All over \$ 2,000,000 |

(1) As per delegation from Regional Management to the Country CFO and CEO, up to Regional Management authority. Country CFOs may further delegate authorization to an appropriate level of management or supervisory employees within the country to write-off uncollectible accounts based on threshold amounts.

(2) Authority thresholds represent the aggregate amount per customer or event occurring within the same month.

NR Level of authorization is not required.

3.4 Subsequent Recovery of an Account Receivable

If a customer account receivable that had previously been included in the allowance for doubtful accounts is later collected from the customer, this amount should be removed from the allowance for doubtful accounts and recorded as a reduction to the expense.

If a customer account receivable that had previously been written-off (removed from A/R) is later collected from the customer, proceeds from this collection should



be reflected in the accounting records as a reduction of the expense on the Income Statement.

4.0 ADVICE AND COUNSEL

Brink's Management includes accounting and finance professionals who are available to provide assistance and guidance to ensure compliance with this policy. Interpretation of guidance provided in this policy is the responsibility of the Brink's Controller. Questions about this policy should first be directed to Regional Finance Management.

5.0 RELEVANT PROFESSIONAL LITERATURE

This policy is based on good business practice supported by a system of normal checks and balances as well as segregation of duties.

6.0 DOCUMENTATION

All documentation described in this policy must be maintained at the local business unit level and will be subject to periodic review.