

Accounts receivable process flow chart full download

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A Comprehensive Guide to Accounts Receivable Processing

Step-by-Step Process of Accounts Receivable

1. **Invoice Creation:** Generate invoices for goods or services delivered to customers.
2. **Posting:** Record the invoices in the accounts receivable ledger.
3. **Aging Analysis:** Categorize invoices by their age (e.g., current, 30-60 days overdue, etc.)
4. **Collection:** Send payment reminders and follow up with customers to collect on outstanding invoices.
5. **Cash Receipt:** Record cash payments received from customers.
6. **Reporting:** Generate reports on accounts receivable balances, aging, and collection performance.

Accounts Receivable Process Flowchart

[Image of Accounts Receivable Process Flowchart]

Full Cycle of Accounts Receivable

- **Invoice Generation:** Creating invoices for goods or services rendered.
- **Billing:** Sending invoices to customers for payment.

- **Collection:** Following up with customers to collect on invoices.
- **Cash Application:** Reconciling customer payments with invoices.
- **Reporting:** Generating reports on accounts receivable balances and collection performance.

AR Process Flow in SAP

SAP offers modules specifically designed for accounts receivable management, such as FI-AR (Accounts Receivable and Accounts Payable). The process flow in SAP typically follows the steps outlined in the general accounts receivable workflow.

AR Process Cycle

Refers to the complete cycle of activities involved in managing accounts receivable, including invoice generation, collection, and reporting.

Best KPI for Accounts Receivable

- **Days Sales Outstanding (DSO):** Measures the average number of days it takes to collect on invoices.

General Accounts Receivable Workflow

1. Invoice Creation
2. Invoice Approval
3. Invoice Posting
4. Invoice Aging
5. Payment Collection
6. Cash Application
7. Reporting

AR Collection Process

The process of pursuing payments from customers for outstanding invoices.

AP and AR Process in Accounting

- **Accounts Payable (AP):** Manages payments to vendors for goods or services received.
- **Accounts Receivable (AR):** Manages payments received from customers for goods or services sold.

Five Steps to Managing Accounts Receivable

1. Establish clear credit policies.
2. Track invoices and payment terms.
3. Send payment reminders and follow up with customers.
4. Offer flexible payment options.
5. Monitor accounts receivable performance and make adjustments as needed.

R to R Cycle

Also known as the Revenue Recognition to Realization cycle, it refers to the process of recognizing revenue when goods or services are delivered to customers and collecting on the resulting receivables.

AR Turnover Cycle

Measures the efficiency of accounts receivable management, calculated as $AR / (Revenue / 365)$.

Processing Accounts Receivable

1. Record invoices accurately.
2. Monitor invoice aging and follow up with customers.
3. Reconcile customer payments with invoices.
4. Generate reports on accounts receivable performance.

AR Process and MA Process

- **Accounts Receivable Process (AR):** Focuses on managing customer receivables.
- **Materials and Inventory Process (MA):** Focuses on managing materials and inventory related to goods or services sold.

AR P Process

Accounts Receivable Professional (AR P) refers to individuals responsible for managing accounts receivable.

Full Cycle AR

Manages accounts receivable from invoice generation to collection and reporting.

Calculating AR Cycle

AR Cycle = (AR Balance / Revenue) * 365

Basics of Accounts Receivable

- Involves tracking customer invoices and payments.
- Helps businesses understand their cash flow.
- Ensures timely collection of payments.

10 Rule for Accounts Receivable

A rule of thumb stating that accounts receivable should be collected within 30 days of invoice date.

Metrics for AR

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

Monitoring Accounts Receivable

- Track aging reports.
- Send payment reminders regularly.
- Follow up with customers on overdue invoices.

AR Process

Involves invoice generation, billing, collection, and reporting of accounts receivable.

AR Billing Cycle

Refers to the process of sending invoices to customers and managing invoice payments.

Key Steps in AR Management

- Establish credit policies.
- Control invoice accuracy.
- Monitor invoice aging.
- Follow up with customers.
- Reconcile payments.

Collecting Accounts Receivable Faster

- Send invoices promptly.
- Offer early payment discounts.
- Automate invoice reminders.
- Implement online payment options.

O2C AR Process

Order-to-Cash AR process covers the entire cycle from order receipt to cash collection.

Formula for Accounts Receivable Collection

= (Current AR Balance - Previous AR Balance) / Revenue

Reconciliation Process in AR

Matching customer payments with corresponding invoices to ensure accuracy.

Managing Accounts Receivable and Accounts Payable

- Track both accounts receivable and accounts payable.
- Reconcile invoices and payments promptly.
- Monitor cash flow to ensure financial health.

Journal Entry of Accounts Receivable

When a sale is made on credit:

- Debit: Accounts Receivable
- Credit: Sales

Process and Management of Account Receivable

Involves invoice processing, aging analysis, collection efforts, and reporting.

Process of Account Receivable Collection

- Identifying overdue invoices.
- Sending payment reminders.
- Contacting customers by phone or email.
- Offering payment plans or discounts.

Accounts Receivable Method

Refers to different methods used to recognize revenue and manage accounts receivable, such as the accrual method or cash basis method.

5 Cs of Accounts Receivable Management

- Character: Understanding customer creditworthiness.
- Capacity: Assessing customer's ability to pay.
- Capital: Considering customer's financial strength.
- Conditions: Monitoring industry and economic conditions.
- Collateral: Evaluating potential collateral in case of default.

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