Introduction:

Finance department has responsibilities to govern to create standardized processes, clear roles, and responsibilities related to the management of financial activities within the organization.

This work procedure document is designed and targeted for officers within and outside Finance department (or its equivalent in subsidiary entities) to be guiding procedures for the specified financial and accounting processes in the Objective section.

Adherence to the activities and steps are crucial and mandatory to all targeted stakeholders to ensure consistent and transparent financial practice, clear accountabilities, regulatory compliance, and alignment with the company's financial policies used in conjunction with this work procedure.

Objective:

To establish the guideline procedures for 'AR Subledger Closing process', ensuring that income, AR and other related receivable accounts are correctly and completely accounted in a timely manner for every period's month-end closing process

Scope:

This work procedure shall be adopted by Banpu Public Company Limited and subsidiaries, whose Finance and Accounting operations are handled by Finance department in Thailand, and shall be effective until announced otherwise.

Definitions:

Key terminology used in this procedure includes the following:

- Accounts Receivable
- Control Account
- Intercompany
- AR aging
- Allowance for Doubtful Accounts

For definitions of each terminology, refer to the Appendix 1: Definitions [File Name: SOP Appendix 1 Definitions].
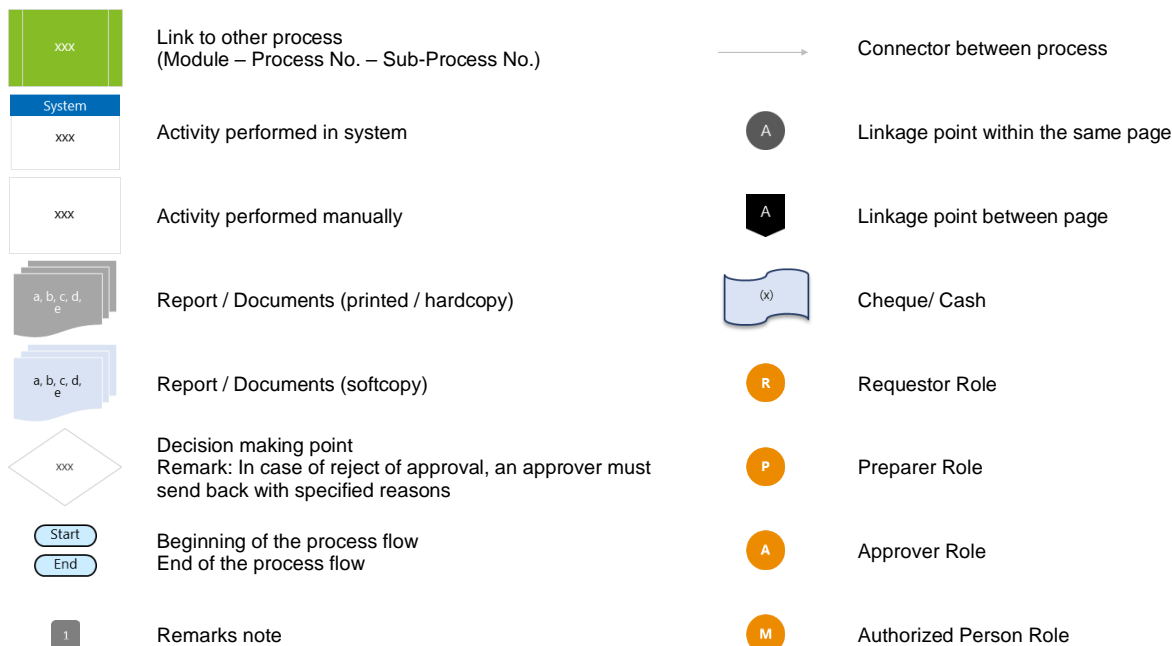
References:

N/A

Flowchart:

Process Flowchart Legends

xxx (green box / System)	Link to other process (Module – Process No. – Sub-Process No.)	──────▶	Connector between process
xxx (System)	Activity performed in system	Ⓐ	Linkage point within the same page
xxx	Activity performed manually	⬣ A	Linkage point between page
a, b, c, d, e	Report / Documents (printed / hardcopy)	(x) (flag)	Cheque/ Cash
a, b, c, d, e	Report / Documents (softcopy)	Ⓡ	Requestor Role
◇ xxx	Decision making point Remark: In case of reject of approval, an approver must send back with specified reasons	Ⓟ	Preparer Role
Start / End	Beginning of the process flow End of the process flow	Ⓐ	Approver Role
1	Remarks note	Ⓜ	Authorized Person Role

Abbreviations and Definitions

Abbreviation	Definition
AP	Accounts Payable
AR	Accounts Receivable
FA	Fixed Asset Accounting
GL	General Ledger
I&C	Inventory & Costing
TR	Treasury Operations
MA	Managerial Reporting and Budgeting
D&I	Digital and Innovation
MS&L	Marketing, Sales & Logistics

Abbreviation	Definition
ERP	Enterprise Resource Planning system
ECM	Enterprise Content Management system
ACCP	Accounting Portal system
VAT	Value Added Tax
WHT	Withholding Tax
SBT	Specific Business Tax
CIT	Corporate Income Tax

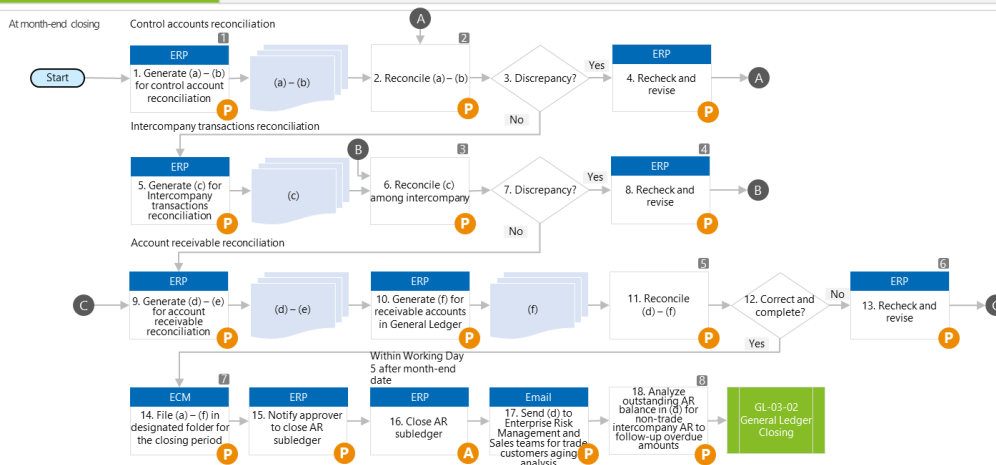| Process Group	Accounts Receivable
Main Process	AR-04 Period End Closing
Sub Process	AR-04-01 AR Subledger Closing

Relevant Document(s)

a) Control Accounts – by Customer Report
b) General Ledger – Control Accounts Report
c) General ledger with Intercompany Code Report
d) AR Aging Report (for trade and non-trade)
e) Transaction Registered Report
f) General Ledger – Receivables Related Accounts report

Remark(s)

1. Examples of control accounts to perform reconciliation include unearned revenue and suspense accounts

2. AR team must review at least the following:
   Customer Prepayment (Unearned) account
   - Outstanding payment balance from GL Trial balance - by customers.
   - Prepayment balance with movement details - by customer
   Suspense account
   - Outstanding balance in GL should be cleared and zero
   Any incomplete data, AR team needs to investigate and revise at the sub-ledger.

3. AR team reconciles intercompany transaction to ensure they are correctly recorded and balanced

4. AR team informs the responsible counterparty, i.e. Accounts Payable preparer, in case of discrepancy. If there is any discrepancy on the accounts payable side, the AP team will be responsible for making the necessary revisions at the AP sub-ledger level

5. AR team needs to reconcile:
   - Transaction Register Report to ensure that all AR transactions have been posted into the General Ledger.
   - AR balance in the AR Aging Report to confirm alignment and consistency with the balance in the General Ledger – Receivables Related Accounts Report.

6. Any incomplete or discrepancy data, AR team needs to investigate and revise at the sub-ledger.

7. Place the supporting detail file for AR to designated folder for General Accounting team to verify and support when prepare Financial statements

8. AR team will monitor non-trade intercompany AR to understand statuses and follow-up any overdue receivable amounts. For every year end, an action plan will also be created by AR team and the Controller to ensure that proper follow-up plan is in place.

Detail of Procedure: AR-04-01

Control account reconciliation (from step #1 - #4)

1. At month-end closing, AR preparer generates a Control Accounts reports, i.e. Control Accounts – by Customer Report from receivable subledger module and General Ledger – Control Accounts Report from General Ledger (GL) module, to view details of Control Accounts by Customer in submodule and in total book balance in GL from ERP for control accounts reconciliation. Examples of control accounts to perform reconciliation include:
   - Customer Prepayment (Unearned) revenue account
   - Suspense account.

2. AR preparer reconciles the two reports, i.e. Control Accounts – by Customer and General Ledger – Control Accounts, and must review at least the followings:
   <u>Customer Prepayment (Unearned) revenue account:</u>
   - Outstanding prepayment balance from GL Trial balance - by customers.
   - Prepayment balance with movement details - by customer.
   <u>Suspense account:</u>
   - Outstanding suspense account balance in both the AR submodule and GL should be cleared to zero by month-end.
   Any incomplete data, AR team needs to investigate and revise at the sub-ledger.

3. AR preparer reviews the result from the step #2 whether there is any discrepancy:
   a. If no discrepancy, proceed to step #5.
   b. If any discrepancy, proceed to step #4.

4. AR preparer rechecks and revises the control accounts discrepancy in ERP and then proceeds back to step #2.

Intercompany transactions reconciliation (from step #5 - #8)

5. AR preparer generates General ledger with Intercompany Code Report for intercompany transactions reconciliation.

6. AR preparer reconciles intercompany AR and AP transactions to ensure that they are correctly recorded and balanced.

7. AR preparer reviews the result from the step #6 whether there is any discrepancy:
   a. If no discrepancy, proceed to step #9.
   b. If any discrepancy, proceed to step #8.

8. AR preparer rechecks and revises the intercompany accounts discrepancy in ERP and informs the responsible counterparty, i.e. AP preparer, in case of discrepancy and then proceed back to step #6.
   <u>Note:</u> If there is any discrepancy on the AP side, the AP team will be responsible for making the necessary revisions at the AP sub-ledger level.

Accounts receivable reconciliation (from step #9 - #13)

9. AR preparer generates the AR aging Report and Transaction Registered Report from ERP for AR reconciliation.

10. AR preparer generates the General Ledger – Receivable Transactions Report from ERP to view receivable accounts in the General Ledger.

11. AR preparer needs to review the following when performing the reconciliation:
    - Transaction Register Report to ensure that all AR transactions have been posted into the General Ledger.
    - AR balance in the AR Aging Report to confirm alignment and consistency with the balance in the General Ledger – Receivables Related Accounts Report.

12. AR preparer reviews the result from the step #11 whether there is any discrepancy:
    a. If correct and complete, proceed to step #14.
    b. If incorrect and/or incomplete, proceed to step #13.

13. AR preparer rechecks and revises the AR discrepancy in ERP. Any incomplete or discrepancy data, AR team needs to investigate and revise in the sub-ledger. Then proceed back to step #9.

14. AR preparer uploads the documents as follows into the designated folder for the closing period in ECM as well as for General Accounting team to use in verifying and supporting when performing General Ledger closing process:
    - Control Accounts – by Customer Report
    - General Ledger – Control Accounts Report
    - General ledger with Intercompany Code Report
    - AR Aging Report (for trade and non-trade)
    - Transaction Registered Report
    - General Ledger – Receivables Related Accounts Report

15. AR preparer notifies Approver to close AR subledger

16. Within Working Day 5 after month-end date, AR approver performs the sub-ledger closing in ERP.

17. AR preparer sends the AR Aging Report to Enterprise Risk Management team for trade AR aging analysis.
    Note: AR function monitors non-trade intercompany AR. The Enterprise Risk Management team monitors trade AR and can independently extract the aging data from the system.

18. AR preparer analyzes the outstanding AR balance by customers in the AR Aging Report for intercompany non-trade customers, then proceed the work procedure of GL-03-02 General Ledger Closing.