

Accounts receivable testing questions

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Understanding Accounts Receivable: Tests, Analysis, and Best Practices**

What is the Test for Accounts Receivable?

The test for accounts receivable involves analyzing the accuracy, completeness, and existence of the amounts owed to the business by customers.

What is a Question that Should be Asked About Accounts Receivable?

A critical question for accounts receivable is: "Are the amounts recorded as accounts receivable accurate and collectible?"

How do you Test the Accuracy of Accounts Receivable?

Accuracy of accounts receivable can be tested by:

- Verifying invoices against sales orders and shipping documents
- Reconciling the accounts receivable subsidiary ledger to the control account
- Performing physical counts of customer inventory

What Questions are Asked in an Accounts Receivable Interview?

Common interview questions for accounts receivable include:

- How do you manage the accounts receivable process from customer invoicing to collection?
- What techniques do you use to improve accounts receivable turnover?
- How do you handle disputes and write-offs?

How do you Confirm Accounts Receivable?

Accounts receivable can be confirmed by sending out confirmation statements to customers, requesting them to verify the accuracy of the balance.

What is AR Analysis in Accounting?

AR analysis involves evaluating the efficiency and effectiveness of the accounts receivable process, including factors such as days sales outstanding, turnover ratios, and collection effectiveness.

What is the Biggest Problem with Accounts Receivable?

A major problem with accounts receivable is non-collection, which can lead to bad debt expenses and cash flow issues.

Why do we Test Accounts Receivable?

- To prevent fraud and errors
- To ensure that financial statements are reliable
- To identify areas for process improvement

How to do AR Reconciliation?

AR reconciliation involves matching the accounts receivable balance in the general ledger to the balance in the accounts receivable subsidiary ledger.

What are the Metrics for AR?

Key AR metrics include:

- Days Sales Outstanding (DSO)
- Accounts Receivable Turnover Ratio
- Collection Efficiency Ratio

How do you Evaluate Accounts Receivable?

Accounts receivable evaluation involves assessing the quality of the receivables, including aging analysis, credit risk assessment, and collection effectiveness.

How do you Analyze AR Turnover?

AR turnover analysis involves calculating the ratio of net sales to average accounts receivable. A higher ratio indicates more efficient receivables management.

What are the 4 Functions of Accounts Receivable?

The four functions of accounts receivable are:

- Billing
- Collection
- Credit management
- Reporting

What are the Basics of Accounts Receivable?

The basics of accounts receivable include recording and managing customer invoices, tracking payments, and monitoring customer balances.

How do you Solve for Accounts Receivable?

The formula to solve for accounts receivable is: $\text{Accounts Receivable} = \text{Net Sales} * \text{DSO} / 365$

What are the 7 Audit Assertions?

The 7 audit assertions for accounts receivable are:

- Existence
- Rights and obligations
- Completeness
- Valuation and allocation
- Presentation and disclosure
- Occurrence

- Accuracy

How do you Correct Accounts Receivable Errors?

- Issue a credit memo to customers for overstated receivables
- Issue a debit memo to customers for understated receivables
- Adjust the accounts receivable control account

How do you Monitor Receivables?

- Regularly review aging reports
- Conduct credit checks on new and existing customers
- Establish clear collection procedures

How to do AR Analysis?

AR analysis involves examining trends, ratios, and other metrics to identify inefficiencies and areas for improvement in the accounts receivable process.

What is AR in Software Testing?

AR (Application Requirements) in software testing refers to the process of defining and validating the functional and non-functional requirements of a software application.

What is AP vs AR in Accounting?

- AP (Accounts Payable): Amounts owed by a business to its suppliers
- AR (Accounts Receivable): Amounts owed to a business by its customers

How do you Assess Accounts Receivable?

Accounts receivable assessment involves evaluating the creditworthiness of customers, reviewing collection policies, and conducting aging analysis.

Why do we Test Accounts Receivable?

- To ensure the accuracy of financial statements

- To prevent fraud and errors
- To evaluate the creditworthiness of customers
- To identify areas for process improvement

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