

Accounts receivable test questions answers

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Accounts Receivable: Questions and Answers**

What Are Accounts Receivable?

Accounts receivable (AR) represent the money owed to a business by its customers for goods or services rendered but not yet paid for.

How to Test Accounts Receivable?

- **Confirmation:** Send invoices to customers to verify the amounts owed.
- **Aging analysis:** Divide AR into age categories (e.g., 0-30 days, 31-60 days) to assess the risk of uncollectibility.
- **Physical inspection:** Verify the existence of physical assets pledged as collateral.

How to Solve Accounts Receivable Problems?

- **Establish clear invoice terms:** Specify payment deadlines and penalties for late payments.
- **Improve credit screening:** Assess the creditworthiness of customers before extending credit.
- **Offer incentives for early payments:** Provide discounts or other benefits to customers who pay promptly.

What is the Aptitude Test for Accounts Receivable?

An AR aptitude test typically includes questions on:

- Basic accounting principles
- Data entry skills
- Customer service and communication
- Problem-solving and analytical abilities

How to Do AR Reconciliation?

- **Compare AR subsidiary ledger to GL:** Ensure that the total AR balance in the subsidiary ledger matches the GL balance.
- **Reconcile open invoices:** Identify any unapplied payments or unrecorded invoices.
- **Adjustments:** Make any necessary adjustments to bring the AR balance into alignment.

What Are 2 Examples of Accounts Receivable?

- Invoice for goods sold (e.g., furniture, electronics)
- Service fee for consulting or professional services

What is AR Analysis in Accounting?

AR analysis examines the efficiency and effectiveness of a company's AR processes. It includes metrics such as:

- Days sales outstanding (DSO)
- Turnover ratio
- Collection efficiency

How Do You Calculate AR in Accounting?

$AR = \text{Net sales} + \text{Beginning AR} - \text{Ending AR}$

Why Do We Test Accounts Receivable?

To:

- Ensure accuracy of financial statements
- Identify potential credit risks
- Improve revenue recognition and collection efficiency

What is the Biggest Problem with Accounts Receivable?

Late payments, which can lead to cash flow problems and bad debts.

What is the Best Strategy for Accounts Receivable?

- Proactive credit management
- Streamlined invoicing and billing processes
- Effective credit collection efforts

What is the AR Collection Process?

The steps involved in collecting AR payments, including:

- Invoice tracking
- Payment reminder calls
- Collection letters
- Legal proceedings (if necessary)

How Do You Assess Accounts Receivable?

- Review AR aging reports
- Analyze key AR metrics (e.g., DSO, turnover ratio)
- Assess the creditworthiness of customers

How Can I Pass My Aptitude Test?

- Practice sample questions
- Study accounting principles
- Develop problem-solving skills
- Seek professional guidance if needed

What are the Golden Rules of Accounting?

- Debit the increase in assets and expenses; decrease in liabilities, equity, and revenue.
- Credit the decrease in assets and expenses; increase in liabilities, equity, and revenue.

What are the 5 R's of Reconciliation?

- Record
- Reconcile
- Review
- Regularize
- Respond

How to Reconcile AR Aging to GL?

- Age AR transactions by invoice date.
- Compare the AR aging report to the GL AR balance.
- Analyze any differences and make necessary adjustments.

What are the 5 Principles of Reconciliation?

- Accuracy
- Timeliness
- Completeness
- Relevance
- Prioritization

What are the Three Types of Receivables?

- Accounts receivable (customer invoices)
- Notes receivable (promissory notes)
- Other receivables (e.g., advances to employees)

What is the AR Cycle in Accounting?

The steps involved in managing AR, including:

- Invoicing
- Billing
- Payment collection
- Bad debt write-offs

What are the Four Types of Accounts Receivable?

- Trade accounts receivable (from customers)
- Intercompany accounts receivable (from related companies)
- Accrued accounts receivable (revenue earned but not yet invoiced)
- Advances receivable (prepaid amounts for future services)

What is a Question That Should Be Asked About Accounts Receivable?

- Is our AR turnover ratio efficient compared to industry benchmarks?

What are the Three Types of Accounts Receivable?

- Current accounts receivable (due within one year)
- Non-current accounts receivable (due beyond one year)
- Doubtful accounts receivable (unlikely to be collected)

What are the Basics of Accounts Receivable?

- Understanding the concept of customer credit
- Recording sales transactions
- Managing invoices and billing
- Collecting payments

What are Included in Accounts Receivable?

- Amounts owed for goods or services sold on credit
- Interest accrued on accounts receivable
- Advances received from customers

What is the Biggest Problem with Accounts Receivable?

- Bad debts (uncollectible accounts)

Why Do We Test Accounts Receivable?

- To ensure accuracy of financial reporting
- To assess the credit risk of customers
- To identify potential areas for improvement

How Do I Prepare for an AR Interview?

- Research the company
- Practice common interview questions
- Highlight your skills in customer service, data analysis, and problem-solving

What are the 4 Functions of Accounts Receivable?

- Invoicing and billing
- Payment processing
- Credit management
- Bad debt management

What is the AR Cycle in Accounting?

The process of recording sales transactions, managing invoices, collecting payments, and writing off bad debts.

What is the Formula for Accounts Receivable?

$AR = \text{Net sales} + \text{Beginning AR} - \text{Ending AR}$

What is the Best KPI for Accounts Receivable?

ACCOUNTS RECEIVABLE TEST QUESTIONS ANSWERS

- Days sales outstanding (DSO)

What are the Five Cs of Receivables?

- Character (creditworthiness)
- Capacity (ability to repay)
- Capital (financial resources)
- Collateral (assets pledged as security)
- Conditions (economic environment)

What is AP and AR in Accounting?

- AP (accounts payable): Amounts owed to suppliers
- AR (accounts receivable): Amounts owed by customers

What is the AR Process?

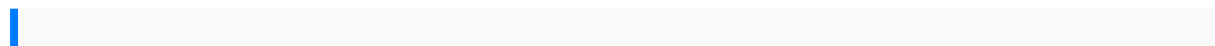
The steps involved in managing accounts receivable, from invoicing to collection.

What are the Two Major Types of Receivables?

- Trade receivables (from customers)
- Non-trade receivables (e.g., advances to employees)

What is the Journal Entry of Accounts Receivable?

- Debit: Accounts receivable
- Credit: Sales revenue



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