Difference Between Bad Debt & Doubtful Debt

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Both these words are related to the finance. When a client has purchased goods or taken a service without paying a price for it and making a promise to pay it later but it doesn't happen. Which means a money has been owed to a company, by its clients or customer. So the loss occurred in this is treated as a debt. Bad debt and doubtful debt both are a type of debt.

Bad debt

- When a company has given goods and services to its customer on a credit for some period it becomes receivables for the company.
- When creditors turn out not to repay the money and a company is unable to collect the amount ever, it is declared as bad debt.
- In a bad debt, a debtor fails to collect his accounts for the items sold on a credit in a certain period of time.
- A bad debt is written off by debtors and it is accounted as an expense to a company.
- This situation occurs when the creditor has been declared a bankruptcy by the debtor.
- So, the loss incurred on the credit given to the client sometimes interest also considered as a bad debt.
- This money is the account receivable means the company is a debtor and the customer is a creditor.

- So in a simple language, when a company is owed to its customer and a business entity is not able to collect and will not be able to collect in future, that amount of money goes to bad debt.
- A company makes provision for this type of loss.

Doubtful debt

- It looks like same as the bad debt but both are a little bit different.
- Doubtful debts, which are not included in the bad debt, are considered or counted as a doubtful debt.
- When a creditor turns out not to pay money and a company may be able to collect the money so there is a chance of an amount will be recollected, it is called a doubtful debt.
- So, as the name suggests that doubtful debt, there is a possibility that the money will come, so this possibility makes doubtful debt.
- When an uncertainty comes to an end for the receivables doubtful debt turns to a bad debt.
- A company makes provision for this type of loss to cover in future like provision for doubtful debts.

Bad debt	Doubtful debt
When a money, which is owed to its customer and a business entity is not able to collect and will not be able to collect in future, that amount of money goes to bad debt.	When a creditor turns out not to pay money and a company may be able to collect the money so there is a chance of an amount will be recollected, it is called a doubtful debt.
In bad debt, a creditor is declared as a bankrupt by the debtor.	In doubtful debt, a creditor turns out not to pay the money.
In bad debt, there is no possibility that a money will be collected by a debtor.	In doubtful debt, there is a possibility that a debtor may collect the money.
Bad debt has a direct relation with the doubtful debt because	Doubtful debt doesn't depend on the bad debt.

when the possibility to collect money ends, a bad debt occurs.	