



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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